Annual Report 2011

DKSH

DKSH Holdings (Malaysia) Berhad

Think Asia. Think DKSH.

We are

the leading Market Expansion Services Group with a focus on Asia. We help other companies and brands to grow their business in new or existing markets. We provide business partners with expertise as well as on-the-ground logistics based on our comprehensive network.

DKSH is a Swiss company deeply rooted in Malaysia. We look back on a 100-year-long tradition of doing business in the country.

Contents

Notice of Annual General Meeting

Notice is hereby given that the Twentieth Annual General Meeting of DKSH Holdings (Malaysia) Berhad (Co. No. : 231378-A) will be held on Thursday, June 28, 2012 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, 2011 and the Reports of the Directors and Auditors thereon.
   Ordinary Resolution 1

2. To approve the payment of a final single tier dividend of 7 sen per ordinary share in respect of the financial year ended December 31, 2011.
   Ordinary Resolution 2

3. To approve the payment of Directors' fees of RM150,000 for the financial year ended December 31, 2011.
   Ordinary Resolution 3

4. To re-elect Michael Lim Hee Kiang who retires pursuant to Article 99 of the Company's Articles of Association.
   Ordinary Resolution 4

5. To re-elect Alexander Stuart Davy 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, 2012 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 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 6, 2012 ("Proposed Renewal of Shareholders' Mandate") 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 minority shareholders.

AND THAT such authority conferred by the shareholders of the Company upon passing of this resolution pertaining to the Proposed Renewal of Shareholders' Mandate 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.

Notice of Annual General Meeting (continued)

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 the Proposed Renewal of Shareholders' Mandate."
Ordinary Resolution 7

8. **Proposed New Shareholders' Mandate for Recurrent Related Party Transaction(s) 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 arrangement(s) and/or transaction(s) 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 6, 2012 ("Proposed New Shareholders' Mandate") provided that such arrangement(s) and/or transaction(s) are:

(i) recurrent transaction(s) 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 minority shareholders.

AND THAT such authority conferred by the shareholders of the Company upon passing of this resolution pertaining to the Proposed New Shareholders' Mandate 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 the Proposed New Shareholders' Mandate."
Ordinary Resolution 8

9. **Proposed amendments to the Articles of Association of the Company**

"THAT the alterations, modifications or additions to the Articles of Association of the Company in the manner as set out in the Appendix II of the Circular to Shareholders dated June 6, 2012 be and are hereby approved 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 the said alterations, modifications or additions."
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 6, 2012

Notice of Annual General Meeting (continued)

Notes:

(i) Only members of the Company whose names appear in the Record of Depositors as at June 20, 2012 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 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.

Explanatory notes on special business:

1. **Ordinary Resolution 7**
   Proposed Renewal of Shareholders' Mandate 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 transactions 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 New Shareholders' Mandate for Recurrent Related Party Transaction(s) of a Revenue or Trading Nature

   The proposed Ordinary Resolution 8, if passed, will allow DKSH Group to enter into new recurrent transaction(s) 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 Amendments to the Articles of Association of the Company

   The proposed Special Resolution 1, if passed, will allow amendments to be made to the Articles of Association of the Company ("Articles") to bring the Articles in line with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and ensure clarity and consistency throughout the Articles.

Further information on the Proposed Renewal of Shareholders' Mandate, Proposed New Shareholders' Mandate and the Proposed Amendments to the Articles is set out in the Circular to Shareholders dated June 6, 2012 which is despatched together with the Company's Annual Report 2011.

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 Twentieth Annual General Meeting of the Company.

Through our state-of-the-art infrastructure, we professionally store, transport, and distribute products to the marketplace.

Chairman's statement

On behalf of the Board of Directors, I am pleased to present the Annual Report and the audited financial statements of DKSH Holdings (Malaysia) Berhad for the financial year ended December 31, 2011.

The Malaysian economy continued to grow at a steady rate of 5.1%, despite more moderate global economic growth in 2011. Especially the domestic demand and private consumption, both factors that positively support DKSH's business model, registered a strong growth in 2011 at 8.2% and 6.9% respectively. These factors also supported a growth of 6.8% in the service sector.

With this backdrop, the Group once again did very well, making 2011 another record year. Group revenue grew by 10.2% from RM 3.87 billion in 2010 to RM 4.26 billion in 2011, while profit after tax increased by 53.3% from RM 32.0 million to RM 49.1 million in 2011.

These substantial improvements in revenue and profit are the result of our diligent and continued focus on our strategy for growth. First and foremost, we have focused on growing existing businesses organically in close partnership with our clients. The increase in revenue was particularly impressive in the Marketing and Distribution segment's consumer goods business and in the healthcare business under the Logistics segment. Moreover, the expansion in Famous Amos retail outlets combined with new sales initiatives supported strong organic growth under the segment "Others".

A realignment in territories for the distribution of telephone cards by the client resulted in the Group losing certain territories and therefore sales. This business contributes substantially to Group revenue and had an impact on the Group's overall revenue growth. However, swift actions to reduce costs and overheads avoided a material impact on operating profit.

Business development initiatives have also been very successful, resulting in a number of new clients in 2011. Business development did especially well in the Marketing and Distribution segment, as well as in the Logistics segment's healthcare business. Agreements with both local and international clients of varying sizes were signed, mostly in the second half of 2011.

Chairman's statement (continued)

Our focus has also remained on maintaining and improving operational efficiencies and high service levels. Operating expenses increased at lower rates than revenue, allowing the Group to improve operating profit while leveraging on our extensive supply chain and an industry leading IT infrastructure.

Sustainability

High ethical standards and good governance have and always will be paramount to the way we operate. As a socially responsible company, we have in 2011 reviewed our Corporate Sustainability framework, resulting in an increased focus on giving directly to the communities in need, giving back to employees, and a focus on the environment. Strong staff engagement in these initiatives has also made these projects a success.

Recognition and award

We are proud in having won "The Edge Billion Ringgit Club 2011" award for the Highest Profit Growth Company over three consecutive years within the combined Trading/Services, Hotels, IPC, and Technology sectors. The awards are established by The Edge, Malaysia's leading business and investment publisher. It is an honor for DKSH and a strong testimony to the team's hard work and commitment over the past three years that have led to DKSH winning such recognition.

Dividends

Given the strong profit after tax performance of 53.3% against the previous year, the Board of Directors recommends a final single tier dividend of 7 sen per ordinary share for 2011. This reflects an increase in dividend of 56% over the final single tier dividend of 4.5 sen per ordinary share for 2010, and a total payout of RM 11.0 million.

Prospects

With continued global economic uncertainty, Bank Negara Malaysia has projected a moderate growth of 4% to 5% for Malaysia in 2012. However, domestic demand and private consumption, factors that support our businesses, are expected to continue to do well, supported by measures announced under the 2012 government Budget. With the Group's focus on the domestic market, we expect that these macro-economic factors will support another positive year.

Two additional factors are expected to support further growth of our business model. Firstly, the government's Economic Transformation Program focusing on making Malaysia a high income economy by 2020 is anticipated to create a rising middle class. This in turn is expected to benefit the consumption of consumer goods and pharmaceuticals, both core activities of the Group.

Secondly, multinational and local brand owners are increasingly focusing on their core competencies and outsourcing non-core activities to specialized service providers. This is expected to fuel the demand for Market Expansion Services especially for local marketing, sales, and supply chain services. Given the Group's well-established capillary sales and distribution reach, and efficient infrastructure, we expect this to contribute positively to the Group's development.

The Group continues to maintain ambitious growth targets. Furthermore, macro-economic and industry factors are expected to positively support the demand for Market Expansion Services. We are, therefore, optimistic on further revenue and profit growth.

Acknowledgments

After 15 years with DKSH in international positions, six of which at the helm of the Group in Malaysia, Niels Johan Holm has resigned from the Board on April 16, 2012 in order to commit his time to family and friends. I thank Niels for his commitment and extensive contributions to the Group and wish him all the very best.

In achieving another record year, I would like to once again extend my sincere appreciation to the entire DKSH management team and employees, who have through hard work, commitment, and passion put the Group's strategy for growth to fruition and also turned our corporate values into drivers for success.

On behalf of the Board, I would also like to thank our clients and customers for their continued support, trust, and their close partnerships with DKSH in growing our mutual businesses throughout Malaysia and Brunei.

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

MICHAEL LIM HEE KIANG
Chairman

Business review

2011 was a very rewarding year for the Group. Once again, the Group achieved record profits, substantially above our record year 2010.

Revenue and profit after tax performance outperformed 2010 throughout all quarters primarily driven by growth of existing clients and supplemented through new business development. Both the consumer goods business under the Marketing and Distribution segment and the healthcare business under the Logistics segment performed very well, while Famous Amos, under the segment "Others", supported this growth through a further expansion in retail outlets and new sales initiatives.

The revenue and profit growth is furthermore commendable given the decrease in sales in the telephone cards business, a material contributor to the Group's revenue, as well as the loss of a sizeable confectionery client at the end of 2011.

Group revenue increased by 10.2% from RM 3.87 billion in 2010 to RM 4.26 billion in 2011. A major contributor of revenue growth was the Marketing and Distribution segment and Famous Amos under the segment "Others". Both performed very well.

On the back of strong sales performance, combined with cost efficiencies, operating profit increased by 43.1% from RM 52.4 million to RM 75.0 million. The management of financing costs, challenged by interest rate increases during the year, and reductions in forex costs, relating primarily to improved arrangements with one supplier, resulted in an increase in profit after tax of 53.3% from RM 32.0 million to RM 49.1 million in 2011.

Close working capital management continues to be paramount. Inventories, accounts receivable, and payables were all subject to ongoing scrutiny. Working capital increased in line with new business development. Moreover, while inventories increased, the risk profile, meaning the risks that the Group takes on market returns or costs relating to write-offs in these inventories, did not.

2011 also saw further enhancements to the Group's governance processes. The close management of operational risks continued, while the Group's risk management framework was regularly reviewed to remain ever vigilant and prepared. The Group's SAP system and our sales force automation tools were further enhanced for better service delivery to our clients. Our documented Internal Control System (ICS) also ensured controls remained operational throughout the year, supported by regular testing by management and auditors.

People are our assets

It is our over 2,100 passionate and committed employees that have translated the Group's strategy for growth into another successful year. In recognizing the importance of a highly motivated team, the Group invested into the development and training of employees. Furthermore, reward and recognition programs were enhanced. These initiatives resulted in a low attrition of management staff. With this and further strategic initiatives in the planning, the Group remains focused on being one of Malaysia's employers of choice.

Marketing and Distribution segment

Under this segment, the Group provides the full range of Market Expansion Services. The services range from marketing, to providing sales force, distribution and logistics, invoicing and credit control, handling of inventory and returned goods and other value-added services.

This segment represents primarily the two Business Units Consumer Goods and Performance Materials. Based on revenue, this is the second largest of the three reported segments.

Revenue performance in this segment was very strong with a growth of 16.5%, an increase from RM 1.63 billion in 2010 to RM 1.90 billion in 2011. Quarterly revenue also consistently outperformed 2010, this being achieved despite the loss of a sizeable confectionery client at the end of the year.

The strong revenue growth was a result of primarily organic sales growth, driven by a very capable and highly dedicated sales force. A number of clients saw substantial sales growth during the year.

Moreover, from the second quarter onwards, new business development was also very successful. In 2011, the Business Unit Consumer Goods had signed up a number of new local and international clients of varying sizes, primarily from personal care and food industries, thereby complementing the Group's product ranges.

Business review (continued)

Much focus also went into maintaining operational effectiveness and keeping costs at bay. Operational risk management processes and internal controls further ensured that inventory, trade return, and accounts receivable risks, remained closely monitored. Strong controls on returned goods resulted in a 41% reduction in returns against the previous year.

On the other hand, the Performance Materials business under this segment, which accounts for 1.5% of the segment's revenue, had a difficult year. While revenue grew, operating profit for this business decreased against 2010 due to a lower margin sales mix and higher operating costs. With a newly recruited management team as well as new strategies and support from DKSH's regional Performance Materials team, the business is expected to improve. This unit has also invested in a specialized application laboratory in order to extend the service portfolio provided.

Supported by the growth in revenue, the operating profit for the Marketing and Distribution segment increased notably by 94.6% from RM 19.0 million in 2010 to RM 37.0 million in 2011.

Logistics segment

Under this segment, the Group provides local and international clients with a specialized service offering focusing on supply chain services. The services range from import, to forwarding, warehousing and distribution, processing of orders, and the management of collections. The primary business activities covered under this segment include the Business Unit Healthcare, the distribution of telephone cards, and the DKSH Transport Agencies. Based on revenue, this is the largest of the Group's segments.

Revenue for this segment grew by 5.3% from RM 2.19 billion in 2010 to RM 2.31 billion in 2011. The key reason for this comparatively lower growth in revenue was a realignment in distribution territories for the telephone card business by the client, resulting in a loss for sales for these territories. While revenue for this business decreased, revenue for the healthcare business and for DKSH Transport Agencies grew.

