Annual Report 2010

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 Asia Pacific. We look back on a nearly 150-year-long tradition of doing business in and with the region.

Contents

Notice of Annual General Meeting

Notice is hereby given that the nineteenth Annual General Meeting of the Company will be held at the conference room, ground floor, 74 Jalan University, 46200 Petaling Jaya, Selangor Darul Ehsan on Thursday, June 16, 2011 at 10.00 a.m. for the purpose of transacting the following business:

Agenda

As ordinary business

1. To receive and adopt the audited financial statements for the year ended December 31, 2010 and the reports of the directors and auditors thereon.
   Resolution 1

2. To approve the payment of a final single tier dividend of 4.5 sen per ordinary share for the year ended December 31, 2010.
   Resolution 2

3. To approve the payment of Directors' fees of RM150,000 for the year ended December 31, 2010.
   Resolution 3

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

5. To re-elect Datuk Haji Abdul Aziz bin Ismail who retires pursuant to Article 99 of the Company's Articles of Association.
   Resolution 5

6. To elect John Peter Clare who retires pursuant to Article 82 of the Company's Articles of Association.
   Resolution 6

7. To appoint Ernst & Young as auditors of the Company in the place of the retiring auditors PricewaterhouseCoopers, to hold office until the conclusion of the next Annual General Meeting of the Company and to authorize the Directors to fix their remuneration.
   Resolution 7

   The Notice of Nomination pursuant to section 172 (11) of the Companies Act, 1965 in respect of the nomination of Ernst & Young for the appointment as auditors of the Company in the place of the retiring auditors, PricewaterhouseCoopers has been received by the Company and is set out on page 109 of the Annual Report.

As special business

8. To consider and, if thought fit, to pass the following resolution:

   Proposed Renewal of and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (Proposed Shareholders' Mandate)

   "That, pursuant to Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities), the Company and / or its subsidiaries (the Group) be and are hereby authorized to enter into any of the recurrent transactions of a revenue or trading nature as set out in 2.4 of the Circular to Shareholders dated May 25, 2011 with the related parties mentioned therein which are necessary for the Group's day-to-day operations, subject further to the following:

(a) the transactions are in the ordinary course of business and at arm's length basis on normal commercial terms which are consistent with the Group's normal business practices and policies and on terms not more favorable to the related parties than those generally available to the public and on terms not to the detriment of the minority Shareholders of the Company; and

(b) disclosure of the aggregate value of the recurrent related party transactions conducted during the financial year in the Annual Report for the said financial year,

and that such approval shall continue to be in force until:

(i) the conclusion of the next Annual General Meeting of the Company ("AGM") at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;

(ii) the expiration of the period within which the next AGM is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or

(iii) revoked or varied by resolution passed by the shareholders in general meeting, whichever is the earlier,

and that the Directors of the Company and/or any of them be and are hereby authorized to do all such acts and things (including, without limitation, to execute all such documents) in the interest of the Company to give full effect to the aforesaid shareholders' mandate."
Resolution 8

9. To consider and, if thought fit, to pass the following special resolution:

Proposed amendment to Article 121 of the Articles of Association of the Company

"That the existing Article 121 of the Articles of Association of the Company be deleted in its entirety and be substituted with the following new Article 121:

<u>Existing Article 121</u>
<u>Dividend payable by cheque</u>

Any dividend, interest or other moneys payable in cash in respect of shares may be paid by cheque or warrant sent through the post the registered address of the Member or person entitled thereto, or, if two (2) or more persons are registered as joint holders of the shares or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons or to such address as such person or persons may by writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby.

<u>New Article 121</u>
<u>Dividend payable by cheque or other methods</u>

Any dividend, interest or other moneys payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the Member or person entitled thereto, by way of electronic or other methods of transfer or remittance to such account as designated by such holder or the person entitled to such payment. Every such cheque or warrant or electronic transfer or remittance shall be made payable to the order of the person to whom it is sent and the payment by cheque or warrant or electronic transfer or remittance shall be a good discharge to the Company. Every such cheque or warrant or electronic transfer or remittance shall be sent at the risk of the person entitled to the money represented thereby."
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, ACIS
Company Secretary
(MAICSA 7062103)
Petaling Jaya
May 25, 2011

Notes

(a) Every member is entitled to appoint a proxy or in the case of a corporation, to appoint a representative to attend and vote in his place. A proxy need not be a member of the Company.

(b) The Proxy Form must be signed by the appointer or his attorney duly authorized in writing or if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorized. In the case of joint holdings, the signature of the first named holder is sufficient.

(c) If the Proxy Form is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.

(d) If no name is inserted in the space for the name of your proxy, the Chairman of the Meeting will act as your proxy.

(e) The original Proxy Form must be deposited at the Registered Office of the Company, 74 Jalan University, 46200 Petaling Jaya not less than forty-eight (48) hours before the time of holding the Meeting or any adjournment thereof.

Explanatory notes on special business

Ordinary Resolution 8
Proposed Renewal of and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

Ordinary Resolution 8, if passed, will allow the Group to enter into the recurrent related party transactions in the ordinary course of business and the necessity to convene separate general meetings from time to time to seek Shareholders' approval as and when such recurrent related party transactions occur, would not arise. This would reduce substantial administrative time, inconvenience, and expenses associated with the convening of such meetings without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group. The Shareholders' mandate is subject to renewal on an annual basis.

Special Resolution 1
Proposed amendment to Article 121 of the Articles of Association of the Company

Special Resolution 1, if passed, will facilitate the payment of cash dividend entitlements via electronic transfer directly into the bank accounts of the shareholders ("eDividend"). eDividend eliminates the inconvenience of Members having to deposit dividend cheques into banking accounts by themselves and avoid problems such as misplaced, lost, expired and unauthorized deposit of dividend cheques.

Statement accompanying notice of Annual General Meeting

1. The Directors who are standing for re-election at the Annual General Meeting of the Company in accordance with Article 99 of the Company's Articles of Association are:

   a) Mr. James Armand Menezes
   b) Datuk Haji Abdul Aziz bin Ismail.

Details of the Directors seeking for re-election are set out in the Directors' profiles' section on page 14 of this Annual Report. Their shareholdings in the Company are set out on page 27 of this Annual Report.

2. The Director who is standing for election at the Annual General Meeting of the Company in accordance with Article 82 of the Company's Articles of Association is:

   a) Mr. John Peter Clare

Details of the Director seeking for election is set out in the Directors' profiles' section on page 16 of this Annual Report. The Director's shareholdings in the Company is set out on page 27 of this Annual Report.

3. Details of attendance of Directors at Board Meetings

Four (4) Board Meetings were held during the financial year ended December 31, 2010. Details of attendance of the Directors at Board Meetings are set out on page 19 of this Annual Report.

Chairman's report to the shareholders

On behalf of the Board of Directors, I am pleased to present to you the Annual Report and the audited accounts for the Company and the Group for the financial year ended December 31, 2010.

2010 saw positive growth in the global economy, and the Malaysian economy grew by 7.2%. The local consumer confidence grew in this macroeconomic environment and together with our dynamic policies and strategies further enhanced the Group's results and position as the Market Expansion Services provider of choice.

Review of results

2010 has been another record year for the Group, following up on the record results of 2009. The sustained positive performance was contributed by a continued focus on the restructuring efforts, which commenced in 2008, as well as the execution of the Group's strategies defined as part of the restructuring. During the year under review, the Group further increased the number of suppliers represented to over 140.

All businesses positively contributed to the improved performance. However, the key contributors were the core Consumer Goods and Healthcare businesses, as well as the expansion of Famous Amos. Consumer Goods progressed primarily through organic growth of existing suppliers. Healthcare, on the other hand, showed good organic growth in the existing supplier base and additionally added substantial new suppliers, which further supported the positive performance.

Revenues for the Group increased by 8.7% from RM3,560 million in 2009 to RM3,868 million in 2010. Supported by this growth in revenue, profit before tax increased in 2010 by 47.1% from RM31.0 million to RM45.6 million. Furthermore, profit after tax increased by 27.2% from RM25.1 million to RM32.0 million as compared to 2009.

Profit before tax as compared to total revenues improved from 0.9% to 1.2%. Whilst this shows an improvement, the still relatively low percentages need to be seen in the context of the business model, where DKSH generally does not own brands, but represents brand owners in the Malaysian market by providing a range of services ranging from sourcing, to research and analysis, marketing and sales, distribution and logistics, and other value added services.

The key to the successful turn around of the Group and especially the Consumer Goods business in 2009 had been the streamlining of the organization, careful cost management, and a focus on balance sheet and working capital management. The latter included stringent management of inventories, market hygiene and returned goods, accounts receivable and doubtful debts, as well as a better control on discounts that are not reimbursed by suppliers. These areas remained critical focal points throughout the year 2010 and positively supported the good sales growth. Furthermore, in line with the turnaround strategy of Consumer Goods, the focus in 2010 remained primarily on organic growth of existing suppliers.

