Annual Report 2012

DKSH Holdings (Malaysia) Berhad

Think Asia. Think DKSH.

We make you grow

DKSH is the No.1 Market Expansion Services provider in Malaysia. We help companies and brand owners grow their business in new and existing markets.

Contents

Notice of Annual General Meeting

Notice is hereby given that the Twenty-First Annual General Meeting of DKSH Holdings (Malaysia) Berhad (Co. No. : 231378-A) will be held on Tuesday, June 25, 2013 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, 2012 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 sen per ordinary share and a special single tier dividend of 2.5 sen per ordinary share for the financial year ended December 31, 2012.
   Ordinary Resolution 2

3. To approve the payment of Directors' fees of RM150,000 for the financial year ended December 31, 2012.
   Ordinary Resolution 3

4. To re-elect James Armand Menezes who retires pursuant to Article 99 of the Company's Articles of Association.
   Ordinary Resolution 4

5. To re-elect Thon Lek who retires pursuant to Article 99 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, 2013 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 Renewal of Shareholders' 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), Part A of the Circular to Shareholders dated June 3, 2013 ("Proposed Renewal of Shareholders' 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 favourable 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 Renewal of Shareholders' 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 Renewal of Shareholders' 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

Notice of Annual General Meeting (continued)

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), Part A of the Circular to Shareholders dated June 3, 2013 ("Proposed Renewal of Shareholders' 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 favourable 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 Renewal of Shareholders' 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. **Proposed new Articles of Association of the Company**

"THAT the proposed new Articles of Association of the Company as set out in the Appendix II of the Circular to Shareholders dated June 3, 2013 be and are hereby approved and adopted, with or without modifications, as the new Articles of Association of the Company in substitution for and to supersede all the existing Articles of Association AND THAT the Directors be and are hereby authorized to do all acts and things and take all steps as may be necessary to give effect to this resolution."

Special Resolution 1

10. 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
June 3, 2013

Notes:

(i) Only members of the Company whose names appear in the Record of Depositors as at June 17, 2013 will be entitled to attend and vote at the meeting.

(ii) A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on such member's behalf.

(iii) Where a member appoints more than one proxy to attend and vote at the same meeting, the appointment shall be invalid unless the member specifies the proportion of the holdings to be represented by each proxy.

(iv) A proxy need not be a member of the Company. There is no restriction as to the qualification of the proxy and the provisions of section 149(1)(b) of the Companies Act 1965 shall not apply to the Company.

(v) A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.

(vi) 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 a duly authorized officer or an attorney duly appointed.

(vii) To be valid, the original Proxy Form duly completed and executed 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 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 Renewal of Shareholders' Mandate I for Recurrent Related Party Transactions of a Revenue or Trading Nature

   The proposed Ordinary Resolution 7, if passed, will renew the authorization 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 Renewal of Shareholders' Mandate II for Recurrent Related Party Transactions of a Revenue or Trading Nature

   The proposed Ordinary Resolution 8, if passed, will renew the authorization obtained at the last Annual General Meeting and allow DKSH Group to enter into a 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.

3. **Special Resolution 1**
   Proposed new Articles of Association of the Company

   The proposed Special Resolution 1, if passed, will allow the adoption of new Articles of Association of the Company ("Articles") to streamline the Company's Articles to be aligned with the new and/or amended provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and other prevailing statutory and regulatory requirements and/or other applicable rules and guidelines which have been revised.

Further information on the Proposed Renewal of Shareholders' Mandate I, Proposed Renewal of Shareholders' Mandate II and the Proposed new Articles of Association of the Company is set out in the Circular to Shareholders dated June 3, 2013 which is despatched together with the Company's Annual Report 2012.

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-First 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
Thon Lek	Independent Non-Executive Director
Alexander Stuart Davy	Non-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

Thon Lek	Chairman of the Nominating Committee
Michael Lim Hee Kiang	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 have the pleasure in presenting the Annual Report and the audited financial statements of DKSH Holdings (Malaysia) Berhad Group ("the Group") for the financial year ended December 31, 2012.

In a favorable economic environment, the Group set new records in 2012 and once again outperformed the previous record year of 2011. The Group's net sales grew by 11.4% from RM 4.3 billion in 2011 to RM 4.7 billion in 2012, outpacing the country's GDP growth and exceeding the Malaysian Market Expansion Services industry growth rate of 7.9%.

The Malaysian economy grew above expectations at 5.6% in 2012. Following a similar trend to prior years, this performance came from higher growth in domestic demand, which was fueled by higher consumption and investment spending. Contributing to DKSH's business was the growth of 7.7% in private consumption, reinforced by low unemployment, income growth and the government's continued focus in transforming Malaysia into a high-income economy by 2020.

All three business segments contributed positively to the sales growth, which was driven by the existing client base. Successful business development further fueled the earnings momentum, especially in gaining new clients for the Group's Fast Moving Consumer Goods business, as well as the Healthcare business. The Group's Famous Amos retail outlets also performed well, with increased sales in existing outlets as well as the opening of new outlets. Based on this, net sales in the Marketing and Distribution segment grew by 8.8%, whilst the Logistics segment and the segment "Others" grew by 13.4% and 12.2% respectively.

In 2012, the Group has also remained focused on pursuing strategic growth initiatives and enhancing cost efficiencies in the capillary sales and distribution infrastructure. The efficient SAP system, as well as the complimentary IT business warehouse and sales force automation systems have contributed in improving operational and transactional efficiencies and providing important information and market feedback to the Group and its clients.

Good sales growth, prudently managed operating expenses and improved operating efficiencies, as well as the sale of a non-strategic piece of leasehold land led to an overall increase in profit after tax of 66.6% from RM 49.1 million to RM 81.8 million. Earnings per share improved by 75.3% from 28.13 sen per share in 2011 to 49.32 sen per share in 2012.

Sustainability

High ethical standards and good governance are paramount to the sustainability of our business. As part of DKSH's governance framework, we have continued implementing our Corporate Sustainability programs throughout the year. This resulted in numerous activities that allowed the Group to give back to communities in need. At the center of these efforts stands the annual Fantree Club Charity Run, in which over 600 of the Group's employees participated. This initiative was further complemented by various other endeavors where the Group was actively engaged with communities in need, ranging from the participation in The Edge – Bursa Malaysia Kuala Lumpur Rat Race 2012, to direct contributions to charitable organizations. The staff engagement has been an important source of inspiration in embracing the charitable spirit in these initiatives.

We remain dedicated in empowering our people to grow professionally and to attract and retain top talents in the business and market we serve. Our corporate training and development programs such as the "Being a Talented Manager" program and the "Leadership Enhancement and Acceleration Program" for senior and middle management provide sustainable, continuous learning and personal development to help employees deliver their best.

Dividends

In view of the good financial performance in 2012, the Board of Directors proposes an ordinary dividend of 9 sen per ordinary share. Furthermore, the Board of Directors proposes a special dividend of 2.5 sen per ordinary share for shareholders to participate in the successfully concluded land sale. The total dividend payment of 11.5 sen per ordinary share in respect of the financial year ended 2012 is reflective of an increase of 64% compared to the dividend of 7 sen per ordinary share for 2011 and amounts to a total payout of RM 18.1 million.

Prospects

The Group continues to maintain a positive outlook based on the resilience of its business model and an expected steady expansion in the Malaysian economy. The well-diversified portfolio of clients and customers, as well as a strong sales, marketing and distribution

Chairman's statement (continued)

infrastructure with capillary distribution reach is further expected to be a foundation for the Group's continued growth in all segments.

In a report issued by the Roland Berger Strategy Consultants in March 2013, the Market Expansion Services industry in Malaysia is projected to grow from USD 12.9 billion in 2012 to USD 18.8 billion in 2017, implying a compounded annual growth rate (CAGR) of 7.9%.

Two market trends further underline a positive medium to long term outlook for the Group. Firstly, the growing middle class in Malaysia creates additional demand for consumer goods and pharmaceutical products. Secondly, the increased focus of brand owners on their core competencies is steering the trend towards outsourcing of non-core activities to specialized Market Expansion Service providers such as DKSH. Our track record of consistent and strong financial performance over the last few years provides assurance that we are well positioned to capitalize on these long-term trends.

In 2013, we will remain committed to growing the businesses of existing clients as our primary focus whilst business development will be important to accelerate further growth. 2013 will see the Group's Healthcare business move into a new, state-of-the-art distribution center. The leased distribution center will provide the platform for further growth in the Healthcare business in the years to come. Healthcare will also invest in a leading customer care center in order to serve our customers even better and further strengthen DKSH's industry leadership position in customer service levels.

With the Group's continued strong performance in recent years and a growth momentum which is expected to continue, the Group also places importance on evaluating the necessary infrastructure and talent pool to ensure continued growth.

Acknowledgments

In achieving another record year, I would once again like to convey my sincere appreciation to the entire DKSH management team and employees who have implemented the Group's strategy for growth with much rigor and exemplary hard work, and have with this laid a cornerstone for continued profitable growth of the Group.

On behalf of the Board, I would also like to thank our clients, customers and business partners for their continued partnership and support in growing our mutual businesses throughout Malaysia and Brunei.

Last but not least, my appreciation also goes to our shareholders for the continued commitment to DKSH.

Michael Lim Hee Kiang
Chairman

Management discussion and analysis

The Group continued its strong performance in 2012, reflecting the resilience and scalability of its business model, as well as the Group's strategies, which were implemented over the last few years.

Net sales for the Group grew by 11.4% from RM 4.3 billion in 2011 to RM 4.7 billion in 2012, outgrowing the growth rate for the Market Expansion Services industry in Malaysia of 7.9%[1].

All business segments contributed positively to the Group's growth in 2012. Furthermore, the positive performance was driven primarily by the growth of existing clients coupled with new business development.

The strong sales performance, combined with improved operating and cost efficiencies in the Group's capillary sales and distribution network resulted in an increase in profit after tax (before exceptional items) of 23.6% from RM 49.1 million in 2011 to RM 60.7 million in 2012. This substantial profit growth further underlines the effectiveness of our strategy for growth, as well as our ability to provide continuous operating leverage and efficiencies. The Group's performance was further improved by the sale of a non-strategic piece of leasehold land, which the Group no longer utilized. The land sale resulted in a one-off profit of RM 21.1 million, bringing the total profit after tax to RM 81.8 million in 2012, an increase of 66.6% compared to 2011.

The Malaysian government's introduction of a minimum wage during 2012 has not materially affected the operating costs of the Group.

The emphasis on effective management of working capital remained an integral part of the Group's focus throughout 2012. Whilst inventories increased at a slower rate than sales, accounts receivable increased in line with sales after discounting a one-off accounting reclassification from January 2012 onwards for cash-in-transit, which includes checks received but not yet cleared at the bank. This accounting reclassification increased the accounts receivable positions and reduced the cash positions in the balance sheet respectively, but has no impact on the effective cash positions of the Group.

We remain firmly convinced that business sustainability and good governance are intertwined and are crucial parts of the Group's long-term growth. In 2012, the Country Management Team continued its regular reviews of the Group's risks in order to remain vigilant and focused on its business risks. Furthermore, the Group's documented Internal Control System, which focuses on key operational and financial risks, is regularly reviewed by the respective managers and their teams, complemented by audit reviews. As a reflection of the importance of the state-of-the-art IT systems, the Group's SAP system has been successfully upgraded to the latest SAP ECC 6 release, whilst sales force automation systems and business information tools have been further enhanced.

People are DKSH's most important asset

As the leading Market Expansion Services provider in Malaysia, our 2,700 specialist employees are the most important asset to ensure continued growth of the Company. United by a shared corporate culture and values, we empower the best professionals in our industry to grow their careers and work together with DKSH to grow businesses for our business partners.

Throughout 2012, we have invested into strengthening the management teams as well as undertaken assessments of training needs and planned training programs for middle and higher management levels, whilst the sales force has undergone sales related training programs.

With continued investments into the talent pool, DKSH remains focused on being one of Malaysia's preferred employers.

Marketing and Distribution segment

Under the Marketing and Distribution segment, the Group offers a comprehensive range of services. The service portfolio ranges from marketing and sales, to distribution and logistics, invoicing and credit control, handling of inventory and trade returns, and other value-added services.

The Marketing and Distribution segment, which comprises the Fast Moving Consumer Goods and the Performance Materials businesses, saw a net sales growth of 8.8% from RM 1.9 billion in 2011 to RM 2.1 billion in 2012. Led by the Group's effective and committed sales teams, a large number of clients under the Fast Moving Consumer Goods business saw strong sales growth, underpinned by securing new local and international clients, primarily in confectionery and personal care products.

The Fast Moving Consumer Goods business also saw improved efficiencies in its sales and distribution capabilities, whilst stringent controls were maintained on inventories, accounts receivable, bad debts and returned goods. These focus areas helped reduce expenses and improve profit at a higher rate than sales growth.

A business transformation program in Performance Materials, the Group's smallest business, helped improve results with strengthened sales. Performance Material's strategy of enhancing the organic growth by leveraging solutions-

[1] Source of figures: Roland Berger Strategy Consultants, March 2013

Management discussion and analysis (continued)

oriented businesses combined with new business development have further solidified the foundation for the future. This also resulted in further investments into a specialized application laboratory. Various initiatives to improve sales and operating effectiveness are still ongoing.

Good sales, continued efficiencies and controls, and operating leverage, had fueled an accelerated increase in operating profit of 36.2% from RM 37.0 million in 2011 to RM 50.5 million in 2012.

Logistics segment

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

Net sales for this segment improved by 13.4% from RM 2.3 billion in 2011 to RM 2.6 billion in 2012 and consistently outperformed the quarterly net sales of 2011. The strongest sales growth within this segment came from the Healthcare business. Similar to the Fast Moving Consumer Goods business under the Marketing and Distribution segment, the growth came from existing clients, and was additionally accelerated by new clients as a result of successful new business development. Business Unit Healthcare also strengthened the full-services solutions business, including sales and marketing capabilities.

Once again it is also noteworthy that Business Unit Healthcare has maintained its leadership position according to the independent IMS market survey, whilst ensuring the integrity throughout the value chain.

Supported by additional new territories in Peninsula Malaysia, the telephone card business had also advanced well with an increase in net sales in 2012 compared to 2011.