Business Unit Healthcare's strong revenue growth is a result of organic growth and successful new business development. In 2011, Business Unit Healthcare succeeded in winning several new clients of varying sizes, while the service portfolio offered to some existing clients was further expanded to include sales and regulatory services. At the same time, the focus remained on the highly competitive supply chain activities.

It is also noteworthy that Business Unit Healthcare has in 2011 once again – based on the independent IMS market survey – strengthened its leadership position in terms of service levels in this highly competitive business.

DKSH Transport Agencies, which primarily provides freight forwarding services, also performed well. Improvements in obtaining haulage rebates more rapidly helped offset the loss of the cargo consolidation business in the second part of the year.

Operating profit improved by 13.4% from RM 27.4 million in 2010 to RM 31.1 million. This growth in operating profit was primarily fueled by the healthcare business and DKSH Transport Agencies.

Segment "Others"

The Famous Amos Chocolate Chip Cookie business represents the primary business activity under this segment, while this segment also includes non-operating activities.

Famous Amos' performance was once again commendable, supported by a passionate team. During the year, Famous Amos increased its retail footprint to 70 permanent and temporary stores throughout Malaysia as at the end of 2011.

Revenue for this segment increased by 18.8% from RM 43.1 million in 2010 to RM 51.2 million in 2011. At the same time, the Group's operating profit improved by 15.1% from RM 5.9 million in 2010 to RM 6.8 million.

JOHN PETER CLARE
Group Finance Director

Business review (continued)

With our complete array of marketing and sales services, our experienced specialists help grow business by increasing sales, enhancing margin, and by launching into new markets.

Our dedicated teams have an extensive track record of successfully building brands and penetrating all relevant channels and outlets.

Business Unit Performance Materials focuses on the specialty chemicals, food and beverage, pharmaceutical, and personal care industries.

Our Famous Amos retail business has extensive presence in Malaysia with 70 outlets nationwide and the number is still growing.

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

Registered office

Address: 74 Jalan University, 46200 Petaling Jaya, Selangor Darul Ehsan	Tel No.: +603 7966 0288 Fax No.: +603 7957 0829

Company Secretaries

Andre' Chai P'o-Lieng, MAICSA 7062103	
Kwan Wai Sin, MAICSA 7035227	

Auditors

Ernst & Young, Chartered Accountants Address: Level 23A, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, 50490 Kuala Lumpur	Tel No.: +603 7495 8000 Fax No.: +603 7495 7987

Share registrar

Tricor Investor Services Sdn Bhd Address: Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur	Tel No.: +603 2264 3883 Fax No.: +603 2282 1886

Principal bankers

Affin Bank Berhad	
Deutsche Bank (Malaysia) Berhad	
Malayan Banking Berhad	
Public Bank Berhad	
Standard Chartered Bank Malaysia Berhad	

Solicitors

Shearn Delamore & Co	

Stock Exchange listing

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

Corporate profile

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

History – Deeply rooted in Malaysia

DKSH has been conducting business in Malaysia for over 100 years. Originally operating under the name of Diethelm, the first branch office was set up in 1923 in Penang. Subsequently another branch office followed in 1935 in Kuala Lumpur. Since then, DKSH has grown from strength to strength with its main office today based in Petaling Jaya, Selangor and 18 regional offices 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. Lembaga Tabung Angkatan Tentera (LTAT), the Company's Bumiputera partner since 1991, is a substantial and valued shareholder of the Company holding approximately 10% of its shares.

International – DKSH Group of Switzerland

With nearly 150 years of experience doing business in and within Asia, Diethelm Keller Services Asia and SiberHegner combined forces in 2002 to form the DKSH Group, creating a global services company with a unique pan-Asian network.

DKSH is the No.1 Market Expansion Services provider with a focus on Asia. DKSH Holding Limited is a global company headquartered in Zurich and is publicly listed on the SIX Swiss Exchange since March 2012. With 650 business locations in 35 countries – 630 of them in Asia – DKSH generated revenue of CHF 7.3 billion in 2011. Its 24,000 specialized staff from 64 nationalities serve some 500,000 customers across the world.

Corporate profile (continued)

Our business model – Market Expansion Services

As the term "Market Expansion Services" suggests, DKSH helps local and international companies and brands grow their business in new or existing markets.

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

DKSH offers a comprehensive and tailor-made portfolio of integrated 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.

Our state-of-the-art facilities allow us to relabel and repackage products in line with local regulations and requirements.

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 18 regional offices covering key market locations in West and East Malaysia as well as Brunei.

Our hand-held sales force effectiveness tool allows our field-based sales force to instantly execute sales orders and review inventory.

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.

Corporate profile (continued)

Our customer care centers provide valuable contact and service points for our business partners.

Logistics segment

The Group's Logistics services focuses on supply chain services ranging from import, to forwarding, warehousing and distribution, order processing, and the management of 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 and DKSH Transport Agencies.

The backbone to the Group's distribution infrastructure are two ISO-certified distribution centers – one in Bukit

Our comprehensive distribution network provides us with unrivalled customer access.

Corporate profile (continued)

Kemuning near Klang, the other in Petaling Jaya. The distribution center in Klang has a capacity of 55,000 pallets for ambient, air conditioned, chilled and frozen products catered for Consumer Goods. The Petaling Jaya distribution center supplies Healthcare products and is capable of managing 5,000 pallets. 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 fastest and prompt delivery of vital drugs.

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 service from Port Klang, as well as cargo consolidation service from Port Klang to all ports in East Malaysia. DKSH Transport Agencies is a freight forwarding and shipping agent licensed by the Royal Malaysian Customs.

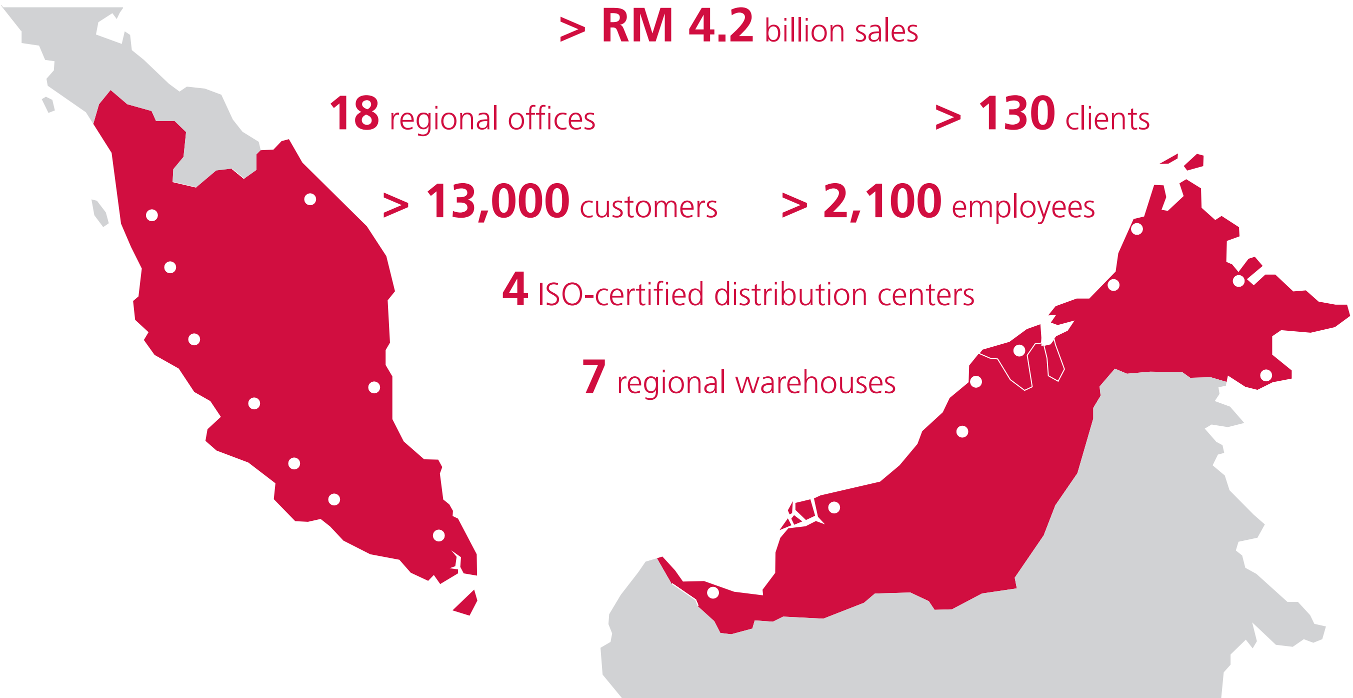
Segment "Others"

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. There are a total 70 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.

With our capillary distribution network and comprehensive logistics infrastructure, our dedicated specialists ensure products arrive on time even in the remotest areas.

DKSH at a glance



DKSH offers integrated and tailor-made Market Expansion Services along the entire value chain

Sourcing

Our unique sourcing network across more than 70 markets and a deep industry expertise enable us to provide any specialty chemicals and ingredients you need, while offering the perfect mix of cost-effectiveness, quality, and dependable supply.

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 hand-on training, and run acceptance tests.

Marketing and sales

We offer a complete array of marketing and sales services across our Business Units. We have a long-standing track record in brand-building and service all relevant sales channels.

Distribution and logistics

With our unmatched logistics infrastructure and state-of-the-art distribution centers, we transport, store, and distribute your products efficiently and professionally. As part of our comprehensive package of Market Expansion Services, we provide many additional services.

After-sales services

We offer a broad range of after-sales services and support, which ensure 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

Mr Michael Lim Hee Kiang, aged 64, 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 has relinquished his position as Chairman of the Audit Committee on December 10, 2004.

Mr Michael 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 Michael 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 Michael Lim attended all four Board meetings of the Company held in the financial year ended December 31, 2011. 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 66, 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.

Directors' profiles (continued)

Mr Menezes attended all four Board meetings of the Company held in the financial year ended December 31, 2011. 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.

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

Datuk Haji Abdul Aziz bin Ismail, aged 59, 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, 2011. 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

Mr Thon Lek, aged 64, 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.

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, 2011. He does not hold any directorship of other public

Directors' profiles (continued)

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.

Alexander Stuart Davy
Non-Independent Non-Executive Director

Mr Alexander Stuart Davy, aged 54, 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.

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 14 years ago, with the first seven years as the Group 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 consultant to DKSH and is based in Thailand.

Mr Davy attended all four Board meetings of the Company held in the financial year ended December 31, 2011. 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.

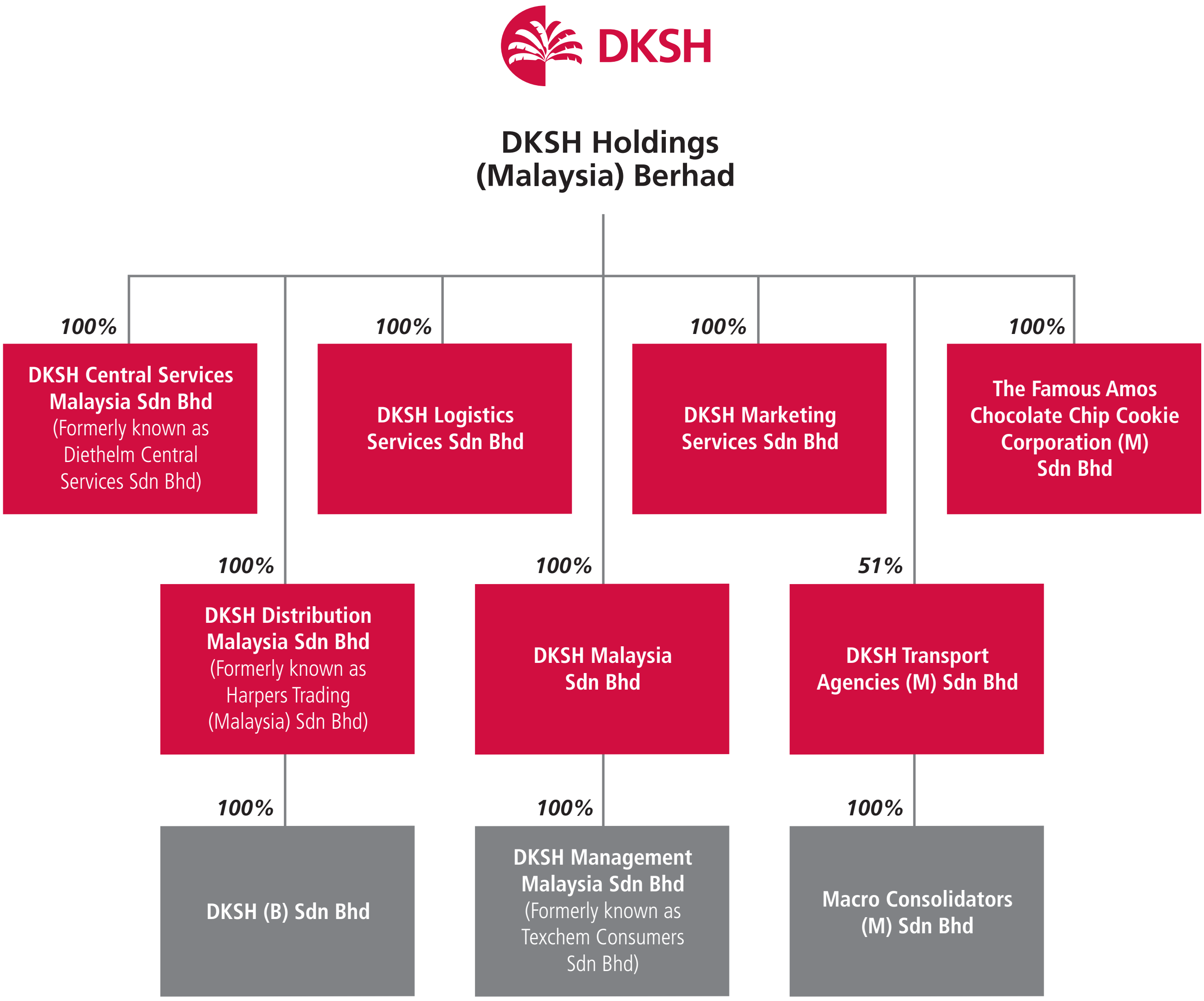
John Peter Clare
Non-Independent Executive Director/ Group Finance Director

Mr John Peter Clare, aged 41, 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 DKSH worldwide Group Internal Audit department out of Hong Kong. In this capacity, he has overseen the audit activities of the 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 three Board meetings of the Company held, since his appointment to the Board, in the financial year ended December 31, 2011. 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.