The increased focus on working capital management additionally resulted in a reduction of financing costs by 43.3% to RM6.9 million, despite two interest rate hikes in 2010. This was achieved by terminating working capital intensive suppliers and the better management of inventories and receivables, without however affecting service levels.

A further focal point throughout 2010 was the training of employees, with an additional emphasis on the sales teams and the instilling of a performance-based culture, supported by the relevant incentive systems. In recognizing people as the major asset for the Company, training and development continued throughout the organization. The Group also launched a new Employer Value Proposition in order to attract talent, which will be necessary in order to continue the positive momentum.

Earnings per share increased by 31% from RM0.135 to RM0.177 in 2010. Based on a share price of the Company of RM1.05 as at December 31, 2010, this translates into a P/E ratio of 6. Net assets per share attributable to ordinary equity holding increased from RM1.029 to RM1.173.

In order to reflect more closely the way the Group's operations are managed, the reported operating segments were regrouped during 2010. For ease of comparison the preceding year was restated. The core operating segments now consist of Marketing and Distribution Services, Logistics Services, and Others.

Marketing and Distribution Services

Under this segment the Group provides the full range of Market Expansion Services and supports suppliers in growing the Malaysian market. The services range from marketing and sales, to distribution and logistics, invoicing and credit management, market hygiene and trade return management, and other value-added services.

This segment represents primarily the two Business Units Consumer Goods and Performance Materials. As compared to the full year 2009, the segmental revenues grew by only 3.2% to RM1,631 million. This relatively low increase was due to the conversion of a sizeable full agency supplier, for which DKSH used to provide the full range of services and therefore recognized full revenues, into a pure distribution business, where revenues are only recognized for the service margin. Against this background, however, it is noteworthy that a number of suppliers achieved double digit sales growth.

EBIT for this segment grew by 37% from RM13.9 million to RM19 million in 2010.

Within the Consumer Goods business, the focus remained on maintaining tight controls on inventories, market hygiene and returned goods, accounts receivable and doubtful debts, discounts not recoverable from suppliers, as well as operating expenses. Nevertheless, market hygiene, which refers to goods returned from the trade primarily in Consumer Goods, increased by 28% over 2009. This negative trend was primarily impacted by unsuccessful new product launches and a separate rebranding of supplier products, which resulted in returns from the trade. More positively, bad debts, as well as advertising and promotion expenses were well managed in 2010, with no significant expenses absorbed by DKSH. Logistics expenses generally increased by 4.9%, but are in line with expectations and sales volume growth.

As stated earlier, another key focus area in Consumer Goods was the training and revitalizing of the sales teams. Training courses and motivational exercises were conducted throughout 2010. The newly invigorated sales teams contributed substantially to the double digit sales growth provided to a number of suppliers.

Performance Materials put in place a new management team and has with this laid the groundwork for a turnaround of this niche business. The declining performance was stabilized with EBIT growth of 62% from RM1.3 million in 2009 to RM2.1 million in 2010, although a good part of this improvement came from releases in inventory provisions. The business still lacks the critical mass and an extensive supplier portfolio.

Logistics Services

Under this segment, the Group provides comprehensive supply chain services, ranging from import, to forwarding, warehousing and distribution, processing of orders, and the management of collections.

The primary business activities covered by this segment include Healthcare and parts of Consumer Goods, which are entirely supply chain focused. More specifically, this includes the distribution of telephone cards and the DKSH Transport Agencies business.

All business activities under this segment performed well in 2010. Healthcare saw notable increases in revenues and operating profits, supported by good organic growth of existing suppliers and the additional signing-up of substantial new suppliers. The telephone cards business recorded record sales and DKSH Transport Agencies recovered from a weaker economic environment in the previous year.

Segmental revenues therefore increased by over 13% from RM1,940 million in 2009 to RM2,193 million in 2010. EBIT for this segment increased by over 20% from RM22.7 million in 2009 to RM27.4 million in 2010.

Others

The primary business activitity under this segment is the Famous Amos Chocolate Chip Cookie business, which further expanded its retail footprint to a total of 56 outlets at the end of 2010. Furthermore, this segment also includes properties and other costs, which are not allocated to the various operating segments, such as centralized SAP system enhancements that benefit all units.

Revenues for this segment increased by over 10% to RM43 million reflecting the steady growth of Famous Amos. This revenue growth also had a positive effect on EBIT, which for the Famous Amos activities grew by over 15%. However, non allocated IT costs and other expenses reduce the segmental EBIT, which shows a decline of RM0.5 million – or 7.8% – from RM6.4 million in 2009 to RM5.9 million in 2010.

Dividend

Group profit after tax for 2010 increased by 28% from RM25.1 million to RM32.0 million over the year earlier. With these continued improvements in results, the Board of Directors recommends a final single tier dividend of 4.5 sen per ordinary share for the year ended December 31, 2010, amounting to a total payout of RM7.1 million. This essentially reflects an increase of 28% on the 2009 dividend of 3.45 sen, an increase equivalent to the increase in profit after tax of the Group over the same period.

Acknowledgement

On behalf of the Board, I wish to express our appreciation and gratitude to the management and the over 2,000 staff for the continued effort and dedication to the remarkable progress made in growing the business together with our business partners.

Michael Lim Hee Kiang
Chairman

Outlook – a focus on sustainable growth

Malaysia is expected to sustain its underlying trend of steady economic growth with GDP expected to grow by 5-6% in 2011. This is expected to have a positive effect on disposable income and consumer confidence, which in turn should support the Group.

The restructuring exercises, which focused primarily on Consumer Goods, as well as the strategy reviews over the last two years, have put the Group on a path of sustainable growth. Throughout the Group, business and control processes are in place and are further supported by the Group's SAP system. These controls will allow for respective highlights and the mitigation of risks at an early stage. The supply chain operations will further focus on efficiency and maintain their unparalleled delivery performance and distribution reach. The Group's over 2,000 committed employees have been and will be paramount to the future success. Consequently, talent development and leadership programs will be further accelerated, supported by corporate initiatives.

For Consumer Goods, 2011 will be a year in which the focus will remain on growing existing suppliers through a highly motivated and skilled sales team. Additional to the efforts which have proven successful in 2009 and 2010, Consumer Goods will accelerate business development initiatives with selected suppliers.

The Healthcare business in 2011 will continue its successful business development initiatives, which have brought in two large suppliers and numerous smaller accounts in 2010. Furthermore, customer satisfaction, which DKSH leads in independent market surveys, will remain a critical focus area. These initiatives will be supported by a strengthening of the sales and marketing service portfolio, aimed at helping suppliers in expanding the Malaysian market.

2011 has so far commenced positively. With an increased focus on business development of selected suppliers that will further support the underlying organic growth, the Group is expected to maintain the positive momentum.

The management team and employees remain committed to building on the more recent success and further improve services that allow business partners to grow their businesses throughout Malaysia and with this foster our leadership position in providing Market Expansion Services in Malaysia.

At this stage we also extend our gratitude to our shareholders for their continued support in good as well as difficult times.

John Peter Clare
Group Finance Director

Our dedicated teams offer tailor-made services and solutions that maintain performance while significantly reducing costs, and work with our suppliers in growing their business.

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
Niels Johan Holm	Non-independent non-executive Director
André Eugen Hägi	Group Finance Director (deceased on February 18, 2011)
John Peter Clare	Group Finance Director (appointed on March 1, 2011)

Company secretary	
Andre' Chai P'o-Lieng, ACIS	MAICSA 7062103

Registered address	
74 Jalan University, 46200 Petaling Jaya, Selangor Darul Ehsan	Phone: +60 3 7966 0288 Fax: +60 3 7957 0829

Auditors	
PricewaterhouseCoopers	Chartered Accountants

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

Solicitors	
Shearn Delamore & Co	

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

Share registrar	
Tricor Investor Services Sdn Bhd (118401-V) (formerly known as Tenaga Koperat Sdn Bhd)	Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur Phone: +60 3 2264 3883 Fax: +60 3 2282 1886 Email: is.enquiry@my.tricorglobal.com

Stock exchange listing	
Bursa Malaysia Securities Berhad - Main Market	Stock Code: 5908 Trustee Share Status

Corporate profile

Our business model – we help our business partners expand in existing and new markets

DKSH provides Market Expansion Services to local and international suppliers with a focus on Asia, thereby helping business partners expand in existing and new markets. The Group operates in 35 countries, 610 business locations – 590 of them in Asia – and operates over 180 distribution centres. 22,500 specialized staff interact regularly with 550,000 customers across the world.

In Malaysia, DKSH represents over 140 suppliers, a number which is consistently increasing.

DKSH offers any combination of marketing and sales, distribution and logistics, and other value-added services, providing business partners with sales and marketing expertise and an extensive supply chain network of unique size and depth. Our business activities are organized into four highly specialized Business Units that mirror our fields of expertise: Consumer Goods, Healthcare, Performance Materials, and Technology. Ranked by sales and number of employees, DKSH is one of Switzerland's top 20 companies.