DKSH Transport Agencies showed resilience in a competitive market. Compared to the very strong performance for this business in 2011, 2012 was a year where the Group invested in strengthening the management team while being affected by the discontinuation of the cargo consolidation business.

Operating profit for the Logistics segment grew by 5.7% from RM 31.1 million in 2011 to RM 32.9 million in 2012. This is to be seen in the context of a very strong 2011 for DKSH Transport Agencies.

Segment "Others"

The third segment consists of central overheads, the Group's properties, and most notably the operation of the Famous Amos chocolate chip cookie retail chain, which forms the most important operational unit within this segment.

Famous Amos performed very well, supporting increases in net sales of 12.2% from RM 51.2 million in 2011 to RM 57.4 million in 2012 for the segment. Whilst sales in existing outlets grew, an additional 10 new outlets were opened in 2012 taking the total number of stores to 80 as of the end of 2012. Famous Amos further invested in the point-of-sales system and moved the supply chain operations into a new distribution center at the end of 2012 to facilitate further growth.

The segment "Others" also contains the properties held by the Group. During the year 2012, the Group decided to divest a non-strategic piece of leasehold land. The land sale, which was concluded in the fourth quarter of 2012, led to a one-time profit of RM 21.1 million.

The strong performance of Famous Amos, combined with the land sale, increased the operating profit for the segment "Others" by 334.3% from RM 6.8 million in 2011 to RM 29.7 million in 2012. The segment's operating profit would have grown by 25.3% without the one-time profit from the land sale.

Outlook

We expect the Malaysian market to remain favorable, supported by the growth of a confident middle class and the trend for manufacturers to outsource non-core activities including market research, product registration, sales and marketing, and distribution activities. As the leading Market Expansion Services provider in Malaysia, DKSH is set to continue its course of sustainable and profitable growth.

John Peter Clare
Group Finance Director

Management discussion and analysis (continued)

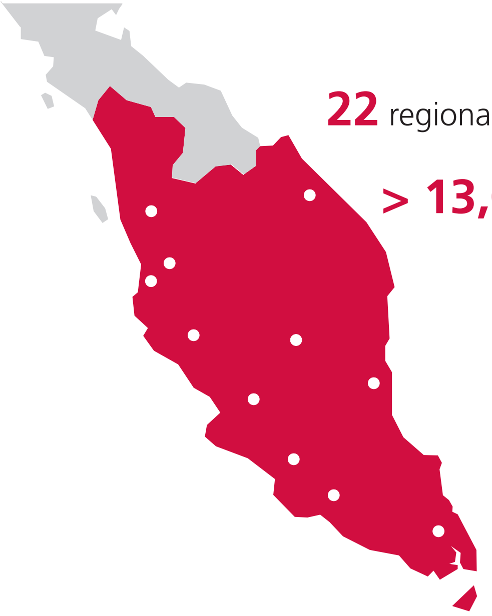
With our capillary distribution network and industry expertise, DKSH is a partner that goes the extra mile to achieve business growth for our business partners. We serve more than 13,000 customers in Malaysia, ensuring that our clients' products are visible on the shelves at all times.

We provide access to multiple professional healthcare channels, including hospitals, clinics, pharmacies, and dentists, ensuring the integrity of the value chain and helping our clients in the pharmaceutical business grow.

DKSH's Performance Materials business under the Marketing and Distribution segment, source, develop, market and distribute specialty chemicals and ingredients for pharmaceutical, personal care and food and beverage applications. Our expertise in the specialty chemicals industry enables our clients to focus on their core competencies.

Carrying on the tradition of its founder-baker, Famous Amos uses only original recipes and the finest ingredients. Freshly baked in stores throughout the day, Famous Amos chocolate cookies are enjoyed by cookie lovers everywhere.

DKSH at a glance



RM 4.7 billion net sales

22 regional offices

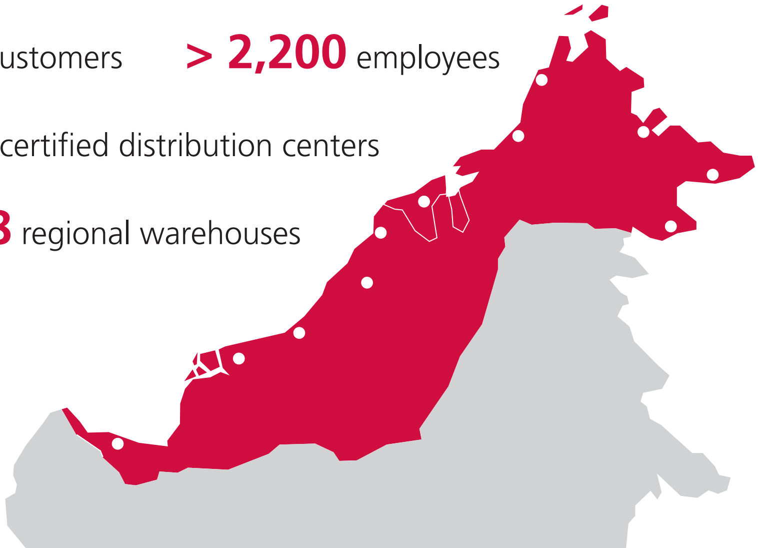
> 130 clients

> 13,000 customers

> 2,200 employees

4 ISO-certified distribution centers

8 regional warehouses



Financial highlights

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

	2008	2009	2010	2011	2012
Net sales	3,622,586	3,559,678	3,867,610	4,260,749	4,745,524
Profit before tax	9,711	31,019 [1)]	45,556	67,687	105,166
Net profit attributable to owners of the parent	1,056	21,248 [1)]	27,963	44,346	77,762
Total assets employed	1,116,950	969,147 [2)]	1,107,605	1,240,147	1,283,469
Shareholders' equity	144,464	162,203	184,909	222,182	290,810

Notes:
The comparatives for financial year 2009 have been restated to reflect:
1) The reclassification of exchange effect on the transition of investment in a foreign subsidiary to other comprehensive income.
2) The reclassification between receivables and payables in the Statements of Financial Position.

Corporate profile

International 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 680 business locations in 35 countries – 660 of them in Asia – and 25,900 specialized staff, DKSH generated net sales of CHF 8.8 billion in 2012.

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. Business activities are organized into four specialized Business Units that mirror DKSH fields of expertise: Consumer Goods, Healthcare, Performance Materials and Technology.

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

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 2,200 specialized staff. Today, DKSH's main office in Petaling Jaya, Selangor and its 22 business locations serve more than 130 clients and 13,000 customers across Malaysia, providing unparalleled market coverage nationwide.

DKSH Holdings (Malaysia) Berhad, formerly known as Diethelm 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.

We touch the daily lives of Malaysians by providing a comprehensive portfolio of products, including many well-known local and international brands.

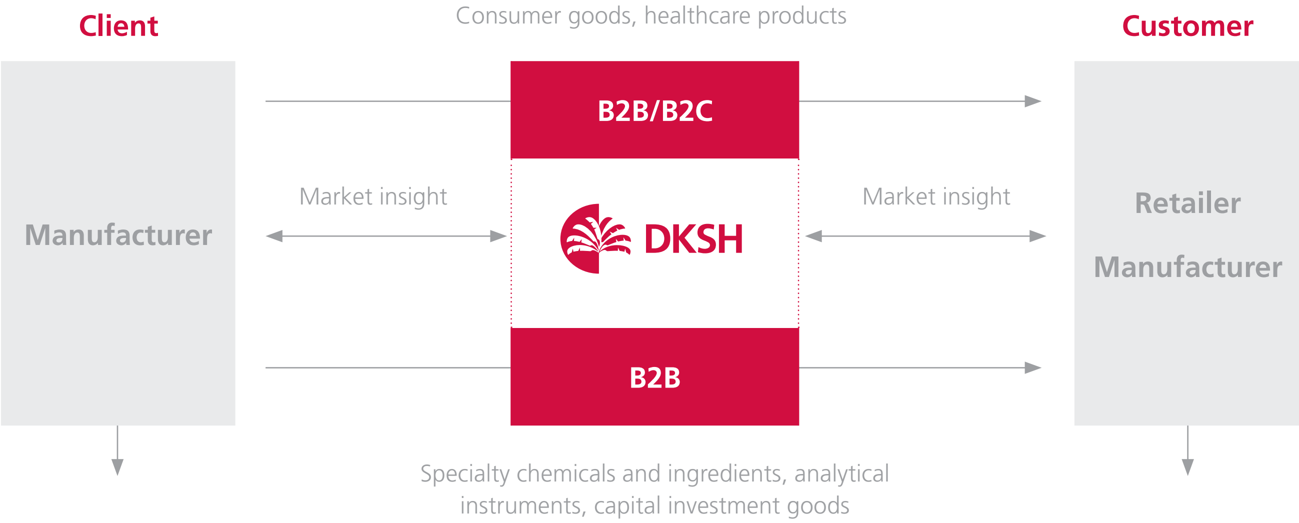
By working closely with our business partners, we enable them to benefit from market insights, reduced time-to-market intervals and create new revenue opportunities.

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.

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.

In Malaysia, DKSH represents over 130 clients and distributes their products to over 13,000 customers ranging from local sundry shops to hypermarkets, from 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 22 regional offices covering key market locations in West and East Malaysia as well as Brunei.

One of the ways we help companies to grow their business in new and existing markets is through driving brand awareness with consumers.

Corporate profile (continued)

Our sales force is equipped with mobile handheld devices allowing our field-based sales force to instantly execute sales orders and review inventories for increased sales force effectiveness.

The strength of our sales force is reinforced by an 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.

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. Alternatively, orders are also placed by customers directly through the centralized call center.

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 part of Consumer Goods, which are entirely supply chain-centric. More specifically, these include the distribution of telephone cards business as well as the transport and freight forwarding business.

Core to the Group's distribution infrastructure are two ISO-certified distribution centers – one in Bukit Kemuning near Klang, the other in Petaling Jaya, the latter of which will be replaced during 2013 with a new state-of-the-art central distribution center in Shah Alam to facilitate further expansion of its healthcare channels. The distribution center in Klang has a capacity of over 500,000 sq.ft. for ambient, air conditioned, chilled and frozen products catering for Consumer Goods. The Petaling Jaya distribution center and the new central distribution center in Shah Alam respectively, supply healthcare products. To reach more remote customers in a timely manner, these two distribution centers are further supported by nine branches in East Malaysia (including Brunei) which have their own Consumer Goods warehouses, while two additional ISO-certified Healthcare distribution centers in Kuching and Kota Kinabalu ensure the highest standards of operational and supply chain efficiencies.

With our state-of-the-art logistics infrastructure and distribution centers, we can transport, store, and distribute products efficiently and professionally.

DKSH Transport Agencies handles the forwarding business of the Group and third parties. It has independent offices located in major ports of Port Klang, Pasir Gudang, Tanjung Pelepas, Kuantan Port and Prai. The broad range of services it provides include forwarding, freight forwarding, vessel clearance and husbanding, container haulage and conventional trucking services. DKSH Transport Agencies is a freight forwarding and shipping agent licensed by the Royal Malaysian Customs.

DKSH operates the Famous Amos chocolate chip cookie retail outlets in Malaysia. The chain is constantly expanding and now operates more than 80 outlets in shopping malls and airports in Malaysia.

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 2012, there were a total of 80 Famous Amos outlets located in West and East Malaysia.

This segment also includes properties utilized by the operating units, as well as costs which are not allocated to operating units such as IT costs for services that benefit all businesses of the Group.

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.

Research and analysis

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 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.

Distribution and logistics

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 collections.

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
Member of the Nominating Committee

Mr Michael Lim Hee Kiang, aged 65, 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 subsequently appointed as a member of the Nominating Committee on February 26, 2013.

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 Major Team Holdings Berhad, Paragon Union Berhad, Selangor Properties Berhad, Seloga Holdings Berhad and Wawasan TKH Holdings Berhad.

Mr Lim attended all four Board meetings of the Company held in the financial year ended December 31, 2012. 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

Mr James Armand Menezes, aged 67, a Malaysian, was appointed as an Independent Non-Executive Director and a member of the Audit Committee of the Company on July 19, 2004. He was subsequently appointed as the Chairman of the Audit Committee on December 10, 2004.

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, 2012. 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 60, a Malaysian, is a Non-Independent Non-Executive Director and a member of the Audit Committee of DKSH Holdings (Malaysia) Berhad. He was appointed to the Board and Audit Committee of the Company 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 board of Affin Fund Management Berhad and Boustead Al-Hadharah REIT.

Datuk Haji Abdul Aziz attended three out of four Board meetings of the Company held in the financial year ended December 31, 2012. 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.

Thon Lek
Independent Non-Executive Director
Chairman of the Nominating Committee

Mr Thon Lek, aged 65, a Malaysian, is an Independent Non-Executive Director of DKSH Holdings (Malaysia) Berhad. He was appointed to the Board of the Company on January 3, 2002. He was subsequently appointed as the Chairman of the Nominating Committee on February 26, 2013.

Mr Thon holds a Bachelor of Economics degree majoring in Applied Economics from the University of Malaya. He started his career with Harpers Trading (Malaysia) Sdn Bhd in 1971, and held various managerial positions until he was appointed as Managing Director in 1995. In 1999, Mr Thon was appointed as Chief Operating Officer, Consumer Product Operations of DKSH Holdings (Malaysia) Berhad where he oversaw all consumer product operations of DKSH Malaysia Sdn Bhd and Harpers Trading (Malaysia) Sdn Bhd. He retired from this position in mid-2004 and remained on the Board as Executive Director to handle a number of special projects for the Company until December 31, 2005.

Mr Thon attended all four Board Meetings of the Company held in the financial year ended December 31, 2012. He does not hold any directorship of other public companies. Mr Thon 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)

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

Mr Alexander Stuart Davy, aged 55, a United Kingdom national, is a Non-Independent Non-Executive Director of DKSH Holdings (Malaysia) Berhad. He was appointed to the Board of the Company on January 28, 2008. He was subsequently appointed as a member of the Nominating Committee on February 26, 2013.

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 15 years ago, with the first seven years as the Chief Financial Officer of Diethelm Thailand, the Group's largest operation and the next six years as the Group Chief Financial Officer 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 Siam Reap, Cambodia.