Operating structure



Corporate governance statement

Good corporate governance and sustainable business performance are intertwined. The Board of Directors of DKSH Holdings (Malaysia) Berhad ("the Company") is committed to strive for high standards of corporate governance and to ensure the comprehensive application and/or compliance with the principles and best practices set out in the Malaysian Code on Corporate Governance (revised 2007) ("the Code"). In this process, the Board and management are 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, the Board is pleased to report to shareholders on the manner the Group has applied the principles, and the extent of compliance with the best practices of good governance as set out in the Code during the financial year ended December 31, 2011.

The Board of Directors

- **Composition**
  The Board of Directors of the Company ("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 solid professional background. Their profiles are set out on pages 17 to 19 of this Annual Report.

- **Principal responsibilities of the Board**
  The Board has overall responsibility for the Company's strategic direction, overseeing the conduct of the Company's business, corporate governance, investor relations, risks management practices and internal controls, as well as formulation of appropriate systems and policies for areas of high risk faced by the Group to ensure compliance and control throughout the Group. 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.

- **Size of the Board**
  The Board is of the opinion that the current composition and size of the Board are reasonably representative of the level of investments by the shareholders of the Company. The largest shareholder holds the majority of the shares in the Company and has two Board representatives, whilst the second largest shareholder has one Board representative. Nonetheless, the Board regularly assesses its size and composition.

- **Board effectiveness**
  The Board has the right mix of skills, experience and knowledge relevant to effectively direct and supervise the Company's business activities and to ensure that the interest of investors, including the Company's minority shareholders, is adequately protected.

  The Independent Non-Executive Chairman is responsible for managing the conduct of the Board and ensuring Board effectiveness. The Chairman encourages constructive and healthy debates and ensures that all Board decisions reflect the collective view of the Board.

  The presence of Independent Directors plays a pivotal role in corporate accountability and objectivity. Essentially, 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. Queries or concerns regarding the Company and/or the Group may be conveyed to the Independent Non-Executive Chairman who is also a member of the Audit Committee.

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

- **Appointments to the Board**
  The Board is responsible for the appointment of Directors which is subject to the Board's approval. The Board is of the opinion that a separate nomination committee is not required given the small size of the Board. Further, the broad experience of the Board members allows effective assessments of each nomination.

Corporate governance statement (continued)

- **Re-election of Directors**
  Pursuant to the Bursa Malaysia Securities Berhad ("Bursa Malaysia") Main Market Listing Requirements ("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.

  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 17 to 19 of this Annual Report.

- **Board meeting and supply of information**
  The Board is scheduled to meet at least four times a year. During 2011, 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, the Chairman of the Audit Committee and the Group Finance Director jointly organize the agenda and supporting information for the Board and Audit Committee meetings.

  The Board receives quarterly interim financial results and comprehensive information which allows it to have a thorough assessment of the Company's performance, the Group's operational, financial and corporate issues, business performance, securities transactions of the Directors, major shareholder(s) and principal officers of the Company and/or major subsidiary. The Board is regularly kept informed of the requirements and updates issued by Bursa Malaysia and other 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 Audit Committee frequently informs the Directors at Board meetings, of any salient matters raised at the Audit 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.

Attendance of Directors at the Board meetings held in 2011

Directors	No. of meetings attended	% of attendance
Michael Lim Hee Kiang	4/4	100
James Armand Menezes	4/4	100
Datuk Haji Abdul Aziz bin Ismail	3/4	75
Thon Lek	4/4	100
Alexander Stuart Davy	4/4	100
John Peter Clare (appointed on March 1, 2011)	3/3	100
Niels Johan Holm (resigned on April 16, 2012)	3/4	75

Corporate governance statement (continued)

- **Board assessment**
  The Board has conducted an annual assessment on the effectiveness of the Board as a whole and of the Audit Committee. The assessment will be discussed by the members of the Board.

- **Training of Directors**
  All Directors have attended the Directors' Mandatory Accreditation Program conducted by Bursa Malaysia and are aware of the Continuing Education Program requirement pursuant to the Listing Requirements.

  During the financial year under review, all Directors attended a number of training and seminar programs except Mr Alexander Stuart Davy whose scheduled training programs coincided with his business engagements. The training and seminar programs attended by all other Directors pertain to, among others, corporate governance, finance and risk management which are relevant and useful in contributing to the effective discharge of their duties as Directors. The Board will evaluate and determine the training needs of the Directors on a continuous basis in compliance with the Listing Requirements and the Code.

- **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 level of remuneration of Non-Executive Directors reflects the experience and level of 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 which is set in line with international 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 the financial year is set out in the table below and further details of the aggregate remuneration of the Directors during the financial year are set out in Note 6 to the Financial Statements on page 74 of this Annual Report.

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 is in compliance with the Listing Requirements and the Code which require all the Audit Committee members to be Non-Executive Directors with a majority of them being Independent Directors.

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.

Further details of the duties, responsibilities and activities of the Audit Committee during the year are set out in the Audit Committee Report on pages 29 to 30 of this Annual Report.

Aggregate remuneration of the Directors for the financial year ended December 31, 2011

Range of remuneration	No. of Executive Director	No. of Non-Executive Directors
RM 50,000 and below	–	*6
RM 950,000 to RM 1,000,000	1	–

*Note: Subsequent to the financial year end, a Non-Independent Non-Executive Director had resigned on April 16, 2012.

Corporate governance statement (continued)

Investor relations and shareholders communication

The Company acknowledges the need for shareholders to be informed of all material business matters affecting the Company.

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 of the Company and/or the Group's activities, corporate announcements and quarterly results by accessing its 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 external auditors are also present at the meeting to provide their professional and independent view, if required, on issues highlighted by shareholders.

The Company has conducted 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.

Accountability and audit

The Board is determined to present a balanced and understandable assessment of the Company's business and expectations under a sound system of internal controls. The Audit Committee members meet regularly with the internal and external auditors with or without the presence of the Executive Director and management.

- **Financial reporting**
  The Audit Committee reviews, and the Board discusses and approves the quarterly and annual assessments of the Group's position and prospects prior to the timely release to Bursa Malaysia and/or shareholders. 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.

- **Internal controls**
  The Code requires the Board to maintain a sound system of internal controls to safeguard shareholders' investment and the Group's assets. An overview of the state of internal controls of the Company is set out in the Internal Control Statement on page 28 of this Annual Report.

- **Relationship with the Auditors**
  Through the Audit Committee, the Board maintains a formal and transparent professional relationship with the auditors, both external and internal. 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 any matters of concern. Further details of duties, responsibilities and activities of the Audit Committee during 2011 is set out in the Audit Committee Report on pages 29 to 30 of this Annual Report.

Other information

- **Utilization of proceeds raised from any corporate proposal**
  There were no proceeds raised from any corporate proposal announced to Bursa Malaysia.

- **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 does not sponsor any depository receipt program.

- **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 50,400 were paid to the external auditors of the Company in connection with the services rendered to the Company and/or the Group.

- **Recurrent related party transactions of a revenue or trading nature ("RRPTs")**
  At the last annual general meeting of the Company held on June 16, 2011, the Company had obtained approval from shareholders for the renewal of shareholders' mandate and the new shareholders' mandate to allow the Group to enter into RRPTs as specified in the Company's Circular to Shareholders dated May 25, 2011.

In accordance with paragraph 3.1.5 of Practice Note 12, the details of RRPTs conducted pursuant to the aforesaid shareholders' mandates during the financial year 2011 are set out in the table below.

Nature of RRPTs	Transacting companies with whom DKSH Group transacts with	Interested related parties (as named hereunder)*	Amount transacted during the financial year 2011 (RM'000)
Hosting system applications, data processing applications, provision of infrastructure and support facilities, provision of information technology and organizational consultancy services by transacting company to 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]	10,039
Sales of goods by DKSH Group to transacting companies	DKSH Holding Ltd and its affiliates	DKSH Resources [1] DKSH Asia [2] DKSH Holding Ltd [3] ASD [4] JPC [5] NJH [6]	8,482
Provision of distribution and logistics services by DKSH Group to transacting companies	DKSH Holding Ltd and its affiliates	DKSH Resources [1] DKSH Asia [2] DKSH Holding Ltd [3] ASD [4] JPC [5] NJH [6]	52,105
Provision by transacting companies of merchandising and promotion services for products distributed by DKSH Group	DKSH Holding Ltd and its affiliates	DKSH Resources [1] DKSH Asia [2] DKSH Holding Ltd [3] ASD [4] JPC [5] NJH [6]	6,309
Provision of human resources and payroll services by DKSH Group to transacting companies	DKSH Holding Ltd and its affiliates	DKSH Resources [1] DKSH Asia [2] DKSH Holding Ltd [3] ASD [4] JPC [5] NJH [6]	364

***Notes:**

1. DKSH Resources (Malaysia) Sdn Bhd ("DKSH Resources") is a major shareholder of DKSH Holdings (Malaysia) Berhad ("DKSH") (74.31% direct interest as at April 30, 2012) and a wholly-owned subsidiary of DKSH Holdings (Asia) Sdn Bhd (formerly known as Diethelm Holdings (Asia) Sdn Bhd) ("DKSH Asia").
2. 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, and is a person connected with CSSC and DKSH Asia.
4. Alexander Stuart Davy ("ASD"), is a Non-Independent Non-Executive Director and has been nominated to the Board of DKSH 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 DKSH 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 and nominated to the Board of DKSH by DKSH Resources. NJH was a person connected with DKSH Resources. He was also a Director of DKSH Resources. He resigned as Director of DKSH and DKSH Resources on April 16, 2012 and April 9, 2012 respectively.

Corporate governance statement (continued)

- **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, 2011.

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

- **Material contracts**
  The Directors are not aware of any material contracts between the Company and its Directors and shareholders during the financial year under review.

- **Employees' share option scheme ("ESOS")**
  The Company did not have any ESOS during the financial year under review.

Corporate social responsibility ("CSR")

The Group firmly believes that to achieve continuous growth for its business, its accountability is not just towards the quality of products and services but also towards fulfilling its social commitments.

Throughout the year, the Group has carried out its role as a responsible corporate citizen by being ethical in the way it conduct businesses as well as in improving lives of its employees, local communities, and society as a whole. The Group had in 2011 undertaken numerous CSR initiatives, both in philanthropic and community outreach.

DKSH staff dashing through the starting line of the DKSH Fantree Club Charity Run and having the run of their lives for the sake of charity.

For employees:

- The Group continued to offer in-house medical clinic service
- The Group organized a one-day blood donation drive including free health screening
- Together with the Federation of Malaysian Manufacturers, the Group established a warehouse supervisory certification program to develop talent in the warehousing and supply chain organization
- The Group continued 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

For the local communities and society at large:

- **Alladdin DKSH Fantree Club charity run**
  In July 2011, the Group's Fantree Club jointly organized the DKSH Fantree Club Charity Run together with its in-house brand, Alladdin lighters. The event saw a strong participation of 570 DKSH employees who ran a five kilometer race around the Jalan University community, where DKSH's main office is located. The charity run raised RM 35,000, thanks to a large extent to Alladdin lighters which pledged RM 50 for each runner, and to the topping up of contributions from the Group. The funds were channeled to Victory Old Folks Home, Angel Children Home, and Taman Megah Handicapped Children Home in the Klang Valley.

Corporate governance statement (continued)

- **The Edge – Bursa Malaysia Kuala Lumpur Rat Race**
  For the first time, DKSH participated in the 2011 The Edge – Bursa Malaysia Kuala Lumpur Rat Race, joining forces with some 90 other large corporations to raise funds for the community that it serves in. Showing its support, DKSH sent a team of six runners who participated in the 4.5 kilometer Main Race. In the one kilometer CEO Race, DKSH was represented by John Clare, Group Finance Director, and Dorothy Tan, Managing Director of DKSH's Famous Amos, who is a "golden age" citizen and was the most senior female participant in that 2011 Rat Race. DKSH's participation in the Rat Race is truly a culmination of energetic and passionate team players from different backgrounds, ages, races, nationalities, and management levels who donated their valuable time willingly for a good cause.