Deeply rooted in Malaysia

DKSH has been conducting business in Malaysia for over 100 years, originally under the name of Diethelm. In 1923, a branch office was established in Penang and in 1935 another office was opened in Kuala Lumpur. In June 2002, the DKSH Group was formed through a merger of Diethelm Keller Services Asia Ltd. and SiberHegner Holding Ltd. DKSH Holdings (Malaysia) Berhad was incorporated on December 24, 1991. On March 1, 1994, the company became public and was listed on the Main Board of the Stock Exchange in Kuala Lumpur on December 13, 1994.

DKSH Holdings (Malaysia) Berhad is majority-owned by the DKSH Group of Switzerland. Lembaga Tabung Angkatan Tentera (LTAT) has been the Company's Bumiputera partner since 1992 and remains a substantial and valued shareholder of the Company with just under 15% of the shares.

EchoPlus, our hand-held sales force effectiveness tool, allows our field-based sales force to instantly execute sales orders and view inventory.

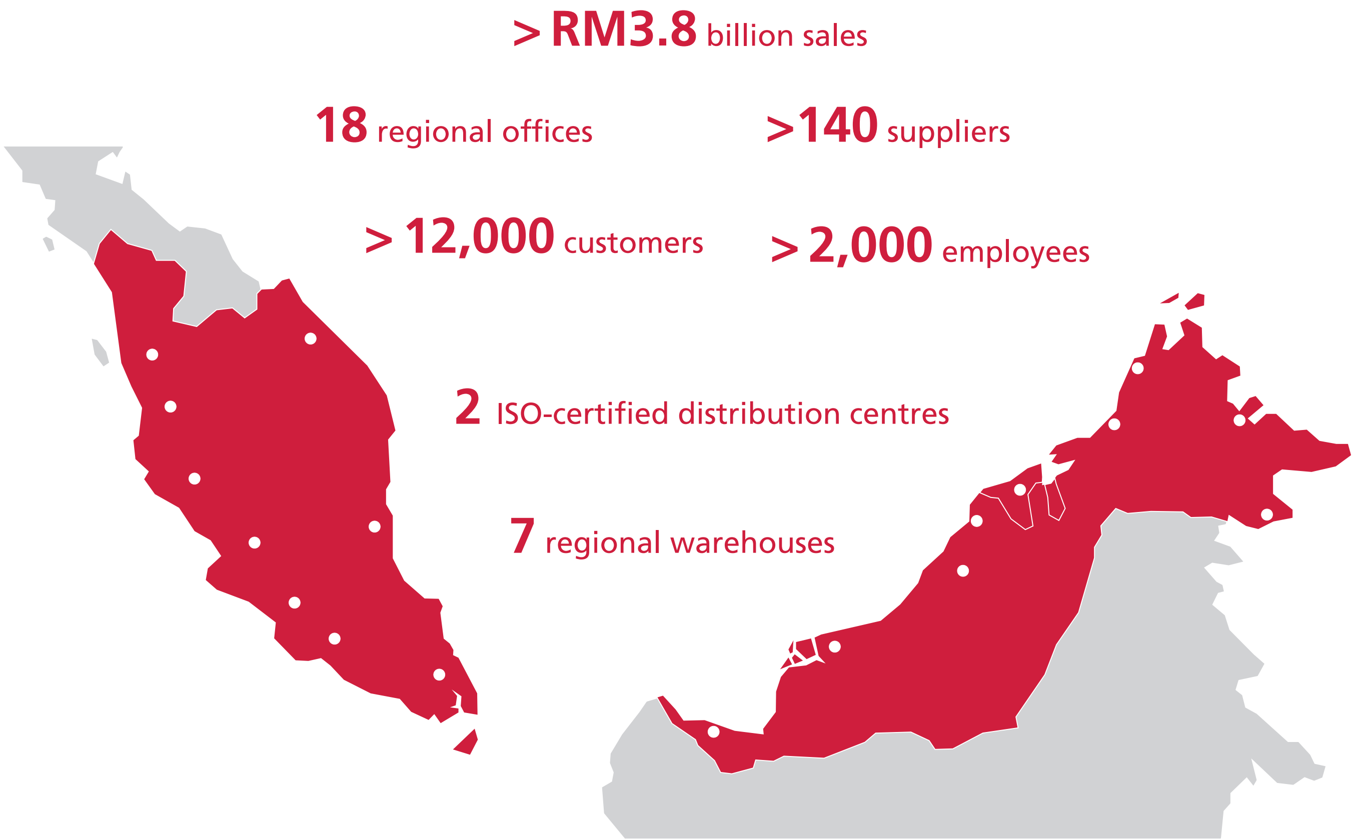
Business Segments

Marketing and Distribution Services

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

The businesses represented under this segment are Consumer Goods and Performance Materials.

The key strength of our full-service business model lies in the combination of an extensive range of sales and marketing services, market access, and distribution reach achieved through a comprehensive sales force based at 18 regional offices in key towns of West and East Malaysia. This sales force is supported by an extensive supply chain infrastructure and together with the local distribution teams ensures that products represented by DKSH are made widely available in hyper- and supermarkets, shops, kiosks, medical halls, and pharmacies throughout Malaysia.



Our locations

The majority of the sales team is equipped with hand-held devices allowing them to check stock and remotely process orders at any time. Orders can also be placed by customers directly with the centralized call centre.

Logistics Services

Under the segment Logistics Services, the Group does not provide the entire service portfolio, but focuses on supply chain services ranging from import, to forwarding, warehousing and distribution, order processing, and the management of collections. Contrary to the Marketing and Distribution segment, sales and marketing services are not provided by DKSH, but are run by the suppliers.

The businesses represented under this segment are primarily Healthcare and parts of Consumer Goods, which are entirely supply chain centric. More specifically these include the distribution of telephone cards and DKSH Transport Agencies.

Our strength in this area of business is based on two efficient ISO-certified distribution centers, one in Bukit Kemuning near Klang, the other in Petaling Jaya. Consumer Goods are supplied out of the Klang distribution center, which has a capacity of 55,000 pallets for ambient, air-conditioned, chilled, and frozen products. Healthcare products are delivered from the distribution center in Petaling Jaya, which has a capacity of more than 5,000 pallets. In order to reach even the most remote customers in a timely manner, these main distribution centers are supported by nine branches in East Malaysia and Brunei.

DKSH Transport Agencies (M) Sdn Bhd is the forwarding agent of the Group and handles third party business. With further independent offices located in the major ports of Port Klang, Pasir Gudang, Port of Tanjung Pelepas, and Prai, DKSH Transport Agencies offers a wide range of services which include forwarding, freight forwarding, vessels clearance and husbanding, container haulage and conventional trucking service, as well as cargo consolidation service from Port Klang to all ports in East Malaysia. DKSH Transport Agencies is an authorized customer and brokerage agent approved by the Royal Malaysian Customs at all major clearance points in Malaysia.

Other activities

The primary business activity under this segment is the Famous Amos Chocolate Chip Cookie business. Famous Amos currently operates 59 outlets in West and East Malaysia and sells chocolate chip cookies as well as a selected assortment of complementary products such as hampers, gifts, chocolates, and confectionary items.

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

We touch the daily lives of people across Malaysia by providing a vast portfolio of products for daily use, including many of the world's best-known brands.

Our sales representatives provide customers with detailed information on the products we market, sell, and distribute.

Our two ISO-certified distribution centers have a capacity of more than 60,000 pallet positions.

Our comprehensive distribution network provides us with unrivalled customer access across Malaysia.

EchoPlus allows to instantly execute sales orders and view inventories.

Directors' profiles

Michael Lim Hee Kiang
Independent non-executive Chairman, member of the Audit Committee

Mr. Michael Lim Hee Kiang, aged 63, 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 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, he was admitted to the High Court of Borneo and subsequently to the High Court of Malaya in 1978. Mr. Michael Lim was a lecturer at the Law Faculty, University of Malaya from 1975 to 1977. Mr. Michael Lim attended all four Board meetings of the Company held in the financial year ended December 31, 2010. He also sits on the boards of Selangor Properties Berhad, Major Team Holdings Berhad, Paragon Union Berhad, Seloga Holdings Berhad and Wawasan TKH Holdings Berhad.

Mr. Michael Lim 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 with the exception that he was a consultant of the Company's principal solicitors, Messrs Shearn Delamore & Co. He has had no convictions for any offences within the past 10 years.

James Armand Menezes
Independent non-executive Director, Chairman of the Audit Committee

Mr. James Armand Menezes, aged 65, 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 10 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 and Chairman, on a voluntary basis, of Hospis Malaysia, a non-governmental organization limited by guarantee. He does not hold any directorship of other public companies.
Mr. Menezes attended all four Board meetings of the Company held in the financial year ended December 31, 2010. 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 10 years.

Datuk Haji Abdul Aziz bin Ismail
Non-independent non-executive Director, member of the Audit Committee

Datuk Haji Abdul Aziz bin Ismail, aged 58, 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 the Audit Committee of the Company on July 19, 2007.