Mr Davy attended all four Board meetings of the Company held in the financial year ended December 31, 2012. 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.

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

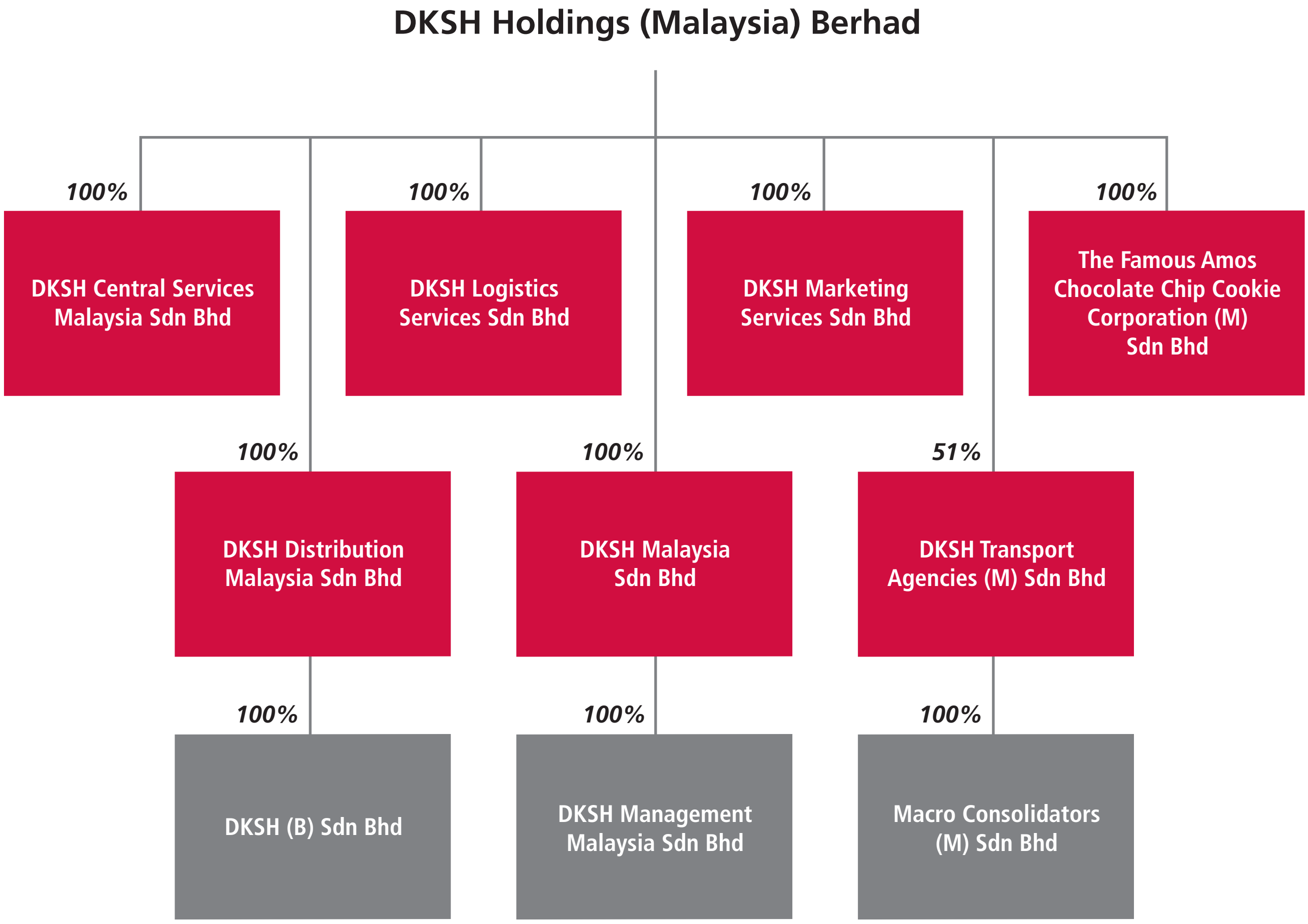
Mr John Peter Clare, aged 42, a United Kingdom national, was appointed as the Group Finance Director of DKSH Holdings (Malaysia) Berhad on March 1, 2011.

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, 2012. 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

DKSH



Corporate governance statement

Good corporate governance and sustainable business performance are intertwined. The Board of Directors of DKSH Holdings (Malaysia) Berhad ("the Board") is committed to high standards of corporate governance and ensuring the comprehensive application of the principles and their corresponding 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.

In accordance with paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), the Board is pleased to report to shareholders on the Group's corporate governance practices with reference to the Code, during the financial year ended December 31, 2012.

Board of Directors

Board composition and size

The Board consists of six members: an Independent Non-Executive Chairman, two Independent Non-Executive Directors, two Non-Independent Non-Executive Directors and a Non-Independent Executive Director who is the Group Finance Director. The Independent Directors make up more than one-third of the Board membership. All members of the Board have an extensive professional background. Their profiles are set out on pages 16 to 18 of this Annual Report.

The Board is of the opinion that the current composition and size of the Board are representative of the investments by the substantial shareholders of the Company. The largest shareholder, which holds the majority of the shares in the Company, has two Board representatives, whilst the second largest shareholder has one Board representative.

Whilst the Board regularly assesses its size, skills and composition, the Board composition is further reviewed by the international DKSH Group of Switzerland with a focus on skills, independence and diversity in meeting the Company's needs.

Roles and responsibilities of the Board

The Board has overall responsibility for the Company's strategic planning and direction, overseeing the conduct of the Company's business, corporate governance, investor relations, risks management practices and internal controls, including the formulation of appropriate control systems and policies for areas of risk to the Group.

In executing its responsibilities, the Board establishes dedicated committees and functions and conducts respective performance reviews. When delegating functions to senior management, the Board ensures they are of sufficient calibre to implement the Board's strategies, corporate objectives and promote sustainability. The Board ensures the management has taken into account the interest of various stakeholders in establishing the strategic plans of the Group.

The Board has formalized in its Board Charter clear roles, duties and responsibilities for discharging its fiduciary and leadership functions. The Board Charter will be reviewed and updated as necessary to determine its adequacy to current requirements. The core areas of the Board Charter include the following:

(i) Authority and functions of the Board
(ii) Board structure
(iii) Board Committees
(iv) Board meetings
(v) Access to information and independent advice
(vi) Accountability and audit
(vii) Directors' remuneration
(viii) Board assessment
(ix) Directors' training and continuing education
(x) Investor relations and shareholders communication
(xi) Conflict of interest and declaration of interest
(xii) Restrictions on share dealings by Directors

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

The Board establishes a corporate culture which engenders ethical conduct to be permeated throughout the Company. In 2012, the international DKSH Group of Switzerland further enhanced the Code of Conduct. The updated Code of Conduct was adopted by the Company and includes a comprehensive internal reporting process for events of non-compliance.

Appointments to the Board

The Nominating Committee established by the Board is responsible for the nomination and appointment of Directors, which is subject to the Board's approval. The Board sets out expectations, among others, on time commitment for its members and protocols for accepting new directorships.

The Board, after considering the recommendations of the Nominating Committee, reviews the suitability of an individual to be appointed taking into account the skills, expertise, background, experience and time commitment of the individual.

Although the Board does not have a policy on Boardroom gender, the Board believes in providing equal opportunities to all genders based on merit.

Corporate governance statement (continued)

Re-election of Directors

Pursuant to the Main Market Listing Requirements of Bursa Malaysia ("Listing Requirements") and the provisions of the Company's Articles of Association, all Directors of the Company shall retire from office at least once every three years but shall be eligible for re-election at the annual general meeting of the Company, while a new Director appointed by the Board during the year shall hold office until the next annual general meeting of the Company and shall then be eligible for re-election.

Retiring Directors who seek re-election are subject to an assessment by the Nominating Committee and approval of the Board. The Nominating Committee will assess and evaluate and the Board determines the independence of an Independent Director whose tenure has exceeded nine years when the Director is due for re-election at the annual general meeting of the Company.

At the forthcoming annual general meeting, one third of the Directors will retire by rotation, and they have offered themselves for re-election. To assist shareholders in their decision, the information on all Directors including the Directors standing for re-election is set out in the Directors' profiles on pages 16 to 18 of this Annual Report.

Board assessment

The Nominating Committee conducts an annual assessment on the effectiveness of the Board as a whole and of the Board Committees, as well as the performance of individual Directors and his independence where applicable.

The criteria used for such assessment is guided by the Corporate Governance Guide issued by Bursa Malaysia. Where appropriate, the Nominating Committee will review the criteria used in the nomination process and the annual assessment.

The 2012 assessment of the Board was structured to ensure a balanced and objective review by the Directors in the key areas. Where applicable, the Board, Board Committees and individual Directors evaluated the Board's composition and structure, principal responsibilities, governance, and objectivity and independence of Directors. The results of the assessment were presented to the Board for its consideration and formally documented.

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 interest of investors, including the Company's minority shareholders is adequately protected.

The Board comprises an Executive Director and five Non-Executive Directors, three of whom are Independent Directors. The Chairman of the Board is an Independent Non-Executive Director and is responsible for managing the conduct of the Board and ensuring Board effectiveness.

The Group Finance Director together with the management of the Company ensures that strategies, policies and matters approved by the Board are effectively implemented.

The presence of Independent Directors plays a pivotal role in corporate accountability and objectivity. Independent Directors provide independent and constructive views and ensure that the strategies and policies proposed by the management are reviewed and deliberated in the interest of the various stakeholders.

Independence of Directors

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

Although one of the recommendations of the Code provides that the tenure of Independent Directors should not exceed nine years of service, the Board does not limit the tenure for Directors as the Board is of the view that there are significant advantages gained from long-serving Directors who possess valuable insight and knowledge of the Company's affairs and operations. The ability of a Director to serve effectively as an Independent Director is very much a function of his calibre, qualification, experience, integrity and objectivity in discharging his responsibilities in the best interest of the Company.

Subject to the annual assessment and the Board's recommendation, the Independent Directors who have served the Board for a cumulative term of more than nine years may continue to serve on the Board without re-designation.

The Nominating Committee and the Board had, upon their annual assessment, concluded that Michael Lim Hee Kiang who has served on the Board for 22 years and James Armand Menezes, who has served on the Board for nine years, remain objective and independent in expressing their views and in participating in deliberations and decision making of the Board and Board Committees. The Board takes the view that the Independent Directors concerned shall continue to serve on the Board without re-designation.

Further, all Independent Directors have provided an annual confirmation of their independence to the Board that they will continue to fall within the definition of independence as set out in the Listing Requirements.

Corporate governance statement (continued)

Board meeting and supply of information

The Board is scheduled to meet at least four times a year. During 2012, 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 are forwarded to its members prior to all meetings. The Chairman of the Board and Board Committees together with the Group Finance Director jointly organize the agenda and supporting information for the Board and/or Board Committee meetings.

The Board receives quarterly interim financial results and comprehensive information which allow it to have a thorough assessment of the Company's performance, the Group's operational, financial and corporate matters, business performance, and securities transactions by the Directors, major shareholders and principal officers of the Company and/or a major subsidiary. The Board is regularly kept informed of the requirements and updates issued by Bursa Malaysia and various regulatory authorities.

The Chairman of the Board ensures that all Board members are given ample opportunity to express their views and opinions during meetings. All discussions, decisions and conclusions are duly recorded in the minutes of meetings which are circulated to all Board members and subsequently confirmed by the Chairman of the meeting.

The Chairman of the respective Board Committees 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.

Further, the Board has full and unrestricted access to the advice and support of the senior management and the company secretaries. There are no restrictions for Directors to obtain independent professional advice at the Company's expense in furtherance of their duties. The company secretaries ensure proper documentation of meetings and compliance with statutory and listing obligations. Both company secretaries are qualified to act as secretaries pursuant to section 139A(a) of the Companies Act 1965 and support the Board in carrying out its roles and responsibilities.

Directors' training

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

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

During the financial year under review, all Directors attended a number of training and seminar programs except for James Armand Menezes due to family bereavement. The training and seminar programs attended by all other Directors pertain to, among others, the Board's role in governance, corporate governance, investor relations, finance 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 the international DKSH Group of Switzerland, the remuneration of the Executive Director is based on the international DKSH Group of Switzerland's own world-wide remuneration policy and procedures which are set in line with international

The Board of Directors : Composition and attendance at the Board meetings held in 2012

Directors	Designation	No. of meetings attended	% of attendance
Michael Lim Hee Kiang	Independent Non-Executive Chairman	4/4	100
James Armand Menezes	Independent Non-Executive Director	4/4	100
Datuk Haji Abdul Aziz bin Ismail	Non-Independent Non-Executive Director	3/4	75
Thon Lek	Independent Non-Executive Director	4/4	100
Alexander Stuart Davy	Non-Independent Non-Executive Director	4/4	100
John Peter Clare	Non-Independent Executive Director/ Group Finance Director	4/4	100

Corporate governance statement (continued)

standards. Hence, the Board is of the opinion that a remuneration committee is not required.

The aggregate remuneration of the Directors of the Company categorized under separate bands during 2012 is set out in the table below, and further details of the aggregate remuneration of the Directors during 2012 are set out in Note 6 to the Financial Statements on page 77 of this Annual Report.

Board Committees

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. The composition of the Audit Committee comprises exclusively Non-Executive Directors with a majority of them being Independent Directors. The Chairman of the Audit Committee is an Independent Director.

The Audit Committee meeting is held at least four times annually and is scheduled prior to the Board meeting. The internal and/or external auditors attend the Audit Committee meeting with or without the presence of any Executive Director and management of the Company. The Audit Committee is in continuous contact with the senior management of the Company as well as internal and external auditors. Issues raised or recommendations made by the Audit Committee are tabled for the Board's deliberation and approval.

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

Further details of the activities during the financial year under review, and the duties and responsibilities pursuant to the Audit Committee's terms of reference as approved by the Board are set out in the Audit Committee Report on pages 32 to 33 of this Annual Report.

Nominating Committee

The Nominating Committee of the Company was established by the Board in February 2013. The Nominating Committee comprises two Independent Non-Executive Directors and a Non-Independent Non-Executive Director. The composition of the Nominating Committee comprises exclusively of Non-Executive Directors with a majority of them being Independent Directors. The Chairman of the Nominating Committee is an Independent Director.