- **DKSH Thai flood relief fund**
  Following the severe flooding that inflicted Thailand in November 2011, the Group organized a three-week nationwide donation drive to raise funds to support the recovery of DKSH's Thai fellow colleagues and family members who lost their homes and belongings in the flood. In Malaysia, the Group managed to collect donations of almost RM 60,000 for the DKSH Thai Flood Relief Fund, thanks to the generous contribution of the Group's staff and directors, as well as its subsidiary, Famous Amos Chocolate Chip Cookie company's untiring efforts in putting together a successful charity bazaar to raise funds from the public and its clients.

- **Donation to the National Kidney Foundation of Malaysia**
  The Group continued to provide assistance to the National Kidney Foundation of Malaysia by donating RM 45,000 to help mitigate the long wait for affordable treatment from a rising number of low income kidney patients. With the donation, NKF was able to fund the purchase of a dialysis machine for its dialysis center in Setapak, Selangor, thus helping to ease the long queue and waiting time for kidney patients there. Apart from the dialysis machine, the donation was also used to purchase medical consumables for kidney patients at NKF. As a Group that is deeply rooted in Malaysia for over 100, DKSH remains committed in giving back to the community.

- **Famous Amos' contribution to Rumah Hope**
  In the spirit of Christmas giving, Famous Amos, a subsidiary of the Group, organized a charity drive to raise funds for Rumah Hope, a home for abused, neglected, and under-privileged children. Famous Amos raised a total of RM 5,530 by selling Christmas novelty tins with candies at one of its outlets at the Sunway Pyramid Mall with all proceeds going to Rumah Hope. Famous Amos' commitment to support Rumah Hope as part of its annual CSR initiative is a good example showing how DKSH's spirit in giving back to the community we serve in does not stop at Group level but runs throughout the fabric of the entire company.

DKSH's Group Finance Director, John Clare (fourth from right) and Famous Amos' Managing Director, Dorothy Tan (fourth from left), posing with other team DKSH members at the Rat Race.

Internal control statement

DKSH Holdings (Malaysia) Berhad and its Directors are committed to a sound system of internal controls. Internal controls 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 recognizes the importance of sound internal controls and risk management practices in order to safeguard shareholders' investments and protect the assets of the Group, and affirms its responsibility for the system of internal controls.

The Group's system of internal controls is designed to manage and control risks appropriately, rather than to eliminate risks altogether. Due to the inherent limitation of internal control systems, the system can only provide reasonable but not absolute assurance against material misstatement or loss.

Management assists the Board in identifying and evaluating key risks, by establishing related action plans, and by continuously fostering the system of internal controls.

Risk management

Risk Management is an inherent part of the Group's culture and is embedded in the Group's management systems. It ranges from the business planning processes, the management of client relationships, to the execution of the Group's daily business affairs.

During the year under review, the Group further enhanced and regularly reviewed its Risk Management system and the related risk registers on a regular basis. This Risk Management system includes holistically significant strategic, operational, financial and compliance risks, as well as clearly defined action plans, which are regularly reviewed by management. The Board was briefed by management on the Risk Register 2011 and on the risk reviews conducted by management.

Furthermore, the Group maintains a documented Internal Control System named ICS, which focuses on the most critical financial reporting risks. ICS has been in place for four years and has since its beginning undergone regular reviews and testing by management, as well as internal and external auditors.

Key elements of the Group's Internal Control System

The Group's internal control system consists of the following main elements:

- Code of Conduct: 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.
- ICS: The Group has a documented Internal Control System in place, which is regularly reviewed and updated by management and auditors.
- Limits of Authority: The Limits of Authority were reviewed and updated in 2011.
- Fraud Policy: In line with the Group's fraud policy, the Country Management Team reviews all fraud cases and ensures that the Group's zero tolerance policy is adhered to. Formal reports are issued for all fraud cases.
- Financial Reporting: Management receives regular financial reports for review and discussion and regular reviews between business managers and Finance department are conducted. Furthermore, as a subsidiary of DKSH Holding Ltd in Switzerland, DKSH's international Finance Center in Singapore consistently scrutinizes the monthly and year-end reports.
- 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.
- Credit Control: Formalized credit control procedures are in place and reviewed regularly.
- Inventory Management: Stringent controls are in place for inventories, which further undergo regular stock takes.
- Business Continuity Planning: A formalized business continuity plan is established.
- SAP: With the exception of DKSH Transport Agencies (M) Sdn Bhd, and Macro Consolidators (M) Sdn Bhd, all companies and units of the Group operate on a standardized SAP system. During 2011, system access rights were further enhanced in order to strengthen internal controls.
- Internal Audit: The Internal Audit department, which has been in place since the listing on Bursa Malaysia in 1994, continues to independently review key risks, monitor compliance with policies and procedures and evaluate the adequacy and effectiveness of internal controls. Findings and corrective measures are reported to the Audit Committee on a regular basis. The modus operandi of Internal Audit is further explained on page 30 of this Annual Report.

Conclusion

The Board considers the system of internal controls throughout the Group as sound. During the year under review, there were no significant control failures or weaknesses that would result in material losses or in a material financial misstatement. The various initiatives and reviews undertaken in 2011 have further strengthened the internal control environment and processes.

Audit Committee report

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

During the year 2011, the Audit Committee held four meetings. Board members, the Group Finance Director and the Head of Internal Audit attended the meetings by invitation.

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 the audit feedback.

Duties and responsibilities

The Audit Committee of DKSH Holdings (Malaysia) Berhad was established by the Board of Directors in September 1994. The specific responsibilities of the committee include to:

- Assist in establishing an environment in which controls can operate effectively
- Oversee the monitoring of the Group's systems of financial reporting, and internal controls and ensure an early warning system is in place
- Review the Group's procedures established to ensure compliance with statutory and disclosure requirements
- Assess the adequacy, quality, and timeliness of management reports
- Recommend the appointment and remuneration of the external auditors and the terms and scope of the audit engagement
- Review the scope and annual planning of the Internal Audit department as well as staffing matters
- Review reports issued by the internal and external auditors and follow up on the implementation of recommendations
- Review the quarterly interim results of the Company and the Group before submission to the Board of Directors for approval and to ensure that they are prepared in a timely and accurate manner complying with accounting and regulatory requirements.
- Review related party transactions and conflict of interest situations that may arise within the Company and the Group
- Consider other issues referred to by the Board of Directors from time to time

Activities in 2011

During the financial year, the Audit Committee conducted its activities in line with the above described responsibilities, which included:

- Quarterly meetings to review and approve the quarterly results for submission to the Board
- Review the results of the interim and final audit by the external auditors
- Assessment of the effectiveness of the system of internal controls
- Examination of the internal audit reports and the work performed by Internal Audit
- Discussion and approval of the internal audit plan for the year

There were no restrictions of resources or information to the Audit Committee that would have impaired the effective execution of the 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.

The Audit Committee met four times in 2011. The Audit Committee meetings were held on February 24, May 12, August 23 and November 24, 2011 (details of attendance of each Audit Committee member are indicated in the table below).

Audit Committee : Size, composition and attendance at the Audit Committee meetings held in 2011

	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)

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 has been in place since 1994, provides an independent assessment of the Group's risk management, internal control, and governance processes. The Head of Internal Audit reports functionally directly to the Audit Committee.

The audit planning approach applied is to focus on high risk business processes and to assess the effectiveness of internal controls therein. Higher risk processes are reviewed more frequently. The annual audit plan, which is established on this basis, is reviewed and approved by the Audit Committee.

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

The Internal Audit activities in 2011 included:

- Four operational and financial audits on selected high risk areas
- Audits of DKSH's formalized Internal Control System (ICS) which focuses on the most critical financial reporting risks
- Audits of 14 branch offices located throughout Malaysia
- Reviews of SAP access rights and segregation of duties
- Analytical reviews on the quarterly financial statements of the Group
- Collaboration between internal and external auditors resulting in increased leverage by the Group's external auditors
- Review and investigation of fraud cases

All auditors are professionally qualified accountants, with backgrounds in both external and internal audit. During the year 2011, Internal Audit incurred total costs of just over RM 600,000.

List of properties

as at December 31, 2011

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	49	1997	28,185
Lot 7, Section 13 Petaling Jaya Selangor Darul Ehsan	Warehouse and office complex	Leasehold land expiring in 2066	83,171	51	1997	8,484

Our main office in Petaling Jaya.

Analysis of shareholdings

as at April 30, 2012

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)

Size of holdings	No. of holders	% of holders	No. of shares	% of issued shares
Less than 100	13	0.47	391	0.00
100 to 1,000	1,235	44.89	1,185,859	0.75
1,001 to 10,000	1,188	43.18	5,008,950	3.18
10,001 to 100,000	272	9.90	7,779,200	4.94
100,001 to less than 5% of issued shares	41	1.49	9,826,800	6.23
5% and above of issued shares	2	0.07	133,856,876	84.90
Total	**2,751**	**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	16,701,800	10.59	–	–

Directors' interests in shares 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, 2012 (continued)

30 largest shareholders (as per the Record of Depositors)

	Name	No. of shares held	% of issued shares
1.	DKSH Resources (Malaysia) Sdn Bhd	117,155,076	74.31
2.	Lembaga Tabung Angkatan Tentera	16,701,800	10.59
3.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Erwin Selvarajah a/l Peter Selvarajah	721,700	0.46
4.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for UBS AG (Clients Assets)	620,000	0.39
5.	Wong Lok Jee @ Ong Lok Jee	611,000	0.39
6.	Nahoorammah a/p Sithamparam Pillay	530,000	0.34
7.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Fong Siling (CEB)	400,000	0.25
8.	Erwin Selvarajah a/l Peter Selvarajah	362,800	0.23
9.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Yee Kiat	350,000	0.22
10.	Citigroup Nominees (Tempatan) Sdn Bhd Allianz Life Insurance Malaysia Berhad (DGF)	337,000	0.21
11.	Niels Johan Holm	337,000	0.21
12.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Credit Suisse (SG BR-TST-ASING)	295,800	0.19
13.	Foh Chong & Sons Sdn Bhd	290,000	0.18
14.	Beh Chun Chuan	271,900	0.17
15.	Ng Yew Chin	250,800	0.16
16.	Tan Bee Chen	250,000	0.16
17.	Liau Choon Hwa & Sons Sdn Bhd	208,500	0.13
18.	OSK Nominees (Tempatan) Sdn Berhad Pledged Securities Account for Chin Kiam Hsung	205,000	0.13
19.	Egon Arthur Heldner	202,000	0.13
20.	Amarjeet Singh a/l Naib Singh	200,000	0.13
21.	HSBC Nominees (Asing) Sdn Bhd CACEIS BK FR for HMG Globetrotter	200,000	0.13
22.	Ting Wee Jinn	200,000	0.13
23.	McLaren Saksama (Malaysia) Sdn Bhd	196,000	0.12
24.	Chin Sin Lin	190,000	0.12
25.	Chin Kian Fong	180,000	0.11
26.	Yong Lin Kok	174,000	0.11
27.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Liau Thai Min (MY0918)	171,300	0.11
28.	Leong Yoke Wah	170,000	0.11
29.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Kho Cheok Lian (MY1290)	159,600	0.10
30.	Citigroup Nominees (Tempatan) Sdn Bhd Allianz Life Insurance Malaysia Berhad (ULIFE)	155,000	0.10
	Total	**142,096,276**	**90.12**

Financial highlights

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

	2007	2008	2009	2010	2011
Turnover	3,371,767	3,622,586	3,559,678	3,867,610	4,260,749
Profit before tax	10,595	9,711	31,019*	45,556	67,687
Net profit attributable to owners of the parent	1,446	1,056	21,248*	27,963	44,346
Total assets employed	1,228,353	1,116,950	969,147**	1,107,605	1,240,147
Shareholders' equity	146,908	144,464	162,203	184,909	222,182

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

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, 2011 of the Company and the Group have been prepared in accordance with Financial Reporting Standards ("FRS") in Malaysia and the provisions of the Act. The Directors consider that in preparing the financial statements of the Company and the Group for the year ended December 31, 2011, 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 FRS in Malaysia. 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 31 December 2011.

PRINCIPAL ACTIVITIES

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.

RESULTS

	Group RM'000	Company RM'000
Profit net of tax	49,120	9,900
Profit attributable to:		
Owners of the parent	44,346	9,900
Non-controlling interests	4,774	–
	49,120	9,900

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

In the opinion of the directors, the results of the operations of the Group and of the Company 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 by the Company since 31 December 2010 was as follows:

	RM'000
In respect of the financial year ended 31 December 2010, as reported in the Directors' Report for that financial year, a final single-tier dividend of 4.5 sen per share, on 157,658,076 ordinary shares, paid on 18 August 2011	7,095

At the forthcoming Annual General Meeting, a final single-tier dividend of 7.0 sen per share on 157,658,076 ordinary shares, amounting to RM11,036,065 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 31 December 2012 when approved by shareholders.