Datuk Haji Abdul Aziz is the Deputy Chief Executive of Lembaga Tabung Angkatan Tentera (LTAT), a post he assumed on January 8, 2001. He graduated from Eastern Illinois University, United States of America, with a Master of Business Administration. He also holds an Advanced Diploma in Information Systems from the Canberra University Australia. 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. During his initial years with LTAT, he was the Assistant Chief Executive of LTAT heading the Administration and Finance Division. Datuk Haji Abdul Aziz was appointed as the General Manager of Ex-Servicemen Affairs Corporation (PERHEBAT), a subsidiary corporation of LTAT from January 1995 to December 2000. Prior to joining LTAT, he was attached to the Auditor-General's office of Malaysia from 1977 to May 1985. His last position was that of a Senior Auditor. He has more than 20 years of experience in general finance and management. He sits on the Board of Boustead Al-Hadharah Reits and various subsidiaries of LTAT Group. Datuk Haji Abdul Aziz attended all four Board meetings of the Company held in the financial year ended December 31, 2010. 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 10 years.

Thon Lek
Independent non-executive Director

Mr. Thon Lek, aged 63, 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 the Board Meetings of the Company held in the financial year ended December 31, 2010. He does not hold any directorship of other public companies. Mr. Thon does not have any family relationship with any director and/ or major shareholder of DKSH Holdings (Malaysia) Berhad, nor any personal interest in any business arrangement involving the Company. He has had no convictions for any offences within the past 10 years.

Alexander Stuart Davy
Non-independent non-executive Director

Mr. Alexander Stuart Davy, aged 53, 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 for the next five years. Mr. Davy joined the DKSH Group 13 years ago, with the first seven years as the Group Chief Financial Officer of Diethelm Thailand, the Group's largest operation and the last six years as the Group Chief Financial Officer based in the Corporate Office in Zurich. He relocated to the DKSH Group Financial Center in Singapore in mid-2008. Mr. Davy attended three out of four Board meetings of the Company held in financial year ended December 31, 2010. 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 10 years.

Niels Johan Holm
Non-independent non-executive Director

Mr. Niels Johan Holm, aged 56, a Dane, was appointed as the Group Managing Director of the Company on January 6, 2003. He continued to serve as a member of the Board after he had relinquished his position as the Group Managing Director on September 1, 2008. He was a member of the Audit Committee from June 12, 2003 to July 19, 2004.

Mr. Holm is a graduate from EAC / Copenhagen Business School majoring in Economics. He joined the Diethelm Group in March 1997 in Thailand and commands more than 30 years experience in distribution and logistics businesses in Hong Kong, Malaysia, Taiwan, Singapore, and Thailand.

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

2010. 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. 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 10 years.

John Peter Clare
Group Finance Director

Mr. John Peter Clare, aged 40, 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 has 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 does not hold any directorship of other public companies. 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 10 years.

The late Mr. André Eugen Hägi

The Board and management of the Group wish to announce the passing of Mr. André Eugen Hägi on February 18, 2011. Mr. Hägi made an invaluable contribution as Group Finance Director since 1997.

Operating structure

DKSH Holdings (Malaysia) Berhad

	%
DKSH Malaysia Sdn Bhd	100
Texchem Consumers Sdn Bhd	100
Harpers Trading (Malaysia) Sdn Bhd	100
DKSH (B) Sdn Bhd (formerly known as Harpers Trading (B) Sdn Bhd)	100
DKSH Marketing Services Sdn Bhd	100
The Famous Amos Chocolate Chip Cookie Corporation (M) Sdn Bhd	100
DKSH Transport Agencies (M) Sdn Bhd	51
Macro Consolidators (M) Sdn Bhd*	100
DKSH Logistics Services Sdn Bhd	100
Diethelm Central Services Sdn Bhd	100
Diethelm Chemicals Malaysia Sdn Bhd	100

*Wholly-owned subsidiary of DKSH Transport Agencies (M) Sdn Bhd

Corporate governance statement

Good corporate governance and sustainable business performance are intertwined. The Board of Directors is therefore committed to the highest levels of corporate governance and to ensuring the comprehensive application of Principles in Part 1 of the revised 'Malaysian Code on Corporate Governance (revised 2007)' and compliance with best practices recommended in Part 2 of the same Code. In this process the Board and management are furthermore supported by initiatives of the International DKSH Group of Switzerland.

Part 1 – Principles of corporate governance

A Directors

The Board consists of seven directors. Three are independent non-executive, three are non- independent non-executive and one is an executive director. (See also Part 2, sections VI and XII).

The Board receives comprehensive information to allow a thorough assessment of the Company's performance and of the four quarterly releases to shareholders.

Appointments to the Board are discussed and are subject to board members' approval. All Directors submit themselves for re-election every two to three years (see also Part 2, section VIII)

B Directors' remuneration

The Board had participated in the Annual Survey 2007 of Malaysian Directors' remuneration to ensure that compensation for non-executive directors is in line with best practices. The compensation of executive directors is set according to the international standards prepared by the majority shareholder, the DKSH Group of Switzerland. Directors' remuneration is disclosed in this Annual Report (see also Part 2, section XXIV).

C Shareholders

The Company welcomes the visit of institutional shareholders for discussions on performance and plans. The Group Finance Director is available for such meetings. The Annual General Meeting is the principal means of communication with private investors.

D Accountability and audit

The Board is determined to present a balanced and understandable assessment of the Company's business and expectations and, as outlined under 'Internal Controls', it monitors their comprehensive application. The Audit Committee meets regularly with the auditors, both alone and together with executive management.

I Financial reporting:
The Board is responsible for ensuring that the financial statements of the Company give a true and fair view of the state of the affairs of the Company and the Group as at December 31, 2010. The Board discusses and approves quarterly and annual assessments of the Group's position and prospects, which are released to Bursa Malaysia in a timely manner.

II Internal controls:
Please refer to the Internal Control Statement on page 23.

III Relationship with the auditors:
The Audit Committee reviews and discusses the annual findings with the external auditors. In doing so, the Company has a transparent procedure with the auditors to meet the auditors' professional requirements. From time to time, the auditors highlight to the Audit Committee matters, which require the Board's attention.

Part 2 – Best practices in corporate governance

I Principal responsibilities of the Board

As in previous years, the Board has not covered two of the six identified principal responsibilities. The Board is of the opinion that no action is required in these two areas due to the following reasons:

- 'Succession planning':
  The Company is majority-owned by the international DKSH Group, which practices a world-wide management development program covering succession planning.
- 'Investor relations':
  The Board issues the quarterly releases to Bursa Malaysia Securities Berhad (Bursa Malaysia) as the principal information to shareholders and welcomes Institutional Investors for a dialogue.

II Chairman

The Chairman is an independent non-executive director.

III Board balance

The Board complies with the requirement to have at least one third independent directors. All members have a solid professional background.

IV Size of non-executive participation
The Board is of the opinion that its current composition is reasonably representative of the investments in the Company.

V Largest shareholder is a majority shareholder
The largest shareholder holds the majority of the shares.

VI Independent directors
With effect from 2008, the number of independent Directors increased to 43% of the Board, i.e. three out of seven Directors are independent. The largest shareholder has three and the second largest shareholder has one director (see also Part 1, section A).

VII Ombudsman
Shareholders can address concerns to the independent non-executive Chairman.

VIII Appointments to the Board
The Board is responsible for the appointment of Directors and evaluates each nomination. The Board is of the opinion that its small size does not require a separate nomination committee and that its broad experience allows effective assessments (see also Part 1, section A).

IX Quality and effectiveness of the Board
The Company has an experienced board with experience and knowledge relevant to successfully manage, direct and supervise the Company's business activities.

X Annual assessment
The Board has not conducted an annual assessment of the effectiveness of the Board as a whole, of its Audit Committee and of its individual directors. This is a new requirement established in 2007. The Board had previously stated that it would conduct an assessment and intends to initiate the necessary steps to comply in 2011.

XI Services of the company secretary
Directors have unrestricted access to the company secretary at all times.

XII Size of Boards
In early 2008, the size of the Board was increased to seven members. The Board regularly assesses its size and composition.

XIII Directors' training
For the year under review, all Directors attended training sessions and these include risk action planning, leadership programs, finance, corporate governance and enhancing corporate governance. The Board will evalute and determine the training needs of the Directors on a continuous basis in an effort to fulfil the Continuing Education Program (CEP) as prescribed by the Main Market Listing Requirements of Bursa Malaysia.

XIV Board structures and procedures
The Board and its members met as follows in 2010 as set out in the table below.

XV Board prerogatives
The formal schedule of matters specifically reserved for the Board's decision is forwarded to its members prior to all meetings.

Board structures and procedures

Directors	Status	Board Meetings attended	%
Michael Lim Hee Kiang	Chairman of the Board, independent non-executive	4 of 4	100
James Armand Menezes	Chairman of the Audit Committee, independent non-executive	4 of 4	100
Thon Lek	Independent non-executive	4 of 4	100
Datuk Haji Abdul Aziz bin Ismail	Non-independent non-executive	4 of 4	100
Alexander Stuart Davy	Non-independent non-executive	3 of 4	75
Niels Johan Holm	Non-independent non-executive	4 of 4	100
André Eugen Hägi	Executive, Group Finance Director	4 of 4	100

XVI Relationship of the Board to management
The Company has formal Limits of Authority for management.