Duties and responsibilities of the Nominating Committee are set out in its terms of reference as approved by the Board. In general, the Nominating Committee has the responsibility to oversee the selection and assessment of Directors, and recommend to the Board suitable candidates for the appointment to the Board and Board Committees.

The Nominating Committee meeting will be held at least once annually and issues raised or recommendations made by the Nominating Committee will be tabled for the Board's deliberation and approval.

Accountability and audit

Financial reporting

The Board ensures the assessment of the Group's position and prospects are clear and balanced. 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. It is the responsibility of the Audit Committee to review the financial statements for compliance with applicable financial reporting standards. The Audit Committee reviews, and the Board discusses and approves the quarterly and annual assessments of the Group's financial statements 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 2012 is set out on page 37 of this Annual Report.

Relationship with the Auditors

Through the Audit Committee, the Board maintains a formal and transparent professional relationship with the internal and external auditors. The Company has a transparent procedure with the auditors in line with the auditors' professional requirements. 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.

Risk management and internal controls

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

Aggregate remuneration of the Directors for the financial year ended December 31, 2012

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 1,250,001 to RM 1,300,000	1	–

Corporate governance statement (continued)

An overview of the state of risk management and internal controls of the Company 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 2012. 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 duly complied with.

The Company has and will conduct regular investor relations meetings, and welcomes the visit of institutional investors and/or fund managers for dialogue or discussions on performance and plans as a means of effective investor relationship. The Group Finance Director is available for such meetings. Queries or issues regarding the Company and/or the Group may be conveyed to the Group Finance Director.

Other information

Utilization of proceeds raised from any corporate proposal

Pursuant to the Company's announcements released on June 20, 2012 and October 23, 2012 respectively, proceeds raised from the disposal of a piece of leasehold land ("Land Sale") as at December 31, 2012 are utilised in the manner as set out in the table below.

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.

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 58,259.00 were paid to the external auditors of the Company in connection with the services rendered to the Company and/or the Group.

Variation in results

There were 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, 2012.

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.

Utilization of proceeds raised from the Land Sale

Purpose	Proposed utilization (RM)	Actual utilization (RM)	Intended timeframe for utilization	Deviation (RM)
Reduce bank borrowings	29,463,000	29,417,980	Within a year upon receipt of payment	(45,020)
Estimated expenses in relation to the Land Sale	537,000	582,020	Immediately upon receipt of payment	45,020
Total	30,000,000	30,000,000		–

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 28, 2012, the Company had obtained approval from shareholders to allow the Group to enter into RRPTs as specified in the Company's Circular to Shareholders dated June 6, 2012.

In accordance with paragraph 3.1.5 of Practice Note 12, the details of RRPTs conducted pursuant to the aforesaid shareholders' mandate during the financial year 2012 are set out in the table below.

	Nature of RRPTs	Transacting companies with whom DKSH Group transacts with	Interested Directors and major shareholders (as defined hereinunder)*	Amount transacted during the financial year 2012 RM'000
(i)	Hosting system applications, data processing applications, provision of infrastructure and support facilities, provision of IT and organisational consultancy services by 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)] NJH [6)]	10,425
(ii)	Sales 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)] NJH [6)]	31,919
(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)] NJH [6)]	57,249
(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)] NJH [6)]	6,869
(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 [7)] DAA [8)]	0

***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, 2013) 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 CSSC and DKSH Asia. DKSH Holding Ltd is a person connected with DKSH Resources.

4) Alexander Stuart Davy ("ASD") is a Non-Independent Non-Executive Director and has been nominated to the Board of DHMB by DKSH Resources. ASD is a person connected with DKSH Resources.

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) Niels Johan Holm ("NJH") was a Non-Independent Non-Executive Director nominated to the Board of DHMB by DKSH Resources. NJH was a person connected with DKSH Resources. He was also a Director of DKSH Resources. He resigned as Director of DHMB and DKSH Resources on April 16, 2012 and April 9, 2012 respectively.

7) LTAT is a body corporate established under the Tabung Angkatan Tentera Act 1973. LTAT is a major shareholder of DHMB (8.54% direct interest as at April 30, 2013).

8) 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 from April 1, 2013 to March 31, 2019 with rental payable on a monthly basis.

Corporate governance statement (continued)

Material contract

Save as disclosed in the table below, neither the Company nor any of its subsidiaries had entered into any material contract which involved Directors' and/or major shareholders' interests, either still subsisting at the end of the financial year or which was entered into since the end of the previous financial year.

Material contract entered with a major shareholder

Date	Transacting parties	Nature of transaction	Consideration (RM)	Mode of settlement of consideration	Nature of relationship
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 739,500.00 per month for the period from April 1, 2013 to March 31, 2016 • Monthly rental of RM 790,500.00 per month for the period from April 1, 2016 to March 31, 2019	Cash	• DMSB is a wholly-owned subsidiary of the Company • LTAT is a major shareholder of the Company (8.54% direct interest as at April 30, 2013)

Corporate governance statement (continued)

DKSH staff running for a worthy cause to raise funds for the underprivileged and needy at the 2012 DKSH Fantree Club Charity Run.

Corporate social responsibility ("CSR")

At DKSH, we are conscious that the continued success and viable growth of our business must go hand-in-hand with our role as a good corporate citizen. Our corporate social responsibility ("CSR") initiatives aim at bringing a positive impact to society by giving back to the communities that support us.

We actively seek opportunities to participate in CSR initiatives and 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.

In 2012 the Group continued to demonstrate this commitment to local communities through active participation in various community outreach programs and activities.

DKSH Fantree Club Alladdin Charity Run

The Group organized its second DKSH Fantree Club Alladdin Charity Run and succeeded in raising funds from the event for its community outreach initiatives.

The five kilometer race around Petaling Jaya where DKSH's main office is located, was organized by the DKSH Malaysia Fantree Club. Main sponsor, Alladdin Lighters the Group's in-house brand, pledged to donate RM 50 for every participant who registered. The event attracted 600 runners, comprising mainly employees who ran for a good cause. A total of RM 35,000 was raised from registration fees and in-kind contributions from sponsors.

The funds raised from the charity run were donated to cover operating and program costs of these three charitable homes: Rumah Kanak-kanak Angels in Old Klang Road, Rumah Kanak-kanak Cacat Taman Megah, and Rumah Kasih, a shelter for abandoned elders and terminally ill patients at Jalan Dewan Bahasa.

The Edge – Bursa Malaysia Kuala Lumpur Rat Race

DKSH once again 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's committed a team of five runners for the charity run through the financial

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.

Corporate governance statement (continued)

district of Kuala Lumpur. Funds raised from the event are channeled to support selected beneficiaries involved in various charitable causes.

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. This year again, the DKSH team performed exceptionally well with the group finishing in the top ten and an individual female runner landing a podium finish.

Donation of Thursday Plantation products

In September 2012, DKSH partnered with Thursday Plantation, a client, to conduct a CSR project by donating tea tree products to three homes for the socially disadvantaged in Kuala Lumpur.

On behalf of Thursday Plantation, DKSH presented a donation of Thursday Plantation Tea Tree hand wash, deodorants, tubes of scalp care shampoo and body wash to the Little Sisters of the Poor senior citizen home, Montfort Boys Town (vocational school for teenagers from low income families) and Tengku Budriah orphanage home.

Famous Amos spreading the festive cheer

In the spirit of festive giving, The Famous Amos Chocolate Chip Cookie Corporation (M) Sdn Bhd ("Famous Amos"), a subsidiary of the Group organized a charity drive to raise funds for Rumah Hope, a sanctuary for abused, neglected and underprivileged children in Petaling Jaya. Famous Amos raised funds by selling Christmas novelty items at various Famous Amos outlets with all the proceeds going to Rumah Hope.

The management team and employees of Famous Amos volunteered to take time off from work to spread the festive cheer by hosting a fun-filled day of games, songs and food for the children in the home. The children also received goodie bags filled with Famous Amos cookies.

In its third year running, the Famous Amos team takes pride in their effort of making this CSR program a meaningful one for the home.

Donation to Kechara Soup Kitchen

The Kechara Soup Kitchen is a community action group that distributes food, basic medical aid and counseling to the homeless and urban poor of Malaysia. On average, 1,800 packs of food aid consisting of biscuits, drinking water, fruits and hot food are distributed to the homeless each week.

Famous Amos employees spreading smiles and goodwill during the festive season to kids at Rumah Hope.

DKSH handing over Thursday Plantation Tea Tree products to representatives of the Tengku Budriah orphanage home.

DKSH donated IKO biscuits, one of the Group's clients, to the Kechara Food Kitchen to supplement the food kitchen's effort in curbing hunger among the homeless and marginalized communities in Kuala Lumpur. Every week Kechara's van will deliver much needed daily provisions to several charitable homes and poor families in the Klang Valley.

Empowering our employees to grow

Our people are the most valuable asset we have. It is their ideas, initiatives and decisions that drive our success. At DKSH, our incentive systems and performance management are geared to recognize achievement and development opportunities for high-performing individuals. Working at DKSH also 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 in October 2012 embarked on a new development program targeting high

Corporate governance statement (continued)

potential junior and middle managers. The "BATMan" program, short for "Being A Talented Manager", 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 has another program for its senior leadership team called the Leadership Enhancement and Acceleration Program (LEAP), a 12-month leadership development program for senior executives to drive people excellence, enhance leadership behaviors and create alignment among DKSH's management.

The Group also remains committed to the DKSH management trainee program, with the objective to attract and groom university graduates, as well as develop a strong pipeline of talents within the organization.

As one of the services to DKSH's employees, the Group provides a medical clinic at its main office in Petaling Jaya, where a particularly large number of employees are based. The in-house medical clinic service enables employees to get easy access to medical consultations and care.

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.

Statement on risk management and internal control

DKSH Holdings (Malaysia) Berhad and 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 limitation of internal control system, 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 by identifying and evaluating key risks as well as establishing related action plans.

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.

Key elements of the Group's risk management and internal control system

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

(ii) 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 2012 and on the regular risk reviews conducted by management.

(iii) 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 five 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 ICS certifications.

(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) Policies and procedures: The Group has in place various formally documented policies and procedures, some of which were updated during 2012.

(vi) Limits of Authority: The Limits of Authority were reviewed and updated in 2012.

(vii) 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 for all fraud cases.

(viii) 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.

(ix) 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.

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

(xi) Inventory Management: Stringent controls are in place for inventories, which further undergo regular stock takes.

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

Statement on risk management and internal control (continued)

(xiii) ERP System: With the exception of DKSH Transport Agencies (M) Sdn Bhd, all companies and units of the Group operate on a standardized ERP system called SAP.

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

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

(xvi) 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.

Conclusion

The Board considers the risk management and internal control system throughout the Group as sound. The various initiatives and reviews undertaken in 2012 have further strengthened the risk management and internal control environment and processes of the Group. There were no significant control failures or weaknesses that would result in material financial misstatements, losses or fraud.

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, 2012 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.

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 as set out in its terms of reference include to:

(i) Assist in establishing an environment in which controls can operate effectively.
(ii) Oversee the monitoring of the Group's systems of financial reporting, and internal controls and ensure an early warning system is in place.
(iii) Review the Group's procedures established to ensure compliance with all laws, rules and regulations, directives and guidelines established by relevant regulatory bodies.
(iv) Assess the adequacy, quality, and timeliness of management reports.
(v) Recommend the appointment and remuneration of the external auditors and the terms and scope of the audit engagement.
(vi) Review 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 the audit scope and annual planning of the Internal Audit department as well as the reports and findings issued, and follow up on the implementation of recommendations.
(viii) Review 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 related party transactions and conflict of interest situations that may arise within the Company and the Group.
(x) Consider other issues referred to by the Board from time to time.

The terms of reference of the Audit Committee were updated during 2012.

Activities in 2012

During the year 2012, the Audit Committee conducted its activities in line with the above described responsibilities, which 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 and approval 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.

During the year 2012, four Audit Committee meetings were held. 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.

Audit Committee : Composition and attendance at the Audit Committee meetings held in 2012

	Designation	No. of meetings attended
Chairman : James Armand Menezes	Independent Non-Executive Director	4/4
Members : Michael Lim Hee Kiang	Independent Non-Executive Director	4/4
Datuk Haji Abdul Aziz bin Ismail	Non-Independent Non-Executive Director	3/4

Audit Committee report (continued)

The external auditors attended three 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.

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 control, risk management and governance processes.

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 and occasional 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 world-wide DKSH Group Internal Audit team. This has benefited audits and audit coverage, the training of individual auditors, and the transfer of best practices from other DKSH world-wide operations into the Malaysian operations.

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

- Operational and financial audits
- Audits of various branch offices located throughout Malaysia
- Analytical reviews on the quarterly financial statements of the Group
- Reviews of SAP access rights and segregation of duties
- Collaboration between internal and external auditors on certain key areas resulting in increased leverage by the Group's external auditors
- Ad hoc reviews and investigations of fraud cases

All auditors have a background in both external and internal audit. The Internal Audit department incurred costs of RM 366,000 in 2012.

List of property

as at December 31, 2012

Location	Existing use	Tenure	Approximate area (sq. ft.)	Approximate age of building (No. of years)	Date of revaluation	Net book value (RM'000)
Lot 52, Section 13 Petaling Jaya Selangor Darul Ehsan	Warehouse, factory and office complex	Leasehold land expiring in 2067	258,746	50	1997	26,558

Our main office in Petaling Jaya.