DIRECTORS

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

Michael Lim Hee Kiang
James Armand Menezes
Datuk Haji Abdul Aziz Ismail
Thon Lek
Alexander Stuart Davy
Niels Johan Holm (Resigned on 16 April 2012)
John Peter Clare

In accordance with Article 99 of the Company's Articles of Association, Alexander Stuart Davy and Michael Lim Hee Kiang 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 Company during the financial year were as follows:

	Number of ordinary shares of RM1 each			
	At 1.1.2011	Acquired	Sold	At 31.12.2011
Michael Lim Hee Kiang	10,000	–	–	10,000
Niels Johan Holm	337,000	–	–	337,000
Thon Lek	5,000	–	–	5,000

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 realise 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 realise.

(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.

Directors' report (continued)

OTHER STATUTORY INFORMATION (CONTINUED)

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

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

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

(f) In the opinion of the directors:

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

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

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 17 April 2012.

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 42 to 113 are drawn up in accordance with the Companies Act, 1965 and Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2011 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 114 to the financial statements have been prepared in accordance with the 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.

Signed on behalf of the Board in accordance with a resolution of the directors dated 17 April 2012.

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 42 to 114 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 17 April 2012

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 the statements of financial position as at 31 December 2011 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 42 to 113.

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 Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal controls as the directors determine are 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 have been properly drawn up in accordance with Financial Reporting Standards and 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 31 December 2011 and of their financial performance and cash flows for the year then ended.

Independent auditors' report

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

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

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

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 33 on page 114 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

ERNST & YOUNG
AF: 0039
Chartered Accountants

LOKE SIEW HENG
No. 2871/07/13(J)
Chartered Accountant

Kuala Lumpur, Malaysia
17 April 2012

Statements of comprehensive income

for the year ended 31 December 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Revenue	4	4,260,749	3,867,610	14,344	41,365
Changes in inventories of finished goods		66,633	64,106	–	–
Finished goods purchased		(3,935,785)	(3,593,831)	–	–
Other income		6,555	10,363	–	–
Write-back/(provision) for doubtful advances to a subsidiary		–	–	2,121	(7,836)
Staff costs	5	(141,390)	(124,827)	–	–
Warehousing and logistics expenses		(47,580)	(41,790)	–	–
Net write-back of allowance for impairment of doubtful debts		1,092	2,246	–	–
Rental expenses		(26,403)	(23,008)	–	–
Depreciation of property, plant and equipment		(9,175)	(10,384)	–	–
Travelling and entertainment expenses		(14,937)	(13,546)	–	–
Information technology and communication expenses		(15,688)	(15,048)	–	–
Utilities, upkeep, repairs and maintenance costs		(12,735)	(14,102)	–	–
Office expenses		(4,001)	(3,329)	–	–
Other selling, advertising and promotional expenses		(39,196)	(36,250)	–	–
Other expenses		(13,147)	(15,801)	(514)	(472)
Finance costs	7	(7,305)	(6,853)	(3,381)	(2,736)
Profit before tax	8	67,687	45,556	12,570	30,321
Income tax expense	9	(18,567)	(13,522)	(2,670)	(9,588)
Profit net of tax		49,120	32,034	9,900	20,733
Other comprehensive income for the year, net of tax:					
- Currency translation differences		15	(27)	–	–
- Gain on fair value changes on available-for-sale assets		7	5	–	–
Total comprehensive income for the year		49,142	32,012	9,900	20,733

Statements of comprehensive income

for the year ended 31 December 2011 (continued)

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Profit attributable to:					
Owners of the parent		44,346	27,963	9,900	20,733
Non-controlling interests		4,774	4,071	–	–
		49,120	32,034	9,900	20,733
Total comprehensive income attributable to:					
Owners of the parent		44,368	27,941	9,900	20,733
Non-controlling interests		4,774	4,071	–	–
		49,142	32,012	9,900	20,733
Earnings per share attributable to owners of the parent - basic (sen)	10	28.13	17.74	–	–

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

Statements of financial position

as at 31 December 2011

		Group		Company	
		2011	2010	2011	2010
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Non-current assets					
Property, plant and equipment	12	50,527	53,402	–	–
Intangible assets	13	8,886	9,862	–	–
Available for sale financial assets	14	69	62	–	–
Investment in subsidiaries	15	–	–	90,349	90,349
Deferred tax assets	16	4,275	6,832	–	–
		63,757	70,158	90,349	90,349
Current assets					
Inventories	17	382,101	313,655	–	–
Trade and other receivables	18	681,284	590,019	209,743	241,047
Tax recoverable		279	831	–	7,406
Cash and bank balances	19	112,726	132,942	192	83
		1,176,390	1,037,447	209,935	248,536
Total assets		1,240,147	1,107,605	300,284	338,885
Equity and liabilities					
Equity attributable to owners of the parent					
Share capital	20	157,658	157,658	157,658	157,658
Share premium		24,514	24,514	24,514	24,514
Revaluation reserve		13,505	13,505	–	–
Available for sale reserve		29	22	–	–
Foreign currency translation reserve		(12)	(27)	–	–
Retained earnings/ (accumulated losses)	21	26,488	(10,763)	26,641	23,836
		222,182	184,909	208,813	206,008
Non-controlling interests		17,977	16,775	–	–
Total equity		240,159	201,684	208,813	206,008

Statements of financial position

as at 31 December 2011 (continued)

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Current liabilities					
Trade and other payables	22	764,764	653,930	675	2,149
Derivative financial instruments	23	106	1,062	–	–
Borrowings	24	154,831	161,772	–	–
Income tax payable		4,282	1,987	338	–
		923,983	818,751	1,013	2,149
Non-current liabilities					
Borrowings	24	56,955	68,870	90,458	123,453
Post-employment benefits obligation	25	11,561	10,496	–	–
Provision for other liabilities	26	289	289	–	–
Deferred tax liabilities	16	7,200	7,515	–	7,275
		76,005	87,170	90,458	130,728
Total liabilities		999,988	905,921	91,471	132,877
Total equity and liabilities		1,240,147	1,107,605	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 31 December 2011

					Attributable to owners of the parent					
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/ (accumulated losses) RM'000**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
At 1 January 2011		157,658	24,514	13,505	22	(27)	(10,763)	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										
- 31 December 2010	11	–	–	–	–	–	(7,095)	(7,095)	(3,572)	(10,667)
Total transactions with owners		–	–	–	–	–	(7,095)	(7,095)	(3,572)	(10,667)
At 31 December 2011		157,658	24,514	13,505	29	(12)	26,488	222,182	17,977	240,159
At 1 January 2010		157,658	24,514	13,505	17	–	(33,996)	161,698	16,197	177,895
Total comprehensive income		–	–	–	5	(27)	27,963	27,941	4,071	32,012
Transactions with owners										
Dividends for financial year ended										
- 31 December 2009	11	–	–	–	–	–	(4,730)	(4,730)	(3,493)	(8,223)
Total transactions with owners		–	–	–	–	–	(4,730)	(4,730)	(3,493)	(8,223)
At 31 December 2010		157,658	24,514	13,505	22	(27)	(10,763)	184,909	16,775	201,684

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

Statements of changes in equity

for the year ended 31 December 2011 (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 1 January 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 31 December 2011		157,658	24,514	26,641	208,813
At 1 January 2010		157,658	24,514	7,833	190,005
Total comprehensive income		–	–	20,733	20,733
Transactions with owners					
Dividends	11	–	–	(4,730)	(4,730)
Total transactions with owners		–	–	(4,730)	(4,730)
At 31 December 2010		157,658	24,514	23,836	206,008

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

Statements of cash flows

for the year ended 31 December 2011

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Cash flows from operating activities				
Total comprehensive income attributable to owners of the parent	44,368	27,941	9,900	20,733
Adjustments for non-cash items:				
Property, plant and equipment:				
- depreciation	9,175	10,384	–	–
- written-off	21	5	–	–
- net gain on disposals	(179)	(217)	–	–
Inventories:				
- written off	7,710	12,746	–	–
- allowance/(write-back) of obsolescence	(2,176)	(2,831)	–	–
Net write-back of allowance for impairment of doubtful debts	(1,191)	(2,246)	–	–
Bad debts written off	99	–	–	–
Bad debts recovered	–	(106)	–	–
Impairment loss on available for-sale investment	–	5	–	–
Gain on fair value changes on available for-sale investment	(7)	(5)	–	–
Interest income	(168)	(174)	(9,365)	(7,408)
Interest expense	7,305	6,853	3,381	2,736
Dividend income (gross)	–	–	(4,957)	(33,947)
(Write-back)/provision for advances to subsidiary	–	–	(2,121)	7,836
Net unrealised exchange loss/(gain)	730	(557)	–	–
Unrealised derivative (gain)/loss	(956)	553	–	–
Accruals for post-employment benefits obligations	2,029	1,329	–	–
Amortisation of trademark	976	976	–	–
Income tax expense	18,567	13,522	2,670	9,588
Non-controlling interests	4,774	4,071	–	–
Operating cash flows before changes in working capital, carried forward	91,077	72,249	(492)	(462)

Statements of cash flows

for the year ended 31 December 2011 (continued)

	Group		Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Cash flows from operating activities (continued)				
Operating cash flows before changes in working capital, brought forward	91,077	72,249	(492)	(462)
Changes in working capital:				
Inventories	(74,089)	(73,823)	–	–
Receivables	(90,253)	(36,631)	80	308
Payables	110,216	110,493	(1,837)	1,508
Cash flows from operations	36,951	72,288	(2,249)	1,354
Dividend received (net)	–	–	25,543	3,635
Interest received	168	174	9,300	7,408
Interest paid	(7,242)	(6,549)	(3,329)	(2,672)
Tax paid	(13,478)	(8,240)	(961)	(1,210)
Post-employment benefit obligation paid	(964)	(729)	–	–
Net cash flow generated from operating activities	15,435	56,944	28,304	8,515
Cash flows from investing activities				
Proceeds from disposals of property, plant and equipment	403	237	–	–
Purchase of property, plant and equipment (Note a)	(6,528)	(5,458)	–	–
Net cash flow used in investing activities	(6,125)	(5,221)	–	–
Cash flows from financing activities				
Dividends paid	(10,667)	(8,223)	(7,095)	(4,730)
Advances to subsidiaries	–	–	–	(24,734)
Repayment of borrowings	(40,327)	(1,667)	–	–
Drawdown of term loan and borrowings	13,333	38,159	–	–
Advance from/(repayment to) intermediate holding company	8,120	(2,577)	8,120	18,835
Repayment to holding company	–	(31,893)	–	–
Repayment to subsidiaries	–	–	(29,220)	(9,261)
Net cash flow used in financing activities	(29,541)	(6,201)	(28,195)	(19,890)

Statements of cash flows
for the year ended 31 December 2011 (continued)

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Changes on cash and cash equivalents	(20,231)	45,522	109	(11,375)
Currency translation differences	15	(27)	–	–
Cash and cash equivalents at beginning of year	132,942	87,447	83	11,458
Cash and cash equivalents at end of year (Note 19)	112,726	132,942	192	83

Note:

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash	6,528	5,458	–	–
Deferred payment	932	915	–	–
Less: Payment made for previous year acquisition	(915)	(204)	–	–
Addition (Note 12)	6,545	6,169	–	–

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

Notes to the financial statements

31 December 2011

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 address of 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 Diethelm Holdings (Asia) Sendirian Berhad respectively, both of which are incorporated in Malaysia.

The ultimate holding company of the Company is Diethelm Keller Holding AG, a company incorporated in Switzerland.

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 17 April 2012.

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 Financial Reporting Standards and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2011 as described fully in Note 2.2.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies

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

On 1 January 2011, the Group and the Company adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2011.

Effective for financial periods beginning on or after 1 March 2010
- Amendments to FRS 132: Classification of Rights Issues

Effective for financial periods beginning on or after 1 July 2010
- FRS 1 First-time Adoption of Financial Reporting Standards
- FRS 3 Business Combinations
- Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 127 Consolidated and Separate Financial Statements
- Amendments to FRS 138 Intangible Assets
- Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives
- IC Interpretation 17 Distributions of Non-cash Assets to Owners

Effective for financial periods beginning on or after 1 January 2011

- IC Interpretation 18 Transfers of Assets from Customers
- Amendments to FRS 7: Improving Disclosures about Financial Instruments
- Amendments to FRS 1: Limited Exemptions for First-time Adopters
- Amendments to FRS 1: Additional Exemptions for First-time Adopters
- IC Interpretation 4 Determining Whether an Arrangement contains a Lease
- Improvements to FRS issued in 2010 *

* <u>**Improvements to FRS issued in 2010**</u>

The improvements to FRS issued in 2010 comprise amendments to the following FRS that are effective for annual periods beginning on or after 1 January 2011:

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations
FRS 7	Financial Instruments: Disclosures
FRS 101	Presentation of Financial Statements
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Presentation
FRS 134	Interim Financial Reporting
FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 13	Customer Loyalty Programmes

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

Effective for financial periods beginning on or after 1 January 2011 (continued)

Adoption of the above standards and interpretations did not have any significant effect on the financial performance or position of the Group and the Company other than those described below:-

Revised FRS 3 Business Combinations and Amendments to FRS 127 Consolidated and Separate Financial Statements

The revised standards are effective for annual periods beginning on or after 1 July 2010. The revised FRS 3 introduces a number of changes in accounting for business combinations occurring after 1 July 2010. These changes impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

The revised FRS 3 continues to apply the acquisition method to business combinations but with some significant changes. All payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

The amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The revised amendments did not impact the financial performance or position of the Group as there was no business combinations during the year.