XVII Quality of information
The Board receives comprehensive business and financial information to arrive at its conclusions.

XVIII Agenda for Board 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 Board and Audit Committee meetings.

XIX Access to information
All Directors have full access to Company information.

XX Access to advice
There are no restrictions for Directors to obtain independent professional advice at the Company's expense in furtherance of their duties.

XXI Access to the company secretary
All Directors have access to the advice and services of the company secretary.

XXII Quality of company secretary
The company secretary, who is also the corporate legal manager for the Group, is fully certified.

XXIII Use of Board committees
The Board established the Audit Committee in 1994. The Audit Committee report is provided on page 24.

XXIV Remuneration committees
The Board is of the opinion that a remuneration committee is not required. The Company is majority-owned by the international DKSH Group of Switzerland, which has its own world-wide remuneration policy for executive directors (see also Part 1, section B).

The Board proposed the fees payable to non-executive directors based on the results of the Malaysian Board Remuneration Survey. These fees are approved each year by the shareholders at the annual general meeting. During the financial year ended December 31, 2010, the remuneration of non-executive and executive directors is set out in the table below.

Other information

Sanctions and/or penalties imposed
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 year under review, non-audit fees paid to the external auditors of the Company amounted to approximately RM238,088.

Depository receipt program
During the year under review, the Company did not sponsor any Depository receipt program.

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

Options, warrants, or convertible securities
During the year under review, the Company did not have any exercise on options, warrants, or convertible securities.

Variation in results
In 2010, there were no differences of 10% or more to any announcements made.

Profit guarantees
The Company does not have any profit guarantees.

Material contracts
The Directors are not aware of any material contracts between the Company and its directors and shareholders.

Directors' remuneration

Amount - RM	Executive Directors	Non-executive Directors
50,000 and below		6
700,000 to 750,000	1	

Recurrent Related Party Transactions of a Revenue or Trading Nature (RRPT)
At the Annual General Meeting of June 17, 2010, the shareholders of DKSH Holdings (Malaysia) Berhad granted approval for the Company to enter into Recurrent Related Party Transactions with DKSH Corporate Shared Services ("CSSC") for the provision of information technology and consulting services, for the Company to enter into Recurrent Related Party Transactions with DKSH Smollan Field Marketing (Malaysia) Sdn Bhd for the provision of merchandising services for DKSH products at outlets selected by DKSH Malaysia Sdn Bhd, for the Company to enter into Recurrent Related Party Transactions with DKSH Smollan Field Marketing Services (Malaysia) Sdn Bhd and CSSC for the provision of payroll services by DKSH Group and for the Company to enter into recurrent related party transactions with DKSH Holding Ltd and/or its affliates for the sale of goods and provision of distribution and logistics services by DKSH Group. The mandate will expire on June 16, 2011 when the Company holds its Annual General Meeting.

The details of the RRPT entered into during the financial year 2010 pursuant to the shareholders' mandate are indicated in the table below.

Recurrent Related Party Transactions

Nature of transactions	Party transacting with DKSH Holdings (Malaysia) Berhad	Transacted value (RM'000)	Relationship of interested related party
Cost Provision of information technology and consulting services	DKSH Corporate Shared Services Center Sdn Bhd ("CSSC")	9,305	CSSC is a wholly-owned subsidiary of DKSH Holding Ltd
Provision of merchandising services for DKSH products at outlets selected by DKSH Malaysia Sdn Bhd	DKSH Smollan Field Marketing (Malaysia) Sdn Bhd ("DKSH Smollan")	6,225	DKSH Smollan is a subsidiary of DKSH Holding Ltd
Revenue Provision of payroll services by DKSH Group	CSSC	115	CSSC is a wholly-owned subsidiary of DKSH Holding Ltd
Provision of payroll services by DKSH Group	DKSH Smollan	118	DKSH Smollan is a subsidiary of DKSH Holding Ltd
Sale of goods	DKSH Singapore Pte Ltd ("DKSH Singapore")	1,473	DKSH Singapore is a wholly owned subsidiary of DKSH Holding (S) Pte Ltd
Provision of distribution and logistics services by DKSH Group	Bio-Life Marketing Sdn Bhd ("Bio-Life")	27,594	Bio-Life is a wholly owned subsidiary of DKSH Resources (Malaysia) Sdn Bhd

Employees' Share Option Scheme (ESOS)
During the year under review, the Company did not have any Employees' Share Option Scheme.

Corporate Social Responsibility (CSR)
The Group strives to grow its business in an ethical and sustainable manner and aims at improving the life of its employees, local communities and society at large.
For its employees:
- The Group continued the well received in-house medical clinic.
- Together with the Federation of Malaysian Manufacturers, the Group established a warehouse supervisory certification program to develop talent in the supply chain organization.
- The Group provided a health screening program to employees.
- The Group continued the DKSH management trainee program, with the objective to attract and groom university graduates.

For the local communities and society at large, and for the environment:
- The Group continued its charity partnership with Hospis Malaysia, the largest hospice in Malaysia, through funding and donations of Morgan electrical appliances. Hospice provides support to patients with a life limiting illness.
- The Group has continued to support AIESEC by providing its office infrastructure for their Malaysia organization. AIESEC is the world's largest student-run organization, providing a platform for youth leadership development.
- As part of an ongoing green campaign, DKSH further donated all proceeds from recycling at the main operating site in Petaling Jaya to Hospis Malaysia.
- The Famous Amos Chocolate Chip Cookie company supported a local children shelter (Rumah Hope) with donations from specially organized sales activities.
- The Group has further supported the National Kidney Foundation a charity progam of a valued business partner.

We provide extensive value-added services to our business partners, including relabelling and repackaging products in line with local regulations and requirements.

Internal control statement

Introduction

The Board considers sound risk management practices and internal controls a basic requirement and essential success factor for the Group and its subsidiaries and is therefore pleased to provide the following statement outlining the activities of the Group.

Board responsibility

The Board recognizes the importance of sound internal controls and risk management practices in order to 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.

Risk Management

Risk Management is an inherent part of the Group's culture and ranges from the annual planning processes, to the management of individual supplier relationships, to the execution of the Group's daily business affairs.

During the year under review, the Group's management team conducted a risk workshop supported by DKSH's Corporate Risk and Control department and an external consultancy specialized in the field of Risk Management. This risk assessment focused holistically on significant strategic, operational, financial and compliance risks and lead to clearly defined action plans, which are regularly reviewed by management.

Furthermore, the Group maintains a documented Internal Control System (ICS), which identifies and focuses on the most critical financial reporting risks. This Internal Control System is subject to regular reviews and testing by management, as well as Internal Audit.

Key elements of DKSH's Internal Control System

The Group's Internal Control System consists of the following main elements:

- Code of Conduct: in 2010 the Group reiterated its stance towards compliance and good governance by launching a formal Code of Conduct and training employees accordingly.
- Internal Control System: the Group's documented Internal Control System has been in place for 3 years and has since its beginning undergone regular management reviews and testing, as well as internal and external audits.
- Limits of Authority: the Limits of Authority were reviewed and updated in 2010 to further strengthen approval processes.
- Fraud policy: a formal fraud reporting policy was put in place in 2010, requiring all fraud cases to be escalated to the Country Management Team, as well as Internal Audit. Formal reports are issued for all fraud cases.
- Financial reporting: management receives regular financial reports for review and discussion and Business Unit specific matters are reviewed and discussed with the Business Unit finance organization. Furthermore, the Corporate DKSH Group's Finance Centre based in Singapore and Switzerland consistently reviews the monthly and year-end reports, as well as management's comments.
- Treasury: the treasury department follows strictly the DKSH Corporate treasury policies and is monitored by the Corporate Treasury Centre 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 and reviewed regularly.
- 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 2010, system access rights were further enhanced in order to foster 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 processes, 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 25.

Conclusion

The Board considers the system of internal control 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 undertaken in 2010 have further strengthened the internal control environment and processes.

Audit Commitee report

The Audit Committee consists of three non-executive directors, two of which 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 of business experience in various management and audit functions and are financially literate.

During the year 2010, the Audit Committee held four meetings. Board members, the Group Finance Director and the Head of Internal Audit attended all meetings by invitation.

The external auditors attended three of the four board meetings during the financial year. A separate meeting between the Audit Committee and the external auditors 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. 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 and annual financial statements 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 2010

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 of 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 2010. The Audit Committee meetings were held on February 23, May 13, August 17, and November 18, 2010 (details of attendance are indicated in the table below).

Audit Committee : size, composition, and attendance at meetings

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	(4/4)

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 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.

In the year under review, Internal Audit has further increased collaborative efforts with the DKSH Corporate Internal Audit department, which is based in Singapore. This benefits audits, the training of individual auditors, and the transfer of best practices from other DKSH operations into the Malaysian operations.