Analysis of shareholdings

as at April 30, 2013

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

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	22	0.98	661	0.00
100 to 1,000	1,109	49.60	1,049,039	0.67
1,001 to 10,000	857	38.33	3,432,900	2.18
10,001 to 100,000	205	9.17	7,259,200	4.60
100,001 to less than 5% of issued shares	41	1.83	15,293,600	9.70
5% and above of issued shares	2	0.09	130,622,676	82.85
Total	**2,236**	**100.00**	**157,658,076**	**100.00**

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

	Direct interest		Deemed interest	
Name	No. of shares held	% of issued shares	No. of shares held	% of issued shares
DKSH Resources (Malaysia) Sdn Bhd	117,155,076	74.31	–	–
Lembaga Tabung Angkatan Tentera	13,467,600	8.54	–	–

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

	Direct interest		Deemed interest	
Name	No. of shares held	% of issued shares	No. of shares held	% of issued shares
Michael Lim Hee Kiang	10,000	0.006	–	–
James Armand Menezes	–	–	–	–
Datuk Haji Abdul Aziz bin Ismail	–	–	–	–
Thon Lek	5,000	0.003	–	–
Alexander Stuart Davy	–	–	–	–
John Peter Clare	–	–	–	–

Analysis of shareholdings

as at April 30, 2013 (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	13,467,600	8.54
3.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (F Templeton)	2,422,300	1.54
4.	Cartaban Nominees (Asing) Sdn Bhd DBS Vickers (Hong Kong) Limited for BOX Holdings Limited	1,440,700	0.91
5.	HSBC Nominees (Asing) Sdn Bhd TNTC for APS Fund	1,096,900	0.70
6.	HSBC Nominees (Asing) Sdn Bhd BNY Brussels for VFM Emerging Markets Trust	829,900	0.53
7.	Nahoorammah A/P Sithamparam Pillay	800,000	0.51
8.	Wong Lok Jee @ Ong Lok Jee	611,000	0.39
9.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Hwang Asia Quantum Fund (4579)	606,100	0.38
10.	HSBC Nominees (Asing) Sdn Bhd CACEIS BK FR for HMG Globetrotter	594,100	0.38
11.	Cartaban Nominees (Tempatan) Sdn Bhd OSK Trustees Berhad for MAAKL-HW Shariah Progress Fund	427,200	0.27
12.	DB (Malaysia) Nominee (Asing) Sdn Bhd Deutsche Bank AG Singapore for DCG Asia Value Master Fund	398,700	0.25
13.	HSBC Nominees (Asing) Sdn Bhd HSBC-FS for Asia Discovery Emerging Companies Master Fund Pte Ltd	382,200	0.24
14.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Yee Hui (KLC/KEN)	367,000	0.23
15.	HSBC Nominees (Asing) Sdn Bhd HSBC-FS I for Samsung Global Best Southeast Asia Equity Mother Fund	330,000	0.21
16.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for HSBC Broking Securities (Asia) Limited (Client A/c)	300,000	0.19
17.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for UBS AG (Clients Assets)	283,100	0.18
18.	Citigroup Nominees (Asing) Sdn Bhd GSCO for Chang Kah Siong	277,500	0.18
19.	Citigroup Nominees (Asing) Sdn Bhd CBHK for Premium Asia Fund	270,300	0.17
20.	HSBC Nominees (Asing) Sdn Bhd BNY Brussels for Government of Bermuda Contributory Pension Fund	249,000	0.16
21.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for BNP Paribas Wealth Management Singapore branch (A/c Clients-FGN)	233,400	0.15
22.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Credit Suisse (SG BR-TST-Asing)	230,000	0.15
23.	Citigroup Nominees (Tempatan) Sdn Bhd Allianz Life Insurance Malaysia Berhad (DGF)	228,000	0.14
24.	Egon Arthur Heldner	202,000	0.13
25.	Amerjeet Singh A/L Naib Singh	200,000	0.13
26.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teoh Kiat Kiong	200,000	0.13
27.	McLaren Saksama (Malaysia) Sdn Bhd	196,000	0.12
28.	Ting Wee Jinn	185,000	0.12
29.	Neoh Teik Seng	178,100	0.11
30.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Kho Cheok Lian (MY1290)	159,600	0.10
	Total	**144,320,776**	**91.55**

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, 2012 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 consider that in preparing the financial statements of the Company and the Group for the year ended December 31, 2012, 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, 2012.

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 these activities during the year.

RESULTS

	Group RM'000	Company RM'000
Profit net of tax	81,810	28,763
Profit attributable to:		
Owners of the parent	77,762	28,763
Non-controlling interests	4,048	–
	81,810	28,763

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 other than the gain on disposal of property disclosed in Note 28, the results of the operations of the Group during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDEND

The amount of dividend paid and declared by the Company since December 31, 2011 was as follows:

	RM'000
In respect of the financial year ended December 31, 2011, as reported in the Directors' Report for that financial year, a final single-tier dividend of 7.0 sen per share, on 157,658,076 ordinary shares was paid on August 17, 2012	11,036

At the forthcoming Annual General Meeting, a final single-tier dividend of 9 sen per share amounting to RM14,189,227 and a special single tier dividend of 2.5 sen per share amounting to RM3,941,452 on 157,658,076 ordinary shares will be proposed for shareholders' approval. These financial statements do not reflect this proposed final dividend and the dividend will be accounted for in the financial year ending December 31, 2013 when approved by shareholders.

Directors' report (continued)

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
Thon Lek
Alexander Stuart Davy
John Peter Clare

In accordance with Article 99 of the Company's Articles of Association, Thon Lek and James Armand Menezes will 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' 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 RM1 each			
	At 1.1.2012	**Acquired**	**Sold**	**At 31.12.2012**
DKSH Holdings (Malaysia) Berhad				
Michael Lim Hee Kiang	10,000	–	–	10,000
Thon Lek	5,000	–	–	5,000

	Number of ordinary shares of CHF 0.10 each			
	At 1.1.2012	**Acquired**	**Sold**	**At 31.12.2012**
DKSH Holding Ltd				
Alexander Stuart Davy	–	50,500	25,250	25,250

Directors' report (continued)

DIRECTORS' INTERESTS (CONTINUED)

	Number of ordinary shares of B$1 each			
	At 1.1.2012	Acquired	Sold	At 31.12.2012
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.

(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.

Directors' report (continued)

OTHER STATUTORY INFORMATION (CONTINUED)

(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 EVENT DURING THE YEAR

A subsidiary, DKSH Central Services Sdn Bhd had completed the disposal of a piece of leasehold land measuring approximately 83,171 sq. ft. with a single-storey warehouse and a two-storey office building erected thereon to a purchaser for a total cash consideration of RM 30.0 million on October 23, 2012.

A gain on disposal of RM21.6 million was recognized in the statement of comprehensive income for the Group in current year.

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 April 24, 2013.

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 45 to 110 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, 2012 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 33 on page 111 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 April 24, 2013.

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 45 to 111 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 April 24, 2013 **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 2012 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 45 to 110.

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 2012 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.

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.

Independent auditors' report

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

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 33 on page 111 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

As stated in Note 2.2 to the financial statements, DKSH Holdings (Malaysia) Berhad adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended 31 December 2011 and related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the year then ended.

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. 2871/07/13(J)
Chartered Accountant

Kuala Lumpur, Malaysia
24 April 2013

Statements of comprehensive income

for the year ended December 31, 2012

		Group		Company	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Revenue	4	4,745,524	4,260,749	38,916	14,344
Changes in inventories of finished goods		18,844	66,633	–	–
Finished goods purchased		(4,343,504)	(3,935,785)	–	–
Other income		29,593	6,555	–	–
Net (allowance for)/write-back of doubtful advances to a subsidiary		–	–	(1,274)	2,121
Staff costs	5	(149,978)	(141,390)	–	–
Warehousing and logistics expenses		(50,231)	(47,580)	–	–
Net (allowance for)/write-back of allowance for impairment of doubtful debts		(707)	1,092	–	–
Rental expenses		(26,088)	(26,403)	–	–
Depreciation of property, plant and equipment		(9,023)	(9,175)	–	–
Travelling and entertainment expenses		(15,235)	(14,937)	–	–
Information technology and communication expenses		(16,114)	(15,688)	–	–
Utilities, upkeep, repairs and maintenance costs		(12,644)	(12,735)	–	–
Office expenses		(4,404)	(4,001)	–	–
Other selling, advertising and promotional expenses		(40,690)	(39,196)	–	–
Other expenses		(12,349)	(13,147)	(417)	(514)
Finance costs	7	(7,828)	(7,305)	(3,329)	(3,381)
Profit before tax	8	105,166	67,687	33,896	12,570
Income tax expense	9	(23,356)	(18,567)	(5,133)	(2,670)
Profit net of tax		81,810	49,120	28,763	9,900
Other comprehensive income for the year, net of tax:					
- Currency translation differences		27	15	–	–
- Gain on fair value changes on available-for-sale assets		5	7	–	–
Total comprehensive income for the year		81,842	49,142	28,763	9,900

Statements of comprehensive income

for the year ended December 31, 2012 (continued)

		Group		Company	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit attributable to:					
Owners of the parent		77,762	44,346	28,763	9,900
Non-controlling interests		4,048	4,774	–	–
		81,810	49,120	28,763	9,900
Total comprehensive income attributable to:					
Owners of the parent		77,794	44,368	28,763	9,900
Non-controlling interests		4,048	4,774	–	–
		81,842	49,142	28,763	9,900
Earnings per share attributable to owners of the parent - basic (sen)	10	49.32	28.13	–	–

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

Statements of financial position

as at December 31, 2012

	Note	2012 RM'000	Group 2011 RM'000	1.1.2011 RM'000
Assets				
Non-current assets				
Property, plant and equipment	12	38,310	50,527	53,402
Intangible assets	13	7,910	8,886	9,862
Available for sale financial assets	14	74	69	62
Deferred tax assets	16	4,689	4,275	6,832
		50,983	63,757	70,158
Current assets				
Inventories	17	382,057	382,101	313,655
Trade and other receivables	18	796,183	681,284	590,019
Tax recoverable		98	279	831
Cash and bank balances	19	54,148	112,726	132,942
		1,232,486	1,176,390	1,037,447
Total assets		1,283,469	1,240,147	1,107,605
Equity and liabilities				
Equity attributable to owners of the parent				
Share capital	20	157,658	157,658	157,658
Share premium		24,514	24,514	24,514
Available for sale reserve		34	29	22
Foreign currency translation reserve		42	15	–
Retained earnings	21	108,562	39,966	2,715
		290,810	222,182	184,909
Non-controlling interests		18,055	17,977	16,775
Total equity		308,865	240,159	201,684

Statements of financial position

as at December 31, 2012 (continued)

		Group		
	Note	2012 RM'000	2011 RM'000	1.1.2011 RM'000
Current liabilities				
Trade and other payables	22	797,442	764,764	653,930
Derivative financial instruments	23	11	106	1,062
Borrowings	24	108,054	154,831	161,772
Income tax payable		6,654	4,282	1,987
		912,161	923,983	818,751
Non-current liabilities				
Borrowings	24	44,635	56,955	68,870
Post-employment benefits obligation	25	12,400	11,561	10,496
Provision for other liabilities	26	289	289	289
Deferred tax liabilities	16	5,119	7,200	7,515
		62,443	76,005	87,170
Total liabilities		974,604	999,988	905,921
Total equity and liabilities		1,283,469	1,240,147	1,107,605

Statements of financial position

as at December 31, 2012 (continued)

	Note	2012 RM'000	Company 2011 RM'000	1.1.2011 RM'000
Assets				
Non-current asset				
Investment in subsidiaries	15	90,349	90,349	90,349
Advances to subsidiaries	18	214,686	209,474	219,248
		305,035	299,823	309,597
Current assets				
Trade and other receivables	18	402	269	21,799
Tax recoverable		–	–	7,406
Cash and bank balances	19	82	192	83
		484	461	29,288
Total assets		305,519	300,284	338,885
Equity and liabilities				
Equity attributable to owners of the parent				
Share capital	20	157,658	157,658	157,658
Share premium		24,514	24,514	24,514
Retained earnings	21	44,368	26,641	23,836
Total equity		226,540	208,813	206,008
Current liabilities				
Trade and other payables	22	815	675	2,149
Income tax payable		371	338	–
		1,186	1,013	2,149
Non-current liabilities				
Borrowings	24	77,793	90,458	123,453
Deferred tax liabilities	16	–	–	7,275
		77,793	90,458	130,728
Total liabilities		78,979	91,471	132,877
Total equity and liabilities		305,519	300,284	338,885

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, 2012

		I---- Attributable to owners of the parent						----I	
		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, 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	11	–	–	–	–	(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

		I---- Attributable to owners of the parent							----I	
		I---- Non-distributable				----I	Distributable			
Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Revaluation reserve 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, 2011		157,658	24,514	13,505	22	(27)	(10,763)	184,909	16,775	201,684
Effects of adopting MFRS 1		–	–	(13,505)	–	27	13,478	–	–	–
At January 1, 2011 (adjusted)		157,658	24,514	–	22	–	2,715	184,909	16,775	201,684
Total comprehensive income		–	–	–	7	15	44,346	44,368	4,774	49,142
Transactions with owners										
Dividends for financial year ended										
- December 31, 2010	11	–	–	–	–	–	(7,095)	(7,095)	(3,572)	(10,667)
Total transactions with owners		–	–	–	–	–	(7,095)	(7,095)	(3,572)	(10,667)
At December 31, 2011		157,658	24,514	–	29	15	39,966	222,182	17,977	240,159

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, 2012 (continued)

Company	Note	Share capital RM'000	Non-distributable Share premium on ordinary shares RM'000	Distributable Retained earnings RM'000	Total RM'000
At January 1, 2012		157,658	24,514	26,641	208,813
Total comprehensive income		–	–	28,763	28,763
Transactions with owners					
Dividends	11	–	–	(11,036)	(11,036)
Total transactions with owners		–	–	(11,036)	(11,036)
At December 31, 2012		157,658	24,514	44,368	226,540
At January 1, 2011		157,658	24,514	23,836	206,008
Total comprehensive income		–	–	9,900	9,900
Transactions with owners					
Dividends	11	–	–	(7,095)	(7,095)
Total transactions with owners		–	–	(7,095)	(7,095)
At December 31, 2011		157,658	24,514	26,641	208,813