Amendments to FRS 7: Improving Disclosures about Financial Instruments

The amended standard requires enhanced disclosure about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy (Level 1, Level 2 and Level 3), by class, for all financial instruments recognised at fair value. A reconciliation between the beginning and ending balance for Level 3 fair value measurements is required. Any significant transfers between levels of the fair value hierarchy and the reasons for those transfers need to be disclosed. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The amendment affects disclosure only and has no impact on the Group's financial position or performance as disclosed in Note 23.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Malaysian Financial Reporting Standards (MFRS Framework)

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The Group and the Company will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2012.

The directors are of the opinion that the financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2011 would not be significantly different if prepared under the MFRS Framework.

The Group and the Company consider that it is achieving its scheduled milestones and expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2012.

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 unrealised gains and losses resulting from intra-group transactions are eliminated in full.

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)

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. The accounting policy for goodwill is set out in Note 2.5(a). Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary and is recognised in the consolidated statement of comprehensive income.

(b) Transactions with non-controlling interests

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Economic entities in the Group (continued)

(c) Changes in ownership interests

When the Group ceases to have control, joint control or significant influence over an entity, the carrying amount of the investment at the date control, joint control or significant influence ceases become its cost on initial measurement as a financial asset in accordance with FRS 139 "Financial Instruments: Recognition and Measurement". Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

2.5 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries, jointly controlled entities and associates over the fair value of the Group's share of the identifiable net assets at the date of acquisition.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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.

(b) Trademarks

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

2. 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, with the exception of certain buildings which are stated at valuation less subsequent depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. The subsidiaries' assets stated at valuation were last revalued by the directors in 1997 based on open market valuations carried out by independent firms of professional valuers. For those property, plant and equipment that are stated at valuation, all subsequent additions are stated at cost. The directors have applied the transitional provisions issued by FRS No. 116: Property, plant and equipment which allows the buildings to be stated at their last revalued amounts less subsequent depreciation. Accordingly, these valuations have not been updated.

Subsequent costs are included in the asset's carrying amount or recognised 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 derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

Surpluses arising on revaluation are recognised in other comprehensive income as a revaluation surplus reserve. Any deficit arising from revaluation is recognised in the statement of comprehensive income. However, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus reserve of that asset.

Leasehold land classified as finance lease (refer to accounting policy Note 2.9 on finance leases) is amortised in equal instalments 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, or their revalued amounts, to their residual values over their estimated useful lives, summarised 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 renovation, depreciation on work-in-progress commences when the assets are ready for their intended use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment (continued)

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. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

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 recognised in the statement of comprehensive income.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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 unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in statement of comprehensive income unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 capitalised 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 capitalised. 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 recognised 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 recognised 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 recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.16.

2.10 Inventories

Inventories comprise raw materials and packaging materials, work in progress and finished goods. Inventories are stated at the lower of cost and net realisable 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 realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(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 recognised 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Income taxes (continued)

(b) Deferred tax (continued)

Deferred tax assets are recognised 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 utilised 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 recognised 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 utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised 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 recognised outside the statement of comprehensive income is recognised outside the statement of comprehensive income. Deferred tax items are recognised 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Employee benefits

(a) Short term employee benefits

The Group recognises 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 recognises 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% (2010: 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 recognises 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 on financial position.

2.15 Provisions

Provisions are recognised 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 recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised 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 recognised 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 recognised as interest expense.

Onerous contract

The Group recognises 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 recognised 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Revenue recognition

Revenue is recognised 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 recognised 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 recognised upon performance.

Other revenue earned by the Group is recognised 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.

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 recognised 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 recognised 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 recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

Notes to the financial statements

31 December 2011 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Foreign currencies (continued)

(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 recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised 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.

2.18 Financial assets

Financial assets are recognised 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 recognised 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 recognised in the statement 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 recognised separately in the statement of comprehensive income as part of other losses or other income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Financial assets (continued)

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

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 amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired, and through the amortisation 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.

(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 amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the held-to-maturity investments are derecognised or impaired, and through the amortisation 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Financial assets (continued)

(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 recognised 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 recognised in the statement of comprehensive income. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the statement of comprehensive income as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in the statement of comprehensive income. Dividends on an available-for-sale equity instrument are recognised in the statement 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 realised within 12 months after the reporting date.

A financial asset is derecognised 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 recognised in other comprehensive income is recognised in the statement 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 recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

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 amortised 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 recognised in the statement 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 recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the statement 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.

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 amortisation) and its current fair value, less any impairment loss previously recognised in the statement of comprehensive income, is transferred from equity to the statement of comprehensive income.

Impairment losses on available-for-sale equity investments are not reversed in the statement of comprehensive income in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in the statement 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 statement 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 recognised amounts and there is an intention to settle on a net basis, or realise 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 FRS 139, are recognised in the statement 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Financial liabilities (continued)

(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 recognised in the statement of comprehensive income. Net gains or losses on derivatives include exchange differences.

(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 recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised 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 recognised in statement of comprehensive income when the liabilities are derecognised, and through the amortisation process.

(c) Derivative financial instruments and hedging activities

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

The method of recognising 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 derecognised 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 recognised in the statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation 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 capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in the statement 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.

2.23 Segment reporting

For management purposes, the Group is organised 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. Additional disclosures on each of these segments are shown in Note 29, 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 recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised 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 recognised less cumulative amortisation.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, 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 judgement, the Group evaluates, among other factors, the price premium, discount rate and future use of the trademark. In making these key estimates and judgements, the Group takes into consideration assumptions that are mainly based on market condition existing at the financial position dates and appropriate market and discount rates. These estimates are regularly compared with actual market data and actual transactions entered into by the Group. More details are disclosed in Note 13 to the financial statements.

(b) Estimated impairment of goodwill

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

The recoverable amounts of cash generating units were determined based on the value in use calculations, where assumptions and estimates have been used, based on future events which the directors expect to take place and actions which management expects to take. In making these key estimates and judgements, 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.

(c) Deferred tax asset

Deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. This involves judgment regarding the future financial performance of the particular entity in which the deferred tax asset has been recognised. 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 judgements made by the management in the process of applying the Group's and the Company's accounting policies that have a significant effect on the amounts recognised in the financial statements.

4. REVENUE

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Sale of goods	4,211,371	3,832,761	–	–
Rendering of services	49,378	34,849	–	–
Commission income	–	–	22	10
Interest income				
- subsidiaries	–	–	9,258	7,264
- others	–	–	107	144
Dividend income (gross)				
- subsidiaries	–	–	4,957	33,947
	4,260,749	3,867,610	14,344	41,365

5. STAFF COSTS

	Group 2011 RM'000	Group 2010 RM'000
Salaries and bonus	99,808	85,491
Post-employment benefits obligation:		
- national defined contribution plan and social security contribution	13,189	11,503
- other defined contribution plan (Note 25)	2,029	1,329
Over-accrual of payroll liabilities written back	–	(631)
Other employee benefits	26,364	27,135
	141,390	124,827

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 during the financial year was as follows:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Non-executive directors:				
- fees	162	162	150	150
Executive director:				
- salaries and bonus	795	672	–	–
- national defined contribution plan	–	46	–	–
- other employee benefits	165	5	–	–
	960	723	–	–
	1,122	885	150	150

7. FINANCE COSTS

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Interest expense:				
- bankers' acceptances	2,926	1,475	–	–
- promissory notes	507	1,517	–	–
- revolving credit	220	355	–	–
- term loans	2,292	2,084	–	–
- advances from holding companies	1,132	1,018	1,132	28
- subsidiaries	–	–	2,232	2,686
- others	228	404	17	22
	7,305	6,853	3,381	2,736

Notes to the financial statements

31 December 2011 (continued)

8. PROFIT BEFORE TAX

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Auditors' remuneration	480	508	87	96
Property, plant and equipment				
- depreciation	9,175	10,384	–	–
- written off	21	5	–	–
- net gain on disposals	(179)	(217)	–	–
Amortisation of trademark	976	976	–	–
Net foreign exchange (gains)/losses:				
- realised	(931)	720	–	–
- unrealised	730	(557)	–	–
Inventories:				
- written off	7,710	12,746	–	–
- write-back of provision for slow moving	(2,176)	(2,831)	–	–
Rental income	(426)	(554)	–	–
Interest income	(168)	(174)	(9,365)	(7,408)
Net write-back of allowance for impairment of doubtful debts	(1,191)	(2,246)	–	–
Bad debts written off	99	–	–	–
Bad debts recovered	–	(106)	–	–
Write-back/(provision for) advances to subsidiary	–	–	2,121	(7,836)
Impairment loss on available-for-sale investment	–	5	–	–

9. INCOME TAX EXPENSE

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Malaysian income tax:				
- Current year	16,710	8,926	9,945	2,313
- (Over)/under provision in prior years	(385)	368	–	–
	16,325	9,294	9,945	2,313
Deferred tax (Note 16):				
- Relating to origination and reversal of temporary differences	2,313	5,406	(7,275)	7,275
- Over provision in prior years	(71)	(1,178)	–	–
	2,242	4,228	(7,275)	7,275
Total income tax expense	18,567	13,522	2,670	9,588

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2010: 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 22% is taxable, the next BND150,000 only 50% is taxable and 100% is taxable for any remaining balance.

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	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Profit before tax	67,687	45,556	12,570	30,321
Taxation at Malaysian statutory tax rate of 25% (2010: 25%)	16,922	11,389	3,143	7,580
Different tax rate in other country	4	5	–	–
Expenses not deductible for tax purposes	1,677	2,464	57	2,008
Income not subject to tax	–	–	(530)	–
Deferred tax assets not recognised	420	474	–	–
(Over)/under provision of income tax in prior years	(385)	368	–	–
Over provision of deferred tax in prior years	(71)	(1,178)	–	–
Income tax expense	18,567	13,522	2,670	9,588

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	
	2011 RM'000	2010 RM'000
Net profit for the financial year (RM'000)	44,346	27,963
Weighted average number of ordinary shares in issue ('000)	157,658	157,658
Basic earnings per share (sen)	28.13	17.74

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

11. DIVIDENDS

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

	Group and Company			
	2011		2010	
	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 31 December 2010 paid on 18 August 2011:				
- single tier	4.50	7,095	–	–
- for financial year ended 31 December 2009 paid on 18 August 2010:				
- single tier	–	–	1.65	2,601
- net of 25% tax	–	–	1.80	2,129
Dividends in respect of the year	4.50	7,095	3.45	4,730

At the forthcoming Annual General Meeting, a final single-tier dividend of 7.0 sen per share on 157,658,076 ordinary shares, amounting to RM11,036,065 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 31 December 2012 when approved by shareholders.

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 31 December 2011							
Cost/valuation							
At 1 January 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 31 December 2011	39,575	44,224	14,863	72,732	3,759	18	175,171
Accumulated depreciation							
At 1 January 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 31 December 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

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (continued)	Leasehold land RM'000	Buildings and renovations RM'000	Plant and machinery RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Work in progress RM'000	Total RM'000
At 31 December 2010							
Cost/valuation							
At 1 January 2010	–	42,212	14,745	66,814	4,322	644	128,737
Effects of adopting the amendments to FRS 117	39,575	–	–	–	–	–	39,575
As restated	39,575	42,212	14,745	66,814	4,322	644	168,312
Additions	–	917	639	4,022	238	353	6,169
Disposals	–	(73)	(117)	(167)	(478)	–	(835)
Written off	–	(429)	(238)	(1,417)	–	–	(2,084)
Reclassification	–	107	136	754	–	(997)	–
At 31 December 2010	39,575	42,734	15,165	70,006	4,082	–	171,562
Accumulated depreciation							
At 1 January 2010	–	27,545	11,041	57,612	3,658	–	99,856
Effects of adopting the amendments to FRS 117	10,814	–	–	–	–	–	10,814
As restated	10,814	27,545	11,041	57,612	3,658	–	110,670
Charge for the year	503	3,340	1,332	4,955	254	–	10,384
Disposals	–	(73)	(116)	(148)	(478)	–	(815)
Written off	–	(428)	(238)	(1,413)	–	–	(2,079)
At 31 December 2010	11,317	30,384	12,019	61,006	3,434	–	118,160
Net carrying amount	28,258	12,350	3,146	9,000	648	–	53,402

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group's leasehold land and buildings were last revalued in 1997 by independent professional valuers using the open market value basis. The book values of the properties were adjusted to reflect the revaluations and the resultant surpluses were credited to revaluation reserve.