The Internal Audit activities in 2010 included:

- 7 operational and financial audits on selected high risk areas
- Audits of DKSH's formalized Internal Control System (ICS)
- Audits of 13 regional offices located throughout Malaysia
- Reviews of SAP access rights and segregation of duties
- Collaboration between internal and external auditors and increased leverage by the Group's external auditors on controls testing conducted by Internal Audit
- Review of fraud cases and conduct of a fraud risk assessment

All auditors are certified public accountants, with a background in either external and / or internal audit. During the year 2010, Internal Audit incurred total costs of RM418,815.

List of properties as at December 31, 2010

Location and description	Net book value (RM'000)	Approximate area (Sq. feet)	Approximate age of building (No. of years)
Lot 52, Section 13, Petaling Jaya Selangor Darul Ehsan Warehouse, factory, and office complex situated on leasehold land expiring in 2061. * The last revaluation was in 1997.	29,319	258,746	48
Lot 7, Section 13, Petaling Jaya Selangor Darul Ehsan Office and warehouse situated on leasehold land expiring in 2066. * The last revaluation was in 1997.	8,678	83,171	50

* The Group's Revaluation Policy is disclosed in Note 2.4 on pages 52 and 53 of the Annual Report.

Our main office in Petaling Jaya.

Analysis of shares as at April 29, 2011

Authorized share capital:	RM 500,000,000
Issued and paid-up capital:	RM 157,658,076
Voting rights:	1 vote per ordinary share

Class of Shares

Ordinary share of RM 1.00 each fully paid up:	RM 157,658,076

Distribution of shareholders

Size of holdings	No. of holders	%	No. of shares	%
1 - 99	11	0.452	401	0.000
100 - 1,000	1,340	55.144	1,314,199	0.833
1,001 - 10,000	909	37.407	3,342,600	2.120
10,001 - 100,000	135	5.555	3,656,200	2.319
100,001 - 7,882,902*	33	1.358	8,542,600	5.418
7,882,903 and above**	2	0.082	140,802,076	89.308
Total	2,430	100.00	157,658,076	100.000

* less than 5% of issued shares ** 5% and above of issued shares

Substantial shareholders

Name	No. of shares	%
1. DKSH Resources (Malaysia) Sdn Bhd	117,155,076	74.309
2. Lembaga Tabung Angkatan Tentera	23,647,000	14.998

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

	Direct	
Name	**No. of shares**	**%**
1. Michael Lim Hee Kiang	10,000	0.006
2. James Armand Menezes	-	-
3. Datuk Haji Abdul Aziz bin Ismail	-	-
4. Thon Lek	5,000	0.003
5. Alexander Stuart Davy	-	-
6. Niels Johan Holm	337,000	0.213
7. John Peter Clare	-	-

Analysis of shares as at April 29, 2011 (continued)

30 largest shareholders

No	Name	Holdings	%
1	DKSH Resources (Malaysia) Sdn. Bhd.	117,155,076	74.309
2	Lembaga Tabung Angkatan Tentera	23,647,000	14.998
3	Cimsec Nominees (Asing) Sdn Bhd Werner Alex Keicher	1,650,000	1.046
4	Quah Lake Jen	484,700	0.307
5	Beh Chun Chuan	465,500	0.295
6	Mayban Nominees (Tempatan) Sdn Bhd Pledged securities account for Erwin Selvarajah A/L Peter Selvarajah	412,000	0.261
7	OSK Nominees (Tempatan) Sdn Berhad Pledged securities account for Chin Kiam Hsung	382,000	0.242
8	Niels Johan Holm	337,000	0.213
9	Chin Kian Fong	310,000	0.196
10	Ting Wee Jinn	300,000	0.190
11	Foh Chong & Sons Sdn Bhd	290,000	0.183
12	Leong Yuet Ling	252,000	0.159
13	Wong Lok Jee @ Ong Lok Jee	228,000	0.144
14	Sumur Ventures Sdn Bhd	225,000	0.142
15	Mayban Securities Nominees (Asing) Sdn Bhd Exempt On For UOB Kay Hian Pte Ltd (A/C Clients)	207,400	0.131
16	Egon Arthur Heldner	202,000	0.128
17	Amerjeet Singh A/L Naib Singh	200,000	0.126
18	HSBC Nominees (Asing) Sdn Bhd Caceis Bank Paris For HMG Globetrotter	200,000	0.126
19	OSK Nominees (TempatAn) Sdn Berhad Pledged securities account for Tan Gaik Suan	199,900	0.126
20	Mclaren Saksama (Malaysia) Sdn Bhd	196,000	0.124
21	Chin Sin Lin	190,000	0.120
22	Liau Choon Hwa & Sons Sdn Bhd	183,100	0.116
23	Kenanga Nominees (Tempatan) Sdn Bhd Pledged securities account for Chin Kiam Hsung	160,000	0.101
24	Lim Pow Toon	148,000	0.093
25	Malaysia Nominees (Tempatan) Sendirian Berhad Pledged securities account for Liau Thai Min (40-00088-000)	144,400	0.091
26	Tan Ah Moi	140,000	0.088
27	Lim Hiang Chiap	129,500	0.082
28	AIBB Nominees (Tempatan) Sdn Bhd Pledged securities account for Lim Meng Dong	128,800	0.081
29	Lim Chai Kee @ Lim Gaik Kee	122,100	0.077
30	Soh Lean Hin @ Soh Lip Hing	112,000	0.071
Total		148,801,476	94.382

Financial highlights

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

	2006	2007	2008	2009	2010
Turnover	2,988,296	3,371,767	3,622,586	3,559,678	3,867,610
Profit before tax	17,081	10,595	9,711	31,019 *	45,556
Net profit attributable to shareholders	8,607	1,446	1,056	21,248 *	27,963
Total assets employed	1,009,849	1,228,353	1,116,950	969,147 **	1,107,605
Shareholders' equity	148,510	146,908	144,464	162,203	184,909

Note The comparatives for financial year 2009 has been restated to reflect:
* The reclassification of exchange effect on the translation 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

The Directors are required by the Companies Act 1965 ("the Act") to prepare financial statements for each financial year which give a true and fair view of the statement of affairs of the Company and the Group at the end of the financial year and the profit or loss of the Company and the Group for the financial year. As required by the Act and the Main Marketing Listing Requirements of Bursa Malaysia, the financial statements have been prepared in accordance with the MASB approved accounting standards in Malaysia and the provisions of the Act.

The Directors consider that in preparing the financial statements for the year ended December 31, 2010, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors have responsibility 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 which enable them to ensure that the financial statements comply with the MASB approved accounting standards in Malaysia and the provisions of the Companies Act 1965. The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Directors' report

The Directors are pleased to submit their report together with the audited financial statements of the Group and Company for the financial year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company is principally an investment holding company. The principal activities of the Group consist of general trading, warehousing, and distribution of consumer, pharmaceutical, bio-medical, chemical, and industrial products, and also sale of the Famous Amos chocolate chip cookies. There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year attributable to:		
Equity holders of the Company	27,941	20,733
Non-controlling interests	4,071	0
	32,012	20,733

DIVIDENDS

The dividends on ordinary shares paid or declared by the Company since 31 December 2009 were as follows:

	RM'000
In respect of the financial year ended 31 December 2009, as shown in the Director's Report for that financial year, a final gross dividend of 1.8 sen per share, on 157,658,076 ordinary shares, paid on 18 August 2010	2,129
In respect of the financial year ended 31 December 2009, as shown in the Director's Report for that financial year, a final single-tier dividend of 1.65 sen per share, on 157,658,076 ordinary shares, paid on 18 August 2010	2,601
	4,730

The Directors now recommend the payment of a final single-tier dividend of 4.5 sen per share on 157,658,076 ordinary shares, amounting to RM7,094,613 which is subject to the approval of members at the forthcoming Annual General Meeting of the Company.

Directors' report (continued)

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

DIRECTORS

The Directors who have held office during the period since the date of the last report are as follows:

Michael Lim Hee Kiang	
James Armand Menezes	
Datuk Haji Abdul Aziz Ismail	
Thon Lek	
Alexander Stuart Davy	
Niels Johan Holm	
John Peter Clare	(appointed on 1 March 2011)
André Eugen Hägi	(deceased on 18 February 2011)

In accordance with Article 99 of the Company's Articles of Association, James Armand Menezes and Datuk Haji Abdul Aziz Ismail will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 82 of the Company's Articles of Association, John Peter Clare will retire at the forthcoming Annual General Meeting and, being eligible, offers himself for election.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the 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 Directors' remuneration and benefits as disclosed in Note 7 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except that certain Directors received remuneration from the immediate holding company.

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, particulars of interests of Directors who held office at the end of the financial year in shares in the Company are as follows:

	Number of ordinary shares of RM1 each in the Company			
	At 1.1.2010	Bought	Sold	At 31.12.2010
Michael Lim Hee Kiang	10,000	0	0	10,000
Niels Johan Holm	327,000	10,000	0	337,000
Thon Lek	5,000	0	0	5,000

Other than as disclosed above, according to the register of Directors' shareholdings, the Directors in office at the end of the financial year did not hold any interest in shares in or debentures of the Company or its related corporations.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the statement of comprehensive income and statement of financial position were made out, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance 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

(b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

(a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and Company misleading or inappropriate.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

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, in the opinion of the Directors, will or may affect the ability of the Group or Company to meet their obligations when they fall due.