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, 2012

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Cash flows from operating activities				
Total comprehensive income attributable to owners of the parent	77,794	44,368	28,763	9,900
Adjustments for non-cash items:				
Property, plant and equipment:				
- depreciation	9,023	9,175	–	–
- written-off	35	21	–	–
- net gain on disposals	(21,810)	(179)	–	–
Inventories:				
- written off	5,944	7,710	–	–
- net allowance for/(write-back of) provision for slow moving	77	(2,176)	–	–
Net allowance for/(write-back of) impairment of doubtful debts	707	(1,191)	–	–
Bad debts written off	16	99	–	–
Translation of currency differences	(27)	(15)	–	–
Gain on fair value changes on available for-sale assets	(5)	(7)	–	–
Interest income (Note c)	(225)	(168)	(9,056)	(9,365)
Interest expense (Note b)	7,828	7,305	3,329	3,381
Dividend income (gross)	–	–	(29,791)	(4,957)
Allowance for/(write-back of) doubtful advances to a subsidiary	–	–	1,274	(2,121)
Net unrealized foreign exchange (gain)/loss	(516)	730	–	–
Unrealized derivative gain	(95)	(956)	–	–
Accruals for post-employment benefits obligations	2,023	2,029	–	–
Amortization of trademark	976	976	–	–
Income tax expense	23,356	18,567	5,133	2,670
Non-controlling interests	4,048	4,774	–	–
Operating cash flows before changes in working capital	109,149	91,062	(348)	(492)
Changes in working capital:				
Inventories	(5,977)	(74,089)	–	–
Receivables	(115,622)	(90,253)	(268)	80
Payables	33,533	110,231	224	(1,837)
Cash flows from operations	21,083	36,951	(392)	(2,249)
Dividend received (net)	–	–	26,032	25,543
Interest received (Note c)	225	168	9,191	9,300
Interest paid (Note b)	(7,406)	(7,242)	(3,413)	(3,329)
Tax paid	(21,428)	(13,478)	(1,341)	(961)
Post-employment benefit obligation paid	(1,184)	(964)	–	–
Net cash flows (used in)/generated from operating activities	(8,710)	15,435	30,077	28,304

Statements of cash flows

for the year ended December 31, 2012 (continued)

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash flows from investing activities				
Proceeds from disposals of property, plant and equipment	30,168	403	–	–
Purchase of property, plant and equipment (Note a)	(5,960)	(6,528)	–	–
Net cash flows generated from/(used in) investing activities	24,208	(6,125)	–	–
Cash flows from financing activities				
Dividends paid	(15,006)	(10,667)	(11,036)	(7,095)
Net repayment of external borrowings	(56,777)	(26,994)	–	–
Net (repayment to)/advance from intermediate holding company	(2,320)	8,120	(2,320)	8,120
Net repayment to subsidiaries	–	–	(16,831)	(29,220)
Net cash flows used in financing activities	(74,103)	(29,541)	(30,187)	(28,195)
Changes on cash and cash equivalents	(58,605)	(20,231)	(110)	109
Currency translation differences	27	15	–	–
Cash and cash equivalents at beginning of year	112,726	132,942	192	83
Cash and cash equivalents at end of year (Note 19)	54,148	112,726	82	192

Note:

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash	5,960	6,528	–	–
Deferred payment	171	932	–	–
Less: Payment made for previous year acquisition	(932)	(915)	–	–
Addition (Note 12)	5,199	6,545	–	–

Statements of cash flows

for the year ended December 31, 2012 (continued)

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

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Interest paid	7,406	7,242	3,413	3,329
Deferred payment	485	63	227	311
Less: Payment made for previous year interest expenses	(63)	–	(311)	(259)
	7,828	7,305	3,329	3,381

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

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Interest received	225	168	9,191	9,300
Deferred income	–	–	680	815
Less: Receipt for previous year interest income	–	–	(815)	(750)
	225	168	9,056	9,365

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

Notes to the financial statements

December 31, 2012

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 activity of the Group is 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 these activities during the year.

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on April 24, 2013.

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 Group and Company have adopted the MFRS Framework which is mandated for periods beginning on or after January 1, 2012.

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, 2012 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 First time adoption of MFRS

These financial statements are the Group's and the Company's first MFRS financial statements for the year ended December 31, 2012. MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards ("MFRS 1") has been applied. These financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

In preparing the opening statement of financial position as at January 1, 2011 (which is also the date of transition), the Group has adjusted the amount previously reported in financial statements prepared in accordance with FRS. An explanation of how the transition from FRS to MFRS has affected the Group's financial position is set out in Notes 2.2(a) and (b) below. Accordingly, notes to related to the statement of financial position as at date of transition to MFRS are presented only for these items. These notes include reconciliation of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS. The transition from FRS to MFRS has not had a material impact on the statements of cash flows.

(a) Property, plant and equipment

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

Upon transition to MFRS, the Group has elected to measure all its property, plant and equipment using the cost model under MFRS 116 Property, Plant and Equipment. At the date of transition to MFRS, the Group elected to regard the valuation of the leasehold land and buildings as at 1997 as the deemed cost at the date of valuation as this amount was broadly comparable to fair value at that date. The revaluation surplus of RM13,505,000 (December 31, 2011: RM13,505,000) was transferred to retained earnings on the date of transition to MFRS.

(b) Foreign currency translation reserve

Under FRS, the Group recognized translation differences on foreign operation in a separate component of equity. Cumulative foreign currency translation differences for the foreign operation are deemed to be zero as at the date of transition to MFRS. Accordingly, at the date of transition to MFRS, the cumulative foreign currency translation differences of RM27,000 (December 31, 2011: RM27,000) were adjusted to retained earnings.

Notes to the financial statements

December 31, 2012 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 First time adoption of MFRS (continued)

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

Reconciliation of equity as at January 1, 2011

	FRS RM'000	Adjustments MFRS RM'000	MFRS RM'000
Group			
Statements of financial position			
January 1, 2011			
Revaluation reserves (Note 2.2 (a))	13,505	(13,505)	–
Foreign currency translation reserve (Note 2.2 (b))	(27)	27	–
(Accumulated losses)/retained earnings	(10,763)	13,478	2,715

Reconciliation of equity as at December 31, 2011

	FRS RM'000	Adjustments MFRS RM'000	MFRS RM'000
Group			
Statements of financial position			
December 31, 2011			
Revaluation reserves (Note 2.2 (a))	13,505	(13,505)	–
Foreign currency translation reserve (Note 2.2 (b))	(12)	27	15
Retained earnings	26,488	13,478	39,966

Notes to the financial statements

December 31, 2012 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but are not yet effective:

Description	Effective for annual periods beginning on or after
• MFRS 101 Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)	July 1, 2012
• MFRS 3 Business Combination (IFRS 3 Business Combination issued by IASB in March 2004)	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
• MRFS 119: Employee Benefits (IAS 19 as amended by IASB in June 2011)	January 1, 2013
• MFRS 127: Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)	January 1, 2013
• MFRS 128: Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)	January 1, 2013
• Amendments to MFRS 1: Government Loans	January 1, 2013
• Amendments to MFRS 7: Disclosure Offsetting Financial Assets and Financial Liabilities	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
• Annual improvements 2009 - 2011 cycle: Amendments to MFRS 1, MFRS 101, MFRS 116, MFRS 132, MFRS 134	January 1, 2013
• 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
• MFRS 9: Financial Instruments (IFRS 9 issued by IASB in Nov 2009 and October 2010)	January 1, 2015

Notes to the financial statements

December 31, 2012 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (continued)

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 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.

MFRS 10 includes detailed guidance to explain when an investor has control over the investee. MFRS 10 requires the investor to take into account all relevant facts and circumstances.

The change in accounting of the Group's investments (if any) will be applied in accordance with the relevant transitional provisions as set out in MFRS 10 as if the acquisitions of the affected entities had been accounted for in accordance with MFRS 3 at the date of acquisition.

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 when fair value is required or permitted.

Upon adoption of MFRS 13, the Group will take into consideration the highest and best use of certain properties in measuring the fair value of such properties. The adoption of MFRS 13 is expected to result in higher fair value of certain properties of the Group.

Notes to the financial statements

December 31, 2012 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (continued)

MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004) and MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)

An entity shall apply these earlier versions of MFRS 3 and MFRS 127 only if the entity has elected to do so as allowed in MFRS 10 Consolidated Financial Statements. The adoptions of these standards are not expected to have any significant impact to the Group and the Company.

Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)

The amendments to MFRS 101 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position and performance.

MFRS 9 Financial Instruments: Classification and Measurement

MFRS 9 reflects the first phase of the work on the replacement of MFRS 139 Financial Instruments: Recognition and Measurement and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139 Financial Instruments: Recognition and Measurement. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group 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) Subsidiaries and basis of consolidation

(i) Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

(ii) 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.

All intra-group balances, income and expenses and unrealized gains and losses resulting from intra-group transactions are eliminated in full.

Notes to the financial statements

December 31, 2012 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Economic entities in the Group (continued)

(a) Subsidiaries and basis of consolidation (continued)

(ii) Basis of consolidation (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to statement of comprehensive income or retained earnings, as appropriate

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 interest 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.

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.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 139 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognized either in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Notes to the financial statements

December 31, 2012 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Economic entities in the Group (continued)

(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.

(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.

Notes to the financial statements

December 31, 2012 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.7 Investments in subsidiaries

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. The accounting policy on impairment of non-financial assets is disclosed in Note 2.8.

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

Notes to the financial statements

December 31, 2012 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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.

Notes to the financial statements

December 31, 2012 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2012 (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, 2012 (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

The Group accrues an additional 3% to 4% (2011: 3% to 4%) per annum based on respective eligible employee's annual gross salary, commencing from the date of employment. The Group also accrues interest on the accumulated balance annually, at the current interest rate for savings accounts plus 1%. These additional contributions are expensed to the statement of comprehensive income in the financial year to which they relate. The post-employment benefits will be paid to eligible employees upon their retirement or resignation, after a minimum of 5 years service. Once the contributions have been accrued, the Group has no further liabilities.

(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, 2012 (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, 2012 (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.

(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.

Prior to January 1, 2011 the date of transition to MFRS, the Group treated goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition as assets and liabilities of the parent. Therefore, those assets and liabilities are non-monetary items already expressed in functional currency of the parent and no further translation differences occur.

Notes to the financial statements

December 31, 2012 (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, 2012 (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, 2012 (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, 2012 (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, 2012 (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, 2012 (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 30, 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.

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.

Notes to the financial statements

December 31, 2012 (continued)

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

3.1 Key sources of estimation uncertainty (continued)

(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.

4. REVENUE

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Sale of goods	4,703,229	4,211,371	–	–
Rendering of services	42,295	49,378	–	–
Commission income	–	–	69	22
Interest income:				
- subsidiaries	–	–	8,856	9,258
- others	–	–	200	107
Dividend income (gross):				
- subsidiaries	–	–	29,791	4,957
	4,745,524	4,260,749	38,916	14,344

Notes to the financial statements

December 31, 2012 (continued)

5. STAFF COSTS

	Group	
	2012 **RM'000**	**2011** **RM'000**
Salaries and bonus	106,095	99,808
Post-employment benefits obligation:		
- national defined contribution plan and social security contribution	14,895	13,189
- other defined contribution plan (Note 25)	2,023	2,029
Other employee benefits	26,965	26,364
	149,978	141,390

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

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	
	2012 **RM'000**	**2011** **RM'000**	**2012** **RM'000**	**2011** **RM'000**
Non-executive directors:				
- fees	162	162	150	150
Executive director:				
- salaries and bonus	1,081	795	–	–
- other employee benefits	195	165	–	–
	1,276	960	–	–
	1,438	1,122	150	150

Notes to the financial statements

December 31, 2012 (continued)

7. FINANCE COSTS

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Interest expense:				
- bankers' acceptances	2,291	2,926	–	–
- promissory notes	1,966	507	–	–
- revolving credit	376	220	–	–
- term loans	1,853	2,292	–	–
- advances from holding companies	1,190	1,132	1,190	1,132
- subsidiaries	–	–	2,124	2,232
- others	152	228	15	17
	7,828	7,305	3,329	3,381

8. PROFIT BEFORE TAX

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

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Auditors' remuneration	480	480	87	87
Property, plant and equipment				
- depreciation	9,023	9,175	–	–
- written-off	35	21	–	–
- gain on disposal of property	(21,645)	–	–	–
- other net gain on disposals	(165)	(179)	–	–
Amortization of trademark	976	976	–	–
Net foreign exchange (gains)/losses:				
- realized	(78)	(931)	–	–
- unrealized	(516)	730	–	–
Unrealized derivative gain	(95)	(956)	–	–
Inventories:				
- written off	5,944	7,710	–	–
- net allowance for/(write-back of) provision for slow moving	77	(2,176)	–	–
Rental income	(335)	(426)	–	–
Interest income	(225)	(168)	(9,056)	(9,365)
Compensation from suppliers	(5,565)	(3,722)	–	–
Net allowance for/(write-back of) impairment of doubtful debts	707	(1,191)	–	–
Bad debts written off	16	99	–	–
(Allowance for)/write-back of doubtful advances to a subsidiary	–	–	(1,274)	2,121
Gain on fair value changes on available-for-sale assets	5	7	–	–

Notes to the financial statements

December 31, 2012 (continued)

9. INCOME TAX EXPENSE

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Malaysian income tax:				
- Current year	22,737	16,710	5,138	9,945
- Under/(over) provision in prior years	1,244	(385)	(5)	–
	23,981	16,325	5,133	9,945
Deferred tax (Note 16):				
- Relating to origination and reversal of temporary differences	44	2,313	–	(7,275)
- Over provision in prior years	(669)	(71)	–	–
	(625)	2,242	–	(7,275)
Total income tax expense	23,356	18,567	5,133	2,670

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2011: 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% (2011: 22%).

Notes to the financial statements

December 31, 2012 (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	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit before tax	105,166	67,687	33,896	12,570
Taxation at Malaysian statutory tax rate of 25% (2011: 25%)	26,292	16,922	8,474	3,143
Different tax rate in other country	13	4	–	–
Expenses not deductible for tax purposes	1,835	1,677	353	57
Income not subject to tax	(5,356)	–	(3,689)	(530)
Utilization of previously unrecognized deferred tax assets	(82)	–	–	–
Deferred tax assets not recognized	79	420	–	–
Under/(over) provision of income tax in prior years	1,244	(385)	(5)	–
Over provision of deferred tax in prior years	(669)	(71)	–	–
Income tax expense	23,356	18,567	5,133	2,670

10. 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	
	2012	2011
Net profit for the financial year (RM'000)	77,762	44,346
Weighted average number of ordinary shares in issue ('000)	157,658	157,658
Basic earnings per share (sen)	49.32	28.13

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, 2012 (continued)

11. DIVIDENDS

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

	Group and Company			
	2012		2011	
	Gross dividend per share sen	Amount of dividends RM'000	Gross dividend per share sen	Amount of dividends RM'000
Final dividends:				
- for financial year ended December 31, 2011 paid on August 17, 2012:				
- single tier	7.00	11,036	–	–
- for financial year ended December 31, 2010 paid on August 18, 2011:				
- single tier	–	–	4.50	7,095
Dividends in respect of the year	7.00	11,036	4.50	7,095

At the forthcoming Annual General Meeting, a final single-tier dividend of 9 sen per share amounting to RM 14,189,227 and a special single tier dividend of 2.5 sen per share amounting to RM 3,941,452 on 157,658,076 ordinary shares will be proposed for shareholders' approval. These financial statements do not reflect this proposed final dividend and the dividend will be accounted for in the financial year ending December 31, 2013 when approved by shareholders.