Net book value of leasehold land and buildings had these assets been carried at cost less accumulated depreciation, are as follows:

	Group	
	2011 RM'000	2010 RM'000
Leasehold land and buildings	1,742	1,862

13. INTANGIBLE ASSETS

	Group		
	Goodwill RM'000	Trademark RM'000	Total RM'000
Cost:			
At 31 December 2010/2011	3,600	8,213	11,813
Accumulated amortisation and impairment losses:			
At 1 January 2010	–	975	975
Amortisation during the year	–	976	976
At 31 December 2010	–	1,951	1,951
Amortisation during the year	–	976	976
At 31 December 2011	–	2,927	2,927
Net carrying amount:			
At 31 December 2011	3,600	5,286	8,886
At 31 December 2010	3,600	6,262	9,862

13. INTANGIBLE ASSETS (CONTINUED)

Impairment tests for goodwill

The goodwill of RM3,600,000 (2010: RM3,600,000) 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.

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 5.5 years (2010: 6.5 years) based on the remaining life of the trademark,
- Revenue and operating profits were based on the current year's results,
- Nil growth rate (2010: Nil growth rate) and
- Pre-tax weighted average cost of capital of 6.27%, at 1.5% risk premium (2010: pre-tax weighted average cost of capital of 6.47%, 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 recognised for the financial year.

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

- if the discount rate increases by 22% (2010: 13%) , the trademark will be impaired by RM27,000 (2010: RM3,000).
- if the growth rate decreases by 17% (2010: 11%), the trademark will be impaired by RM10,000 (2010: RM37,000).

14. AVAILABLE FOR SALE FINANCIAL ASSETS

	Group 2011 RM'000	Group 2010 RM'000
Club memberships		
At 1 January	62	62
Impairment loss charged to statements of comprehensive income	–	(5)
Increase in fair value recognised in other comprehensive income	7	5
At 31 December	69	62

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.

15. INVESTMENTS IN SUBSIDIARIES

	Company 2011 RM'000	Company 2010 RM'000
Non-current assets		
Unquoted shares at cost	90,849	90,849
Accumulated impairment losses	(500)	(500)
	90,349	90,349

15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Country of incorporation	Proportion (%) of Ownership 2011 %	2010 %	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. (Formerly known as Texchem Consumers Sdn. Bhd.)	Malaysia	100	100	Dormant.
DKSH Marketing Services Sdn. Bhd.	Malaysia	100	100	Trading.
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 related activities.
DKSH Distribution Malaysia Sdn. Bhd. (Formerly known as Harpers Trading (Malaysia) Sdn. Bhd.)	Malaysia	100	100	General trading, warehousing and distribution agency.
Held through DKSH Distribution Malaysia Sdn. Bhd.: (Formerly known as Harpers Trading (Malaysia) Sdn. Bhd.)				
- DKSH (B) Sdn. Bhd. **	Negara Brunei Darussalam	100	100	Provision of market expansion services for consumer goods and healthcare clients.

15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company	Country of incorporation	Proportion (%) of Ownership 2011 %	2010 %	Principal activities
Diethelm Chemicals Malaysia Sendirian Berhad ^	Malaysia	100	100	In liquidation.
DKSH Logistics Services Sdn. Bhd.	Malaysia	100	100	Provision of warehousing and distribution services.
DKSH Central Services Sdn. Bhd. (Formerly known as Diethelm Central Services Sdn. Bhd.)	Malaysia	100	100	Provision of estate management services.
Diethelm Franchise Holdings (M) Sdn. Bhd. ^*	Malaysia	100	100	Dissolved.
The Famous Amos Chocolate Chip Cookie Corporation (M) Sdn. Bhd.	Malaysia	100	100	Manufacture and sale of chocolate chip cookies.
Diethelm Transport Holdings Sendirian Berhad ^*	Malaysia	100	100	Dissolved.
Held through Diethelm Transport Holdings Sendirian Berhad*:				
- Diethelm Airtrans Sendirian Berhad ^	Malaysia	100	100	In liquidation.

^ These subsidiaries are liquidated by way of Members' Voluntary Winding Up.

* The liquidation of Diethelm Franchise Holding (M) Sdn. Bhd. and Diethelm Transport Holdings Sendirian Berhad was completed during the year.

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

Notes to the financial statements

31 December 2011 (continued)

16. DEFERRED TAX

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
At 1 January	(683)	3,545	(7,275)	–
Recognised in statements of comprehensive income	(2,242)	(4,228)	7,275	(7,275)
At 31 December	(2,925)	(683)	–	(7,275)

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

Group	As at 1 January 2010 RM'000	Recognised in statement of compre- -hensive income RM'000	As at 31 December 2010 RM'000	Recognised in statement of compre- -hensive income RM'000	As at 31 December 2011 RM'000
Deferred tax liabilities:					
Revaluation reserve	(7,594)	450	(7,144)	248	(6,896)
Property, plant and equipment	(222)	(1,137)	(1,359)	(194)	(1,553)
	(7,816)	(687)	(8,503)	54	(8,449)
Offsetting			988		1,249
			(7,515)		(7,200)
Deferred tax assets:					
Post employment obligation	2,474	(176)	2,298	260	2,558
Receivables	2,134	(121)	2,013	(1,266)	747
Inventories	2,291	(715)	1,576	(560)	1,016
Unabsorbed capital allowances	594	(594)	–	–	–
Unutilised tax losses	2,388	(2,189)	199	(199)	–
Others	1,480	254	1,734	(531)	1,203
	11,361	(3,541)	7,820	(2,296)	5,524
Offsetting			(988)		(1,249)
			6,832		4,275

16. DEFERRED TAX (CONTINUED)

Company	As at 1 January 2010 RM'000	Recognised in statement of compre- -hensive income RM'000	As at 31 December 2010 RM'000	Recognised in statement of compre- -hensive income RM'000	As at 31 December 2011 RM'000
Deferred tax liability:					
Dividend income receivable	–	(7,275)	(7,275)	7,275	–

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Presented after appropriate offsetting as follows:				
Deferred tax assets	4,275	6,832	–	–
Deferred tax liability	(7,200)	(7,515)	–	(7,275)
	(2,925)	(683)	–	(7,275)

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

	Group	
	2011 RM'000	2010 RM'000
Other deductible temporary differences	1,142	135
Unutilised capital allowances	5,262	5,084
Tax losses	11,318	10,825
	17,722	16,044

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

17. INVENTORIES

	Group 2011 RM'000	Group 2010 RM'000
At cost:		
Raw materials and packaging materials	2,159	1,110
Work-in-progress	2,566	1,802
Finished goods	377,376	310,743
	382,101	313,655

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM3,869,152,000 (2010: RM3,529,725,000).

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Current				
Trade receivables				
Third parties	681,830	601,906	–	–
Less: Allowance for impairment	(14,749)	(20,490)	–	–
	667,081	581,416	–	–
Other receivables				
Deposits	4,246	3,642	2	–
Prepayments	1,352	1,232	93	83
Sundry receivables	2,906	3,306	–	–
Amounts due from:				
- intermediate holding company	69	133	–	4
- immediate holding company	–	165	–	–
- fellow subsidiaries	–	–	162	21,711
- other related companies	5,630	125	12	1
	14,203	8,603	269	21,799

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Non-current				
Advances to subsidiaries	–	–	215,189	227,084
Provision for doubtful advances to subsidiary	–	–	(5,715)	(7,836)
	–	–	209,474	219,248
Total trade and other receivables	681,284	590,019	209,743	241,047
Less: Prepayments	(1,352)	(1,232)	(93)	(83)
Add: Cash and bank balances (Note 19)	112,726	132,942	192	83
Total loans and receivables	792,658	721,729	209,842	241,047

(a) Trade receivables

Credit terms of trade receivables range from 14 days to 90 days (2010: 14 days to 90 days). They are recognised 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	
	2011 RM'000	2010 RM'000
Neither past due nor impaired	584,114	520,233
Less than three months past due but not impaired	77,648	58,546
Between three to six months past due but not impaired	3,964	2,074
Between six months and one year past due but not impaired	1,083	563
More than one year past due but not impaired	272	–
	82,967	61,183
Impaired	14,749	20,490
	681,830	601,906

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (continued)

Receivables that are neither past due nor impaired

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

Receivables that are past due but not impaired

As at 31 December 2011, the Group's trade receivables of RM82,967,000 (2010: RM61,183,000) 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	
	2011 RM'000	2010 RM'000
Trade receivables - nominal amounts	14,749	20,490
Less: Allowance for impairment	(14,749)	(20,490)
	–	–

Movement in allowance accounts:

	Group	
	2011 RM'000	2010 RM'000
At 1 January	20,490	22,887
Allowance for impairment	1,083	1,450
Amounts written off	(4,550)	(151)
Write-back of allowance for impairment	(2,274)	(3,696)
At 31 December	14,749	20,490

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (continued)

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 30 to the financial statements.

The currency exposure profile of net receivables is as follows:

	Group	
	2011 RM'000	**2010 RM'000**
Trade receivables		
Ringgit Malaysia	655,217	569,572
US Dollar	774	9,954
Singapore Dollar	136	1,768
Brunei Dollar	10,951	122
Others	3	–
	667,081	581,416

(b) Related party balances

The amounts receivable from intermediate holding company, immediate holding company, fellow subsidiaries and other related companies are non-trade in nature, unsecured, non-interest bearing and repayable within 30 days.

Advances to subsidiaries are denominated in Ringgit Malaysia, unsecured and carry at interest rates of between 4.15% to 4.43% (2010: 3.1% to 4.4%) per annum. These advances are not intended to be recalled, in full or in part, within the next twelve months from the statements of financial position date.

19. CASH AND BANK BALANCES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Deposits with licensed banks	4,775	3,200	–	–
Cash on hand and at banks	107,951	129,742	192	83
Cash and bank balances	112,726	132,942	192	83
The currency exposure profile of deposit, bank and cash balances is as follows:				
Ringgit Malaysia	111,304	131,424	192	83
Singapore Dollar	56	–	–	–
Brunei Dollar	916	493	–	–
US Dollar	450	1,025	–	–
	112,726	132,942	192	83

Deposits with licensed banks have an average maturity period of 7 days (2010: 5 days) and weighted average effective interest per annum at reporting date is 2.03% (2010: 1.48%).

20. SHARE CAPITAL

	Number of ordinary shares of RM1 each		Amount	
	2011 '000	2010 '000	2011 RM'000	2010 RM'000
Authorised share capital:				
At 1 January/31 December	499,180	499,180	499,180	499,180
Issued and fully paid:				
At 1 January/31 December	157,658	157,658	157,658	157,658

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

21. RETAINED EARNINGS

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividends paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

As at 31 December 2011, the Section 108 tax credits balance of the Company is RM Nil (2010: RM Nil). The Company may distribute dividends out of its retained earnings as at 31 December 2011 under the single tier system.

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Current				
Trade payables				
Third parties	686,691	572,987	–	–
Other payables				
Accruals	36,092	34,501	364	279
Sundry payables	34,431	39,223	–	–
Amounts due to:				
- intermediate holding company	92	32	92	32
- subsidiaries	–	–	219	1,838
- other related companies	7,458	7,187	–	–
	78,073	80,943	675	2,149
Total trade and other payables	764,764	653,930	675	2,149
Add: Loans and borrowings (Note 24)	154,831	161,772	–	–
Total financial liabilities carried at amortised cost	919,595	815,702	675	2,149

22. TRADE AND OTHER PAYABLES (CONTINUED)

The currency exposure profile of payables is as follows:

	Group	
	2011 RM'000	2010 RM'000
Trade payables		
Ringgit Malaysia	592,148	511,820
US Dollar	42,960	37,420
Euro	41,473	20,784
Swiss Franc	1,408	957
Brunei Dollar	643	117
Singapore Dollar	5,491	384
Australian Dollar	2,202	1,327
Japanese Yen	78	39
Thai Baht	288	–
Others	–	139
	686,691	572,987

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Intercompany payables				
Ringgit Malaysia	6,056	6,467	311	1,870
Swiss Franc	1,080	673	–	–
Thai Baht	360	–	–	–
US Dollar	23	78	–	–
Singapore Dollar	31	–	–	–
Japanese Yen	–	1	–	–
	7,550	7,219	311	1,870

22. TRADE AND OTHER PAYABLES (CONTINUED)

	Group 2011 RM'000	Group 2010 RM'000
Other payables		
Ringgit Malaysia	34,124	38,911
Brunei Dollar	307	312
	34,431	39,223

The average credit terms of payables are as follows:

	Group/Company Average credit terms 2011	Group/Company Average credit terms 2010
Trade payables	30 to 180 days	30 to 180 days
Sundry payables	30 days	30 days
Amounts payable to intermediate holding company, subsidiaries and other related companies	Payable within 30 days	Payable within 30 days

The amounts payable to intermediate holding company, subsidiaries and other related companies are non-trade in nature, unsecured and non-interest bearing.