At the date of this report, there does not exist:

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

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

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

(a) the results of the Group's and Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and Company for the financial year in which this report is made.

ULTIMATE HOLDING COMPANY

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

GENERAL INFORMATION

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 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 is as follows:

74, Jalan University
46200 Petaling Jaya
Selangor Darul Ehsan

Directors' report (continued)

APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 20 April 2011.

Signed on behalf of the Board of Directors in accordance with their resolution dated 20 April 2011.

STUART DAVY
DIRECTOR

JOHN PETER CLARE
GROUP FINANCE DIRECTOR

Consolidated statement of comprehensive income

for the financial year ended 31 December 2010

	Note	2010 RM'000	2009 RM'000
Revenue	5	3,867,610	3,559,678
Other operating income		10,363	11,401
Changes in inventories of finished goods		64,106	(94,174)
Finished goods purchased		(3,593,831)	(3,145,295)
Staff costs	6	(124,827)	(122,075)
Warehousing and logistics expenses		(41,790)	(41,196)
Write-back of/(allowance for) impairment of trade receivables		2,246	(2,296)
Rental		(23,008)	(22,417)
Depreciation of property, plant and equipment		(10,384)	(10,875)
Travelling and entertainment expenses		(13,546)	(13,444)
IT and communication expenses		(15,048)	(15,211)
Utilities, upkeep, repairs and maintenance costs		(14,102)	(12,595)
Office expenses		(3,329)	(3,134)
Other selling, advertising and promotional expenses		(36,250)	(34,026)
Other operating expenses		(15,801)	(11,231)
Finance cost	8	(6,853)	(12,091)
Profit before tax	9	45,556	31,019
Tax expense	10	(13,522)	(5,898)
Profit for the financial year		32,034	25,121
Other comprehensive income for the financial year, net of tax			
- Currency translation differences		(27)	38
- Gain on fair value changes on available-for-sale assets		5	0
Total comprehensive income for the financial year, net of tax		32,012	25,159
Profit attributable to:			
Equity holders of the Company		27,963	21,248
Non-controlling interests		4,071	3,873
		32,034	25,121

Consolidated statement of comprehensive income (continued)

for the financial year ended 31 December 2010

	Note	2010 RM'000	2009 RM'000
Total comprehensive income for the financial year attributable to:			
Equity holders of the Company		27,941	21,286
Non-controlling interests		4,071	3,873
		32,012	25,159
Earnings per share attributable to ordinary equity holders of the Company			
- basic (sen)	11	17.72	13.50

Company statement of comprehensive income

for the financial year ended 31 December 2010

	Note	2010 RM'000	2009 RM'000
Revenue	5	41,365	12,759
Provision for doubtful advances to subsidiary		(7,836)	0
Other operating expenses		(472)	(485)
Finance cost	8	(2,736)	(2,258)
Profit before tax	9	30,321	10,016
Tax expense	10	(9,588)	(2,525)
Total comprehensive income for the financial year, net of tax		20,733	7,491

Consolidated statement of financial position

as at 31 December 2010

	Note	2010 RM'000	Group 2009 RM'000 Restated	2008 RM'000 Restated
ASSETS				
Non-current assets				
Property, plant and equipment	13	53,402	57,642	64,686
Intangible assets	15	9,862	10,838	11,813
Available-for-sale financial assets	16	62	58	62
Deferred tax assets	17	6,832	11,022	9,534
		70,158	79,560	86,095
Current assets				
Short term investments	18	0	0	0
Inventories	19	313,655	249,667	344,029
Receivables	20	590,019	550,944	599,568
Tax recoverable		831	1,529	3,005
Deposits, bank and cash balances	27	132,942	87,447	84,253
		1,037,447	889,587	1,030,855
Total assets		1,107,605	969,147	1,116,950
EQUITY				
Equity attributable to equityholders of the Company				
Share capital	25	157,658	157,658	157,658
Share premium		24,514	24,514	24,514
Revaluation reserve		13,527	13,505	13,505
Foreign currency translation reserve		(27)	0	0
Accumulated losses	26	(10,763)	(33,474)	(51,213)
		184,909	162,203	144,464
Minority interests		16,775	16,197	15,896
Total equity		201,684	178,400	160,360

Consolidated statement of financial position

as at 31 December 2010 (continued)

	Note	Group 2010 RM'000	2009 RM'000 Restated	2008 RM'000 Restated
LIABILITIES				
Current liabilities				
Payables	21	653,930	542,778	559,692
Derivative financial instruments	22	1,062	0	0
Borrowings				
- others	23	161,772	150,242	319,412
Current tax liabilities		1,987	1,631	1,328
		818,751	694,651	880,432
Non-current liabilities				
Borrowings				
- advances from intermediate holding company	23	18,835	21,412	20,675
- advances from immediate holding company	23	0	31,893	26,267
- term loans	23	50,000	25,000	11,667
- finance lease	23	35	99	57
Post-employment benefits obligation	24	10,496	9,896	9,692
Provision for other liabilities	28	289	319	264
Deferred tax liabilities	17	7,515	7,477	7,536
		87,170	96,096	76,158
Total liabilities		905,921	790,747	956,590
Total equity and liabilities		1,107,605	969,147	1,116,950

Company statement of financial position

as at 31 December 2010

	Note	Company 2010 RM'000	2009 RM'000
ASSETS			
Non-current assets			
Interests in subsidiaries			
- investments	14	90,349	90,349
- advances	14	219,248	202,350
		309,597	292,699
Current assets			
Short term investments	18	0	0
Receivables	20	21,799	282
Tax recoverable		7,406	22
Deposits, bank and cash balances	27	83	11,458
		29,288	11,762
Total assets		338,885	304,461
EQUITY			
Equity attributable to equityholders of the Company			
Share capital	25	157,658	157,658
Share premium		24,514	24,514
Retained earnings	26	23,836	7,833
Total equity		206,008	190,005

Company statement of financial position

as at 31 December 2010 (continued)

	Note	Company 2010 RM'000	2009 RM'000
LIABILITIES			
Current liabilities			
Payables	21	2,149	577
		2,149	577
Non-current liabilities			
Borrowings			
- advances from intermediate holding company	23	18,835	0
- subsidiaries	23	104,618	113,879
Deferred tax liabilities	17	7,275	0
		130,728	113,879
Total liabilities		132,877	114,456
Total equity and liabilities		338,885	304,461

Consolidated statement of changes in equity

for the financial year ended 31 December 2010

	Note	Attributable to equity holders of the Company							
		Share capital RM'000	Share premium on ordinary shares RM'000	Revaluation reserve RM'000	Foreign currency translation reserve RM'000	Accumulated losses RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2010 (as previously stated)		157,658	24,514	13,505	0	(33,474)	162,203	16,197	178,400
Effect of adoption FRS 139		0	0	17	0	(522)	(505)	0	(505)
At 1 January 2010 (as restated)		157,658	24,514	13,522	0	(33,996)	161,698	16,197	177,895
Comprehensive Income									
- Profit for the financial year		0	0	0	0	27,963	27,963	4,071	32,034
Other comprehensive income									
- Currency translation differences		0	0	0	(27)	0	(27)	0	(27)
- Gain on fair value changes on available-for-sale investment		0	0	5	0	0	5	0	5
Total comprehensive income		0	0	5	(27)	27,963	27,941	4,071	32,012
Transactions with owners									
Dividends for financial year ended 31 December 2009:									
- by the Company	12	0	0	0	0	(4,730)	(4,730)	(3,493)	(8,223)
Total transactions with owners		0	0	0	0	(4,730)	(4,730)	(3,493)	(8,223)
At 31 December 2010		157,658	24,514	13,527	(27)	(10,763)	184,909	16,775	201,684
At 1 January 2009		157,658	24,514	13,505	0	(51,213)	144,464	15,896	160,360
Comprehensive Income									
- Profit for the financial year		0	0	0	0	21,286	21,286	3,873	25,159
Total comprehensive income		0	0	0	0	21,286	21,286	3,873	25,159
Transactions with owners									
Dividends for financial year ended 31 December 2008:									
- by the Company	12	0	0	0	0	(3,547)	(3,547)	0	(3,547)
- by a subsidiary		0	0	0	0	0	0	(3,572)	(3,572)
Total transactions with owners		0	0	0	0	(3,547)	(3,547)	(3,572)	(7,119)
At 31 December 2009		157,658	24,514	13,505	0	(33,474)	162,203	16,197	178,400

Company statement of changes in equity

for the financial year ended 31 December 2010

	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 2010		157,658	24,514	7,833	190,005
Comprehensive Income					
- Profit for the financial year		0	0	20,733	20,733
Total comprehensive income		0	0	20,733	20,733
Transactions with owners					
Dividends for financial year ended:					
- 31 December 2009	12	0	0	(4,730)	(4,730)
Total transactions with owners		0	0	(4,730)	(4,730)
At 31 December 2010		157,658	24,514	23,836	206,008
At 1 January 2009		157,658	24,514	3,889	186,061
Comprehensive Income					
- Profit for the financial year		0	0	7,491	7,491
Total comprehensive income		0	0	7,491	7,491
Transactions with owners					
Dividends for financial year ended:					
- 31 December 2008	12	0	0	(3,547)	(3,547)
Total transactions with owners		0	0	(3,547)	(3,547)
At 31 December 2009		157,658	24,514	7,833	190,005