Notes to the financial statements

December 31, 2012 (continued)

12. PROPERTY, PLANT AND EQUIPMENT

Group	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
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	466	3,325	650	4,376	206	–	9,023
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
At December 31, 2011							
Cost							
At January 1, 2011	39,575	42,734	15,165	70,006	4,082	–	171,562
Additions	–	1,008	243	4,598	381	315	6,545
Disposals	–	–	(569)	(117)	(704)	–	(1,390)
Reclassification	–	482	24	(209)	–	(297)	–
Written off	–	–	–	(1,546)	–	–	(1,546)
At December 31, 2011	39,575	44,224	14,863	72,732	3,759	18	175,171
Accumulated depreciation							
At January 1, 2011	11,317	30,384	12,019	61,006	3,434	–	118,160
Charge for the year	503	3,052	1,123	4,243	254	–	9,175
Disposals	–	–	(558)	(74)	(534)	–	(1,166)
Written off	–	–	–	(1,525)	–	–	(1,525)
At December 31, 2011	11,820	33,436	12,584	63,650	3,154	–	124,644
Net carrying amount	27,755	10,788	2,279	9,082	605	18	50,527

Notes to the financial statements

December 31, 2012 (continued)

13. INTANGIBLE ASSETS

	Goodwill RM'000	Group Trademark RM'000	Total RM'000
Cost:			
At January 1, 2011, December 31, 2011 and December 31, 2012	3,600	8,213	11,813
Accumulated amortization and impairment losses:			
At January 1, 2011	–	1,951	1,951
Amortization during the year	–	976	976
At December 31, 2011	–	2,927	2,927
Amortization during the year	–	976	976
At December 31, 2012	–	3,903	3,903
Net carrying amount:			
At December 31, 2012	3,600	4,310	7,910
At December 31, 2011	3,600	5,286	8,886

Impairment tests for goodwill

The goodwill of RM 3,600,000 (2011: RM 3,600,000) is 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, 2012 (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 4.5 years (2011: 5.5 years) based on the remaining life of the trademark;
- revenue and operating profits were based on the current year's results;
- negative growth rate of 6.2% (2011: nil growth rate); and
- pre-tax weighted average cost of capital of 5.8%, at 1.5% risk premium (2011: pre-tax weighted average cost of capital of 6.27%, at 1.5% risk premium).

Based on the above key assumptions, the recoverable amount for the trademark based on the value-in-use calculations 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 20% (2011: 22%) , the trademark will be impaired by RM 40,000 (2011: RM 27,000).
- if the growth rate decreases 15% (2011: 17%), the trademark will be impaired by RM 42,000 (2011: RM 10,000).

14. AVAILABLE FOR SALE FINANCIAL ASSETS

	Group	
	2012 RM'000	**2011 RM'000**
Club memberships		
At January 1	69	62
Increase in fair value recognized in other comprehensive income	5	7
At December 31	74	69

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, 2012 (continued)

15. INVESTMENTS IN SUBSIDIARIES

	Company 2012 RM'000	Company 2011 RM'000
Non-current assets		
Unquoted shares at cost	90,649	90,849
Less: Accumulated impairment losses	(300)	(500)
	90,349	90,349

During the year, the Company wrote off the cost and accumulated impairment losses of RM 200,000 respectively upon the completion of Members' Voluntary Winding Up of Diethlem Chemicals Malaysia Sendirian Berhad.

Name of Company	Country of incorporation	Proportion (%) of ownership 2012 %	Proportion (%) of ownership 2011 %	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	51	Forwarding and husbanding activities.
Held through DKSH Transport Agencies (M) Sdn. Bhd.:				
- Macro Consolidators (M) Sdn. Bhd.	Malaysia	51	51	Freight forwarding coordinating related activities.
DKSH Distribution Malaysia Sdn. Bhd.	Malaysia	100	100	General trading, warehousing and distribution agency.

Notes to the financial statements

December 31, 2012 (continued)

15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Country of incorporation	Proportion (%) of ownership 2012 %	2011 %	Principal activities
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.
Diethelm Chemicals Malaysia Sendirian Berhad*	Malaysia	–	100	Dissolved.
DKSH Logistics Services Sdn. Bhd.	Malaysia	100	100	Dormant.
DKSH Central Services Sdn. Bhd.	Malaysia	100	100	Provision of estate management services.
The Famous Amos Chocolate Chip Cookie Corporation (M) Sdn. Bhd.	Malaysia	100	100	Manufacture and sale of chocolate chip cookies.
Diethlem Franchise Holdings (M) Sdn. Bhd.*	Malaysia	–	100	Dissolved.
Diethlem Transport Holdings Sendirian Berhad *	Malaysia	–	100	Dissolved.
Held through Diethelm Transport Holdings Sendirian Berhad:				
- Diethelm Airtrans Sendirian Berhad *	Malaysia	–	100	Dissolved.

* These subsidiaries which had been placed under members' voluntary liquidation were dissolved during the year.

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

Notes to the financial statements

December 31, 2012 (continued)

16. DEFERRED TAX

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
At January 1	(2,925)	(683)	–	(7,275)
Recognized in statements of comprehensive income (Note 9)	625	(2,242)	–	7,275
Recognized in statements of changes in equity	1,870	–	–	–
At December 31	(430)	(2,925)	–	–

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, 2011 RM'000	Recognized in statement of comprehensive income RM'000	As at December 31, 2011 RM'000	Recognized in statement of comprehensive income RM'000	Recognized in statement of changes in equity RM'000	As at December 31, 2012 RM'000
Deferred tax liabilities:						
Revaluation reserve	(7,144)	248	(6,896)	90	1,870	(4,936)
Property, plant and equipment	(1,359)	(194)	(1,553)	690	–	(863)
	(8,503)	54	(8,449)	780	1,870	(5,799)
Offsetting	988		1,249			680
	(7,515)		(7,200)			(5,119)
Deferred tax assets:						
Post-employment benefits obligation	2,298	260	2,558	211	–	2,769
Receivables	2,013	(1,266)	747	(133)	–	614
Inventories	1,576	(560)	1,016	16	–	1,032
Unutilized tax losses	199	(199)	–	–	–	–
Others	1,734	(531)	1,203	(249)	–	954
	7,820	(2,296)	5,524	(155)	–	5,369
Offsetting	(988)		(1,249)			(680)
	6,832		4,275			4,689

Notes to the financial statements

December 31, 2012 (continued)

16. DEFERRED TAX (CONTINUED)

Company

	As at January 1, 2011 RM'000	Recognized in statement of comprehensive income RM'000	As at December 31, 2011 RM'000	Recognized in statement of comprehensive income RM'000	As at December 31, 2012 RM'000
Deferred tax liability:					
Dividend income receivable	(7,275)	7,275	–	–	–

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Presented after appropriate offsetting as follows:				
Deferred tax assets	4,689	4,275	–	–
Deferred tax liabilities	(5,119)	(7,200)	–	–
	(430)	(2,925)	–	–

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

	Group	
	2012 RM'000	2011 RM'000
Other deductible temporary differences	1,098	1,404
Unutilized capital allowances	5,113	5,107
Tax losses	11,416	11,128
	17,627	17,639

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.

Notes to the financial statements

December 31, 2012 (continued)

17. INVENTORIES

	Group	
	2012 RM'000	**2011 RM'000**
At cost:		
Raw materials and packaging materials	3,510	2,159
Work-in-progress	2,946	2,566
Finished goods	375,601	377,376
	382,057	382,101

During the year, the amount of inventories recognized as an expense in cost of sales of the Group was RM 4,324,660,000 (2011: RM 3,869,152,000).

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Current				
Trade receivables				
Third parties	797,101	681,830	–	–
Less: Allowance for impairment of doubtful debts	(14,567)	(14,749)	–	–
	782,534	667,081	–	–
Other receivables				
Deposits	5,257	4,246	2	2
Prepayments	1,497	1,352	66	93
Sundry receivables	2,751	2,906	–	–
Amounts due from:				
- intermediate holding company	–	69	–	–
- fellow subsidiaries	–	–	333	162
- related companies	4,144	5,630	1	12
	13,649	14,203	402	269
	796,183	681,284	402	269

Notes to the financial statements

December 31, 2012 (continued)

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Non-current				
Advances to subsidiaries	–	–	221,675	215,189
Provision for doubtful advances to a subsidiary	–	–	(6,989)	(5,715)
	–	–	214,686	209,474
Total trade and other receivables	796,183	681,284	215,088	209,743
Less: Prepayments	(1,497)	(1,352)	(66)	(93)
Add: Cash and bank balances (Note 19)	54,148	112,726	82	192
Total loans and receivables	848,834	792,658	215,104	209,842

(a) Trade receivables

Credit terms of trade receivables range from payment in advance to 90 days (2011: 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	
	2012 RM'000	2011 RM'000
Neither past due nor impaired	670,999	584,114
Less than three months past due but not impaired	109,987	77,648
Between three to six months past due but not impaired	871	3,964
Between six months and one year past due but not impaired	331	1,083
More than one year past due but not impaired	346	272
	111,535	82,967
Impaired	14,567	14,749
	797,101	681,830

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.

Notes to the financial statements

December 31, 2012 (continued)

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (continued)

Receivables that are past due but not impaired

As at December 31, 2012, the Group's trade receivables of RM111,535,000 (2011: RM82,967,000) 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	
	2012 RM'000	**2011 RM'000**
Trade receivables - nominal amounts	14,567	14,749
Less: Allowance for impairment	(14,567)	(14,749)
	–	–

Movement in allowance accounts:

	Group	
	2012 RM'000	**2011 RM'000**
At January 1	14,749	20,490
Allowance for impairment	2,878	1,083
Amounts written off	(889)	(4,550)
Write-back of allowance for impairment	(2,171)	(2,274)
At December 31	14,567	14,749

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 31(d) to the financial statements.

Notes to the financial statements

December 31, 2012 (continued)

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (continued)

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

	Group	
	2012 RM'000	2011 RM'000
Trade receivables		
Ringgit Malaysia	769,620	655,217
US Dollar	1,896	774
Singapore Dollar	64	136
Brunei Dollar	10,954	10,951
Others	–	3
	782,534	667,081

(b) Related party balances

The amounts receivable from intermediate holding company, fellow subsidiaries and related companies are unsecured, non-interest bearing and repayable within 30 to 90 days (2011: 30 to 90 days).

Advances to subsidiaries are denominated in Ringgit Malaysia, unsecured and carry at interest rates of between 4.05% to 4.20% (2011: 4.15% to 4.43%) per annum. These advances are not intended to be recalled, in full or in part, within the next twelve months from the reporting date.

	Company	
	2012 RM'000	2011 RM'000
Movement in provision for doubtful advances to a subsidiary:		
At January 1	5,715	7,836
Allowance for impairment	1,274	–
Write-back of allowance for impairment	–	(2,121)
At December 31	6,989	5,715

Notes to the financial statements

December 31, 2012 (continued)

19. CASH AND BANK BALANCES

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Deposits with licensed banks	4,032	4,775	–	–
Cash on hand and at banks	50,116	107,951	82	192
Cash and bank balances	54,148	112,726	82	192
The currency exposure profile of deposit, bank and cash balances is as follows:				
Ringgit Malaysia	52,496	111,304	82	192
Singapore Dollar	–	56	–	–
Brunei Dollar	1,191	916	–	–
US Dollar	461	450	–	–
	54,148	112,726	82	192

Deposits with licensed banks have an average days to maturity period of 3 days (2011: 6 days) and weighted average effective interest rate per annum at reporting date is 2.86% (2011: 2.67%).

20. SHARE CAPITAL

	Number of shares		Amount	
	2012 '000	**2011 '000**	**2011 RM'000**	**2010 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.

Notes to the financial statements

December 31, 2012 (continued)

21. RETAINED EARNINGS

As at December 31, 2012, the Section 108 tax credits balance of the Company is RM Nil (2011: RM Nil). The Company may distribute dividends out of its retained earnings as at December 31, 2012 and December 31, 2011 under the single tier system.

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Current				
Trade payables				
Third parties	709,791	686,691	–	–
Other payables				
Accruals	43,530	36,092	560	364
Sundry payables	38,251	34,431	–	–
Amounts due to:				
- intermediate holding company	102	92	102	92
- subsidiaries	–	–	153	219
- related companies	5,768	7,458	–	–
	87,651	78,073	815	675
Total trade and other payables	797,442	764,764	815	675
Add: Loans and borrowings (Note 24)	152,689	211,786	77,793	90,458
Total financial liabilities carried at amortized cost	950,131	976,550	78,608	91,133

Notes to the financial statements

December 31, 2012 (continued)

22. TRADE AND OTHER PAYABLES (CONTINUED)

The currency exposure profile of payables is as follows:

	Group	
	2012 **RM'000**	**2011** **RM'000**
Trade payables		
Ringgit Malaysia	632,349	592,148
US Dollar	32,156	42,960
Euro	39,708	41,473
Swiss Franc	501	1,408
Brunei Dollar	170	643
Singapore Dollar	1,255	5,491
Australian Dollar	3,281	2,202
Japanese Yen	–	78
Thai Baht	283	288
Sterling Pound	88	–
	709,791	686,691

	Group		Company	
	2012 **RM'000**	**2011** **RM'000**	**2012** **RM'000**	**2011** **RM'000**
Intercompany payables				
Ringgit Malaysia	4,315	6,056	255	311
Swiss Franc	1,184	1,080	–	–
Thai Baht	205	360	–	–
US Dollar	166	23	–	–
Singapore Dollar	–	31	–	–
	5,870	7,550	255	311

	Group	
	2012 **RM'000**	**2011** **RM'000**
Other payables		
Ringgit Malaysia	37,999	34,124
Brunei Dollar	252	307
	38,251	34,431

Notes to the financial statements

December 31, 2012 (continued)

22. TRADE AND OTHER PAYABLES (CONTINUED)

The average credit terms of payables are as follows:

	Group/Company Average credit terms 2012	2011
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, subsidiaries and related companies are unsecured and non-interest bearing.