23. DERIVATIVE FINANCIAL INSTRUMENTS

		Group	
	Contract Value RM'000	Fair value RM'000	Liability RM'000
2011			
Current liability:			
Forward foreign exchange contracts			
- at fair value through profit or loss	17,686	17,580	106
2010			
Current liability:			
Forward foreign exchange contracts			
- at fair value through profit or loss	16,212	15,150	1,062

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 FRS 7 "Financial Instruments: Disclosures" classification hierarchy.

At 31 December 2011, the settlement dates on open forward contracts ranged between 1 and 5 months (2010: 1 and 5 months).

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:

31 December 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

31 December 2010

Hedged item	Currency to be received	Currency to be paid	RM'000 equivalent	Contractual rate
Trade payables:				
EUR 393,000	EUR	MYR	1,686	1 EUR=RM4.2918
USD 3,566,000	USD	MYR	12,083	1 USD=RM3.3885
CHF 280,000	CHF	MYR	905	1 CHF=RM3.2302
AUD 343,000	AUD	MYR	1,044	1 AUD=RM3.0447
SGD 204,000	SGD	MYR	494	1 SGD=RM2.4216

The fair value of outstanding forward contracts of the Group at the reporting date was an unfavourable net position of RM106,000 (2010: RM1,062,000).

24. BORROWINGS

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Current				
Bankers' acceptances	78,000	107,000	–	–
Term loans	20,000	5,000	–	–
Promissory notes	56,796	49,708	–	–
Finance lease (secured)	35	64	–	–
	154,831	161,772	–	–
Non-current				
Advances from:				
- intermediate holding company	26,955	18,835	26,955	18,835
- subsidiaries	–	–	63,503	104,618
	26,955	18,835	90,458	123,453
Term loans	30,000	50,000	–	–
Finance lease (secured)	–	35	–	–
	56,955	68,870	90,458	123,453
Total loans and borrowings	211,786	230,642	90,458	123,453

Bankers' acceptances, promissory notes and term loans are unsecured. Advances from subsidiaries are deposits of excess cash placed with the Company and bear interest at 2.10% to 3.15% (2010: 1.5% to 2.85%) per annum. Advances from immediate and intermediate companies bear interest at 4.15% to 4.43% (2010: 3.1% to 4.4%) per annum. These are unsecured and are not repayable within the next 12 months.

Finance lease liability

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

The effective interest rates of the finance lease liabilities as at date of the statement of financial position is 4.84% (2010: 4.84%) per annum.

24. BORROWINGS (CONTINUED)

Weighted average year end effective interest rates

	Group	
	2011 **%**	**2010** **%**
Bankers' acceptances	3.30	3.08
Promissory notes	3.29	3.03
Term loans	4.30	4.43

The remaining maturities of loans and borrowings as at 31 December 2011:

	Group		Company	
	2011 **RM'000**	**2010** **RM'000**	**2011** **RM'000**	**2010** **RM'000**
Within one year	154,831	161,772	–	–
Between one and five years	56,955	68,870	–	–
Total	211,786	230,642	–	–

25. POST-EMPLOYMENT BENEFITS OBLIGATION

	Group	
	2011 **RM'000**	**2010** **RM'000**
Non-current		
Defined contribution plan	11,561	10,496

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

	Group	
	2011 **RM'000**	**2010** **RM'000**
At 1 January	10,496	9,896
Charged to statements of comprehensive income (Note 5)	2,029	1,329
Contributions paid	(964)	(729)
At 31 December	11,561	10,496

26. PROVISION FOR OTHER LIABILITIES

	Group 2011 RM'000	Group 2010 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 2011 RM'000	Group 2010 RM'000
Authorised by the directors and contracted for - property, plant and equipment	522	248

(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 2011 RM'000	Group 2010 RM'000
Payable within one year	21,254	20,807
Payable after one year but not later than five years	10,818	24,233
	32,072	45,040

27. COMMITMENTS AND FINANCIAL GUARANTEES (CONTINUED)

(c) Financial guarantees

As at 31 December 2011, the Group provided guarantees as follows:

(i) RM40,000,000 (2010: RM40,000,000) for the purpose of corporate guarantee to a supplier in accordance with the terms of the distribution agreement.

(ii) RM58,339,000 (2010: RM42,445,000) 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 recognised as financial liability as at 31 December 2011.

28. SIGNIFICANT RELATED PARTY DISCLOSURES

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	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
(a) Sales of goods and services:				
Sale of services:				
- related company (goods)	8,482	–	–	–
- related company (rental)	386	384	–	–
- related company (freight and forwarding)	29	–	–	–
- related company (human resource charges)	364	232	–	–
	9,261	616	–	–
Others (interest):				
- subsidiaries	–	–	9,258	7,264
	9,261	616	9,258	7,264

28. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
(b) Purchase of goods and services:				
Purchase of services:				
- related company (goods)	58,414	29,702	–	–
- related company (travel)	1,423	917	–	–
- related company (management fee and regional audit)	3,799	3,033	–	–
- related company (information technology charges)	10,039	9,310	–	–
- other related party (rental)	12,572	12,392	–	–
- related company (purchase of assets)	–	134	–	–
	86,247	55,488	–	–
Others (interest):				
- immediate holding company	–	317	–	–
- intermediate holding company	1,132	701	1,132	28
- subsidiaries	–	–	2,232	2,686
	1,132	1,018	3,364	2,714
	87,379	56,506	3,364	2,714

(c) Compensation of key management personnel

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

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Salaries and bonus	9,340	8,651	150	150
Post-employment benefits obligation				
- national defined contribution plan	742	608	–	–
Other employees benefits	916	680	–	–
	10,998	9,939	150	150

28. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Related parties	Relationships
DKSH Holdings (Asia) Sendirian Berhad (Formerly known as Diethelm Holdings (Asia) Sendirian Berhad)	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. (Formerly known as Harpers Trading (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. (Formerly known as Diethelm Central Services Sdn. Bhd.)	Subsidiary
DKSH Malaysia Sdn. Bhd.	Subsidiary
DKSH Management Malaysia Sdn. Bhd. (Formerly known as Texchem Consumers Sdn. Bhd.)	Subsidiary
DKSH Corporate Shared Services Centre Sdn. Bhd.	Related company
Bio-Life Marketing Sdn. Bhd.	Related company
Diethelm Furniture Sdn. Bhd.*	Related company
DKSH E2E Technologies Sdn. Bhd.	Related company
DKSH Datacare Technologies Sdn. Bhd.	Related company
Diethelm Travel Management Sdn. Bhd.	Related company
DKSH Switzerland Ltd	Related company
Diethelm 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

Fellow subsidiary refers to company within the listed Group of DKSH Holdings (Malaysia) Berhad.

Related company refers to company outside the listed Group of DKSH Holdings (Malaysia) Berhad and company under Group of Diethelm Keller Holding AG.

* Diethelm Furniture Sdn. Bhd. ceased to be a related company effective 5 May 2011.

29. SEGMENTAL INFORMATION

The Group is organised into three main business segments:

- Marketing and distribution services
- Logistics services
- Others

All the major operations of the Group are carried out in Malaysia.

(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
31 December 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

29. 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 31 December 2011					
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
Amortisation 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).

29. 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
31 December 2010					
Revenue					
Segment revenue	1,631,114	2,193,424	43,072	–	3,867,610
Intersegment revenue	1,671	–	–	(1,671)	–
Revenue	1,632,785	2,193,424	43,072	(1,671)	3,867,610
Results					
Segment results	19,035	27,442	5,932	–	52,409
Finance costs					(6,853)
Income tax expense					(13,522)
Profit for the financial year					32,034

29. 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
31 December 2010					
Net assets					
Segment assets	466,527	429,813	52,133	–	948,473
Unallocated assets					159,132
Total assets					1,107,605
Segment liabilities	(223,351)	(345,742)	(3,894)	–	(572,987)
Unallocated liabilities					(332,934)
Total liabilities					(905,921)
Other information					
Capital expenditure	2,460	1,310	2,399	–	6,169
Depreciation of property, plant and equipment	4,881	1,318	4,185	–	10,384
Amortisation 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).

29. SEGMENTAL INFORMATION (CONTINUED)

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

Unallocated assets mainly consists of:

	Group	
	2011 RM'000	2010 RM'000
Goodwill	3,600	3,600
Trademark	5,286	6,262
Cash and bank balances	107,951	129,742
Short term deposits	4,775	3,200
Other receivables	14,203	8,603
Deferred tax assets	4,275	6,832
Others	348	893
	140,438	159,132

Unallocated liabilities mainly consists of:

	2011 RM'000	2010 RM'000
Other payables	(70,523)	(73,724)
Short term borrowings	(154,831)	(161,772)
Long term borrowings	(30,000)	(50,000)
Deferred tax liabilities	(7,200)	(7,515)
Retirement benefits	(11,561)	(10,496)
Intercompany advances	(26,955)	(18,835)
Intercompany balances	(7,550)	(7,219)
Others	(4,677)	(3,373)
	(313,297)	(332,934)

(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 FRS 114: Segment Reporting.

30. 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 Diethelm Keller Holding AG 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 are as below :

	2011 RM'000	2010 RM'000
Financial liabilities		
- Fixed rate instruments	50,035	55,099
- Floating rate instruments	161,751	175,543
	211,786	230,642

Interest rate risk is the risk that the fair value or future cash flows of the Company and the Company'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 the statement of comprehensive income. Therefore, a change in interest rates at the reporting date would not affect the statement of comprehensive income.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Interest rate risk (continued)

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.

	2011 RM'000	2010 RM'000
Floating rate instruments (denominated in RM)		
- 20% increase	(127)	(80)
- 20% decrease	127	80

(b) Foreign currency risk

The Group is exposed to transactional currency risk primarily through 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) 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
Due from related companies	18
Cash and bank balances	19
Trade and other payables	22
Due to related companies	22

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk (continued)

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, EUR, CHF, BND, SGD, and AUD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		Group 2011 RM'000 Profit net of tax
USD/RM	- strengthened 5%	(122)
	- weakened 5%	141
EUR/RM	- strengthened 5%	(41)
	- weakened 5%	41
CHF/RM	- strengthened 5%	(35)
	- weakened 5%	35
BND/RM	- strengthened 5%	260
	- weakened 5%	(260)
SGD/RM	- strengthened 5%	190
	- weakened 5%	(190)
AUD/RM	- strengthened 5%	(29)
	- weakened 5%	29

(c) Liquidity risk

The Group manages 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.

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

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Credit risk

The Group's credit risk is primarily attributable to trade receivables. The Group trades only with recognised 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 recognised 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 non-trade amounts due to/from group companies) and short term borrowings.

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

31. 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 Diethelm Keller Holding AG Group's financial risk management policies.

The Group optimises 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 31 December 2011 and 31 December 2010.

	Group		Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Loans and borrowings	211,786	230,642	90,458	123,453
Less: Cash and bank balances	(112,726)	(132,942)	(192)	(83)
Net debt	99,060	97,700	90,266	123,370
Equity attributable to the owners of the parent	222,182	184,909	208,813	206,008
Total capital	222,182	184,909	208,813	206,008
Capital and net debt	321,242	282,609	299,079	329,378
% of net debt to total capital and net debt	31%	35%	30%	37%

32. COMPARATIVES

The comparative figures have been audited by a firm of chartered accountants other than Ernst & Young.

33. SUPPLEMENTARY EXPLANATORY NOTE ON DISCLOSURE OF REALISED AND UNREALISED PROFITS

The breakdown of the retained profits of the Group and of the Company as at 31 December 2011 into realised and unrealised 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 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.

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Total retained profits of the Company and its subsidiaries				
- Realised	57,019	15,913	26,641	23,836
- Unrealised	(3,486)	(2,142)	–	–
	53,533	13,771	26,641	23,836
Less: Consolidation adjustments	(27,045)	(24,534)	–	–
Total retained profits as per financial statements	26,488	(10,763)	26,641	23,836

The determination of realised and unrealised 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.

Proxy Form

for the Twentieth Annual General Meeting

DKSH Holdings (Malaysia) Berhad

(Company No. 231378-A)

No. of shares held:	
CDS account no.:	

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

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

____

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

______________________________________ NRIC no. (new): ______________________________

of *(full address)* ____

____

or failing him/her, the Chairman of the meeting, as my/our proxy to vote for me/us on my/our behalf at the Twentieth 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 Thursday, June 28, 2012 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 2011		
2.	Payment of Dividend		
3.	Approval of Directors' fees		
4.	Re-election of Michael Lim Hee Kiang		
5.	Re-election of Alexander Stuart Davy		
6.	Re-appointment of Ernst & Young as Auditors		
7.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature		
8.	Proposed New Shareholders' Mandate for Recurrent Related Party Transaction(s) of a revenue or trading nature		
9.	Proposed Amendments to the 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 ______________, 2012.

Notes:

(i) Only members of the Company whose names appear in the Record of Depositors as at June 20, 2012 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 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.

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Affix
Stamp

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

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DKSH Holdings (Malaysia) Berhad (231378-A)
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Tel +60 3 7966 0288, Fax +60 3 7957 0829