23. DERIVATIVE FINANCIAL INSTRUMENTS

	Group		
	Contract Value RM'000	Fair value RM'000	Liability RM'000
2012			
Current liability:			
Forward foreign exchange contracts - at fair value through profit or loss	14,747	14,736	11
2011			
Current liability:			
Forward foreign exchange contracts - at fair value through profit or loss	17,686	17,580	106

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.

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.

At December 31, 2012, the settlement dates on open forward contracts ranged between 1 and 5 months (2011: 1 and 5 months).

Notes to the financial statements

December 31, 2012 (continued)

23. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

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	

At December 31, 2011

Hedged item	Currency to be received	Currency to be paid	RM'000 equivalent	Contractual rate
Trade payables:				
EUR 421,295	EUR	MYR	1,780	1EUR=RM4.224
USD 4,223,578	USD	MYR	13,449	1USD=RM3.1842
CHF 283,139	CHF	MYR	1,025	1CHF=RM3.6194
AUD 301,743	AUD	MYR	943	1AUD=RM3.1240
SGD 199,616	SGD	MYR	489	1SGD=RM2.4486
			17,686	

The fair value of outstanding forward contracts of the Group at the reporting date was an unfavourable net position of RM 11,000 (2011: RM 106,000).

Notes to the financial statements

December 31, 2012 (continued)

24. BORROWINGS

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Current				
Bankers' acceptances	10,000	78,000	–	–
Revolving credit	13,000	–	–	–
Term loans	30,000	20,000	–	–
Promissory notes	55,054	56,796	–	–
Finance lease (secured)	–	35	–	–
	108,054	154,831	–	–
Non-current				
Advances from:				
- intermediate holding company	24,635	26,955	24,635	26,955
- subsidiaries	–	–	53,158	63,503
	24,635	26,955	77,793	90,458
Term loans	20,000	30,000	–	–
	44,635	56,955	77,793	90,458
Total loans and borrowings	152,689	211,786	77,793	90,458

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

Advances from subsidiaries are deposits of excess cash placed with the Company and bear interest at 2.95% to 3.15% (2011: 2.10% to 3.15%) per annum. Advances from intermediate holding company bears interest at 4.05% to 4.20% (2011: 4.15% to 4.43%) per annum. These are unsecured and are not repayable within the next 12 months.

Finance lease liability

Finance lease liability was effectively secured as the rights to the leased asset revert to the lessor in the event of default.

The effective interest rate of the finance lease liabilities as at reporting date was 4.84% per annum in prior year.

Notes to the financial statements

December 31, 2012 (continued)

24. BORROWINGS (CONTINUED)

Weighted average year end effective interest rates

	Group	
	2012 %	2011 %
Bankers' acceptances	3.36	3.30
Revolving credit	3.46	–
Promissory notes	3.23	3.29
Term loans	4.42	4.30

The remaining maturities of loans and borrowings as at December 31, 2012:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Within one year	108,054	154,831	–	–
Between one and five years	44,635	56,955	77,793	90,458
Total	152,689	211,786	77,793	90,458

25. POST-EMPLOYMENT BENEFITS OBLIGATION

	Group	
	2012 RM'000	2011 RM'000
Non-current		
Defined contribution plan	12,400	11,561

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

	Group	
	2012 RM'000	2011 RM'000
At January 1	11,561	10,496
Charged to statements of comprehensive income (Note 5)	2,023	2,029
Contributions paid	(1,184)	(964)
At December 31	12,400	11,561

Notes to the financial statements

December 31, 2012 (continued)

26. PROVISION FOR OTHER LIABILITIES

	Group 2012 RM'000	Group 2011 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.

27. COMMITMENTS AND FINANCIAL GUARANTEES

(a) Capital commitments

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

	Group 2012 RM'000	Group 2011 RM'000
Property, plant and equipment:		
Authorized by the directors and contracted for	891	522
Authorized by the directors and not contracted for	5,510	–
	6,401	522

(b) Non-cancellable operating lease commitments

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

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

	Group 2012 RM'000	Group 2011 RM'000
Payable within one year	6,533	16,409
Payable after one year but not later than five years	6,987	8,893
	13,520	25,302

Notes to the financial statements

December 31, 2012 (continued)

27. COMMITMENTS AND FINANCIAL GUARANTEES (CONTINUED)

(c) Financial guarantees

As at December 31, 2012, the Group provided guarantees as follows:

(i) RM Nil (2011: RM 40,000,000) for the purpose of corporate guarantee to a supplier in accordance with the terms of the distribution agreement.

(ii) RM47,587,000 (2011: RM 58,339,000) 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, 2012.

28. SIGNIFICANT EVENT DURING THE YEAR

A subsidiary, DKSH Central Services Sdn. Bhd. had completed the disposal of a piece of leasehold land measuring approximately 83,171 sq. ft. with a single-storey warehouse and a two-storey office building erected thereon to a purchaser for a total cash consideration of RM 30.0 million on October 23, 2012.

A gain on disposal of RM 21.6 million was recognized in the statement of comprehensive income for the Group in current year.

29. 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	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
(a) Sales of goods and services:				
Sale of services:				
- related companies (goods)	31,919	6,262	–	–
- related company (rental)	331	386	–	–
- related company (freight and forwarding)	19	29	–	–
- related companies (information technology charges)	102	–	–	–
- related companies (human resource charges)	469	364	–	–
	32,840	7,041	–	–
Others (interest):				
- subsidiaries	–	–	8,856	9,258
	32,840	7,041	8,856	9,258

Notes to the financial statements

December 31, 2012 (continued)

29. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
(b) Purchase of goods and services:				
Purchase of services:				
- related companies (goods)	64,118	52,073	–	–
- related company (travel)	–	1,423	–	–
- related company (management fee and regional audit)	2,936	3,799	–	–
- related company (information technology charges)	10,425	10,039	–	–
- other related party (rental)	12,572	12,572	–	–
	90,051	79,906	–	–
Others (interest):				
- immediate holding company	175	–	175	–
- intermediate holding company	1,015	1,132	1,015	1,132
- subsidiaries	–	–	2,124	2,232
	1,190	1,132	3,314	3,364
	91,241	81,038	3,314	3,364

(c) Compensation of key management personnel

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

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Salaries and bonus	8,128	9,340	150	150
Post-employment benefits obligation:				
- national defined contribution plan and social security contribution	718	742	–	–
Other employees benefits	1,003	916	–	–
	9,849	10,998	150	150

Notes to the financial statements

December 31, 2012 (continued)

29. 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")	Intermediate 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
DKSH Corporate Shared Services Center Sdn. Bhd.	Related company
Bio-Life Marketing Sdn. Bhd.	Related company
DKSH Datacare Technologies Sdn. Bhd.	Related company
Diethelm Travel Management 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.

* Diethelm Travel Management Sdn. Bhd. ceased to be a related company effective March 20, 2012.

30. 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, 2012 (continued)

30. SEGMENTAL INFORMATION (CONTINUED)

(a) Primary reporting format - business segments

	Marketing and distribution services RM'000	Logistics services RM'000	Others RM'000	Eliminations RM'000	Group RM'000
At December 31, 2012					
Revenue					
Segment revenue	2,068,640	2,619,462	57,422	–	4,745,524
Intersegment revenue	131	–	–	(131)	–
Revenue	2,068,771	2,619,462	57,422	(131)	4,745,524
Results					
Segment results	50,459	32,883	29,652	–	112,994
Finance costs					(7,828)
Income tax expense					(23,356)
Profit for the financial year					81,810
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, prepaid land lease rentals, 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, 2012 (continued)

30. 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, 2011					
Revenue					
Segment revenue	1,900,283	2,309,290	51,176	–	4,260,749
Intersegment revenue	1,597	–	–	(1,597)	–
Revenue	1,901,880	2,309,290	51,176	(1,597)	4,260,749
Results					
Segment results	37,041	31,124	6,827	–	74,992
Finance costs					(7,305)
Income tax expense					(18,567)
Profit for the financial year					49,120
Net assets					
Segment assets	568,457	481,571	49,681	–	1,099,709
Unallocated assets					140,438
Total assets					1,240,147
Segment liabilities	(292,097)	(392,196)	(2,398)	–	(686,691)
Unallocated liabilities					(313,297)
Total liabilities					(999,988)
Other information					
Capital expenditure	3,139	1,521	1,885	–	6,545
Depreciation of property, plant and equipment	3,923	1,099	4,153	–	9,175
Amortization of trademark	976	–	–	–	976

Segment assets consist primarily of property, plant and equipment, prepaid land lease rentals, 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, 2012 (continued)

30. SEGMENTAL INFORMATION (CONTINUED)

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

Unallocated assets mainly consists of:

	Group	
	2012 RM'000	**2011 RM'000**
Goodwill	3,600	3,600
Trademark	4,310	5,286
Cash and bank balances	50,116	107,951
Deposits with licensed bank	4,032	4,775
Other receivables	13,649	14,203
Deferred tax assets	4,689	4,275
Others	172	348
	80,568	140,438
Unallocated liabilities mainly consists of:		
Other payables	(81,781)	(70,523)
Short term borrowings	(108,054)	(154,831)
Long term borrowings	(20,000)	(30,000)
Deferred tax liabilities	(5,119)	(7,200)
Retirement benefits	(12,400)	(11,561)
Intercompany advances	(24,635)	(26,955)
Intercompany balances	(5,870)	(7,550)
Others	(6,954)	(4,677)
	(264,813)	(313,297)

(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.

Notes to the financial statements

December 31, 2012 (continued)

31. 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 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	
	2012 RM'000	**2011 RM'000**
Financial liabilities:		
- Fixed rate instruments	50,000	50,035
- Floating rate instruments	102,689	161,751
	152,689	211,786

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

The Group'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 does 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.

	2012 RM'000	**2011 RM'000**
Floating rate instruments (denominated in RM)		
- 20% increase	(96)	(127)
- 20% decrease	96	127

Notes to the financial statements

December 31, 2012 (continued)

31. 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 their functional currencies are as follows:

	Note
Trade and other receivables	18 (a)
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	
		2012 RM'000 Profit net of tax	2011 RM'000 Profit net of tax
USD/RM	- strengthened 5%	(249)	(122)
	- weakened 5%	249	141
BND/RM	- strengthened 5%	578	260
	- weakened 5%	(578)	(260)
EUR/RM	- strengthened 5%	(26)	(41)
	- weakened 5%	26	41
CHF/RM	- strengthened 5%	(41)	(35)
	- weakened 5%	41	35
AUD/RM	- strengthened 5%	(15)	(29)
	- weakened 5%	15	29
THB/RM	- strengthened 5%	(16)	–
	- weakened 5%	16	–
GBP/RM	- strengthened 5%	(3)	–
	- weakened 5%	3	–
SGD/RM	- strengthened 5%	120	190
	- weakened 5%	(120)	(190)

Notes to the financial statements

December 31, 2012 (continued)

31. 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.

At the reporting date, the entire trade and other payables will mature on demand or within a year.

(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.

(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.

The fair values of the derivatives are disclosed in Note 23.

Notes to the financial statements

December 31, 2012 (continued)

32. 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, 2012 and December 31, 2011.

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Loans and borrowings	152,689	211,786	77,793	90,458
Less: Cash and bank balances	(54,148)	(112,726)	(82)	(192)
Net debt	98,541	99,060	77,711	90,266
Equity attributable to the owners of the parent	290,810	222,182	226,540	208,813
Total capital	290,810	222,182	226,540	208,813
Total capital and net debt	389,351	321,242	304,251	299,079
% of net debt to total capital and net debt	25%	31%	26%	30%

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

Notes to the financial statements

December 31, 2012 (continued)

33. 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 25 March 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	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Total retained profits of the Company and its subsidiaries				
- Realized	106,679	43,529	44,368	26,641
- Unrealized	12,461	10,004	–	–
	119,140	53,533	44,368	26,641
Less: Consolidation adjustments	(10,578)	(13,567)	–	–
Total retained profits as per financial statements	108,562	39,966	44,368	26,641

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.

Resilient
Unique
Scalable

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

Proxy Form

for the Twenty-First Annual General Meeting

DKSH

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-First 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 25, 2013 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 2012		
2.	Payment of Dividends		
3.	Approval of Directors' fees		
4.	Re-election of James Armand Menezes		
5.	Re-election of Thon Lek		
6.	Re-appointment of Ernst & Young as Auditors		
7.	Proposed Renewal of Shareholders' Mandate I for Recurrent Related Party Transactions of a revenue or trading nature		
8.	Proposed Renewal of Shareholders' Mandate II for Recurrent Related Party Transactions of a revenue or trading nature		
9.	Proposed new Articles of Association of the Company		

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 ______________, 2013.

Notes:

(i) Only members of the Company whose names appear in the Record of Depositors as at June 17, 2013 will be entitled to attend and vote at the meeting.

(ii) A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on such member's behalf.

(iii) Where a member appoints more than one proxy to attend and vote at the same meeting, the appointment shall be invalid unless the member specifies the proportion of the holdings to be represented by each proxy.

(iv) A proxy need not be a member of the Company. There is no restriction as to the qualification of the proxy and the provisions of section 149(1)(b) of the Companies Act 1965 shall not apply to the Company.

(v) A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.

(vi) 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 a duly authorized officer or an attorney duly appointed.

(vii) To be valid, the original Proxy Form duly completed and executed 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 meeting or any adjournment thereof.

Please fold here

Affix
Stamp

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

Please fold here

Unique value

We offer our clients the services they need most,
tailor-made to their specific requirements while our highly specialized
business segments guarantee the expert handling of products
from a wide range of industries.

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