Statement of cash flows

for the financial year ended 31 December 2010

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
OPERATING ACTIVITIES					
Total comprehensive income attributable to equity holders of the Company		27,941	21,286	20,733	7,491
Adjustments for non-cash items:					
Property, plant and equipment:					
- depreciation		10,384	10,875	0	0
- write-offs		5	12	0	0
- net gain on disposal		(217)	(380)	0	0
Loss on disposal of unquoted share		0	2	0	0
Inventories:					
- write-offs		12,746	9,109	0	0
- (write-back)/allowances		(2,831)	1,032	0	0
(Write-back of)/allowance for impairment of trade receivables		(2,246)	2,296	0	0
Bad debts written off		(106)	(1,430)	0	0
Impairment loss on available-for-sale Investment		5	0	0	0
Gain on fair value changes on available-for-sale investment		(5)	0	0	0
Interest income		(174)	(370)	(7,408)	(7,793)
Interest expense		6,853	12,091	2,736	2,258
Dividend income (gross)		0	0	(33,947)	(4,957)
Provision for advances to subsidiary		0	0	7,836	0
Net unrealised exchange gain		(557)	(425)	0	0
Unrealised derivative		553	0	0	0
Tax expense		13,522	5,898	9,588	2,525
Minority interests		4,071	3,873	0	0
Accruals for post-employment benefits obligation		1,329	1,349	0	0
Amortisation of trademark		976	975	0	0
		72,249	66,193	(462)	(476)
Changes in working capital:					
Inventories		(73,823)	84,091	0	0
Receivables		(36,631)	47,232	308	15,961
Payables		110,493	(14,601)	1,508	123
Cash from operations		72,288	182,915	1,354	15,608

Statement of cash flows

for the financial year ended 31 December 2010 (continued)

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
OPERATING ACTIVITIES (continued)					
Dividend received (net)		0	0	3,635	3,718
Interest received		174	370	7,408	7,629
Interest paid		(6,549)	(12,762)	(2,672)	(2,388)
Tax paid		(8,240)	(5,666)	(1,210)	(750)
Post-employment benefit obligation					
Paid		(729)	(1,145)	0	0
Net cash flow from operating activities		56,944	163,712	8,515	23,817
INVESTING ACTIVITIES					
Proceeds from disposal of property, plant and equipment		237	421	0	0
Proceeds from disposal of unquoted share		0	2	0	0
Purchase of property, plant and equipment	A	(5,458)	(4,401)	0	0
Net cash flow from investing activities		(5,221)	(3,978)	0	0
FINANCING ACTIVITIES					
Dividends paid		(8,223)	(7,119)	(4,730)	(3,547)
Advances to subsidiaries		0	0	(24,734)	(42,796)
Repayment of borrowings		(1,667)	(169,155)	0	0
Drawdown of term loan and borrowings		38,159	13,333	0	0
(Repayment to)/advance from intermediate holding company		(2,577)	5,626	18,835	0
(Repayment to)/advance from immediate holding company		(31,893)	737	0	0
(Repayment to)/advance from subsidiaries		0	0	(9,261)	25,025
Net cash flow from financing activities		(6,201)	(156,578)	(19,890)	(21,318)

Statement of cash flows

for the financial year ended 31 December 2010 (continued)

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
CHANGE IN CASH AND CASH EQUIVALENTS		45,522	3,156	(11,375)	2,499
CURRENCY TRANSLATION DIFFERENCES		(27)	38	0	0
CASH AND CASH EQUIVALENTS AT START OF FINANCIAL YEAR		87,447	84,253	11,458	8,959
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	27	132,942	87,447	83	11,458

Note A: Non-cash transactions

The principal non-cash transactions for the Group during the financial year are as follows:

(a) Purchase of property, plant and equipment of which RM914,968 (2009: RM205,304) had not been paid at the financial year end.
(b) Dividend receivable from subsidiaries of which RM21,825,000 will be satisfied via intercompany balances. The dividends were paid subsequently on 27 January 2011 in cash.

Notes to the financial statements - 31 December 2010

1 PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of the Group consist of general trading, warehousing and distribution of consumer, pharmaceutical, bio-medical, chemical and industrial products and also sale of the Famous Amos chocolate chip cookies.

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 **Basis of preparation**

The financial statements of the Group and Company have been prepared in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards ("FRS"), the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

The financial statements have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies.

The preparation of financial statements in conformity with FRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgement in the process of applying the Group and Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

Notes to the financial statements - 31 December 2010 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) The new/revised accounting standards, amendments and improvements to published standards and interpretations that are effective and applicable for the Group's and the Company's financial year beginning 1 January 2010 are as follows:

- FRS 7 "Financial Instruments: Disclosures" and the related Amendments
- FRS 8 "Operating Segments"
- Revised FRS 101 (revised) "Presentation of financial statements"
- FRS 123 "Borrowings Costs"
- FRS 139 "Financial Instruments: Recognition and Measurement" and the related Amendments
- Amendments to FRS 1 "First-time Adoption of Financial Reporting Standard" and FRS 127 "Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"
- IC Interpretation 9 "Reassessment of Embedded Derivatives" and the related Amendments
- IC Interpretation 10 "Interim Financial Reporting and Impairment"
- Improvement to FRSs (2009)

A summary of the impact of the new accounting standards, amendments and improvements to published standards and interpretations on the financial statements of the Group and Company is set out in Note 32 to the financial statements.

(b) Standards early adopted by the Group

There are no standards early adopted by the Group and the Company.

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

2.1 Basis of preparation (continued)

(c) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective

- The revised FRS 3 "Business combinations"
- The revised FRS 124 "related party disclosures" (effective from 1 January 2012)
- The revised FRS 127 "Consolidated and separate financial statements" (applies prospectively to transactions with non-controlling interests from 1 July 2010)
- Amendments to FRS 7 "Financial instruments: Disclosures" and FRS 1 "First-time adoption of financial reporting standards" (effective from 1 January 2011)
- Amendment to FRS 132 "Financial instruments: Presentation" on classification of right issue (effective from 1 March 2010)

Improvements to FRSs:

- FRS 3 "Business combinations" (effective from 1 January 2011)
- FRS 101 "Presentation of financial statements" (effective from 1 January 2011)
- FRS 138 "Intangible Assets" (effective from 1 July 2010)
- IC Interpretation 9 "Reassessment of Embedded Derivatives" (effective from 1 July 2010)

The new, revised and amendments to standards and interpretations are not anticipated to result in substantial changes to the Group's accounting policies, results and financial position.

2.2 Economic entities in the Group

(a) Subsidiaries

Subsidiaries are those corporations, partnerships or other entities (including special purpose entities) in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated using the purchase method of accounting.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Economic entities in the Group (continued)

(a) Subsidiaries (continued)

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition is reflected as goodwill. See accounting policy Note 2.3 on intangible assets. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income.

Non-controlling interest represents that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent. It is measured at the non-controlling interest's share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the non-controlling interest's share of changes in the subsidiaries' equity since that date.

Where more than one exchange transaction is involved, any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group is accounted for as a revaluation.

Intragroup transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Economic entities in the Group (continued)

(b) Transactions with non-controlling interests

For purchases of a subsidiary's equity shares from non-controlling interests for cash consideration and the purchase price is established at fair value, the accretion of the Group's interests in the subsidiary is treated as purchase of equity interest under the acquisition method of accounting. The identifiable assets and liabilities acquired are adjusted to their fair values, with the resulting difference being attributed to goodwill or negative goodwill.

Disposals of equity shares to non-controlling interests for cash consideration and at fair value result in gains and losses for the Group and are recorded in the statement of comprehensive income. The gain or loss is the difference between the Group's share of net assets immediately before and immediately after the disposal and a ratable portion of goodwill is realised.

For purchases or disposals from or to non-controlling interests for consideration other than cash and not at fair value, the accretion or dilution of the Group's interests is treated as an equity transaction between the subsidiary and its shareholders. The difference between the Group's share of net assets immediately before and immediately after the change in stake and any consideration received or paid is adjusted to or against the Group's reserves.

All other changes in stakes and changes in composition of the Group are treated as equity transactions between the Group and its majority and non-controlling interest shareholders. The difference between the Group's share of net assets before and after the change, and any consideration received or paid is adjusted to or against the Group's reserves.

(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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 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. See accounting policy Note 2.6 on impairment of non-financial assets.

(b) Trademark

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. See accounting policy Note 2.6 on impairment of non-financial assets.

2.4 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment (continued)

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 2.7 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

Depreciation on assets under construction commences when the assets are ready for their intended use.

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

At the end of the financial year, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2.6 on impairment of non-financial assets.

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.

2.5 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. See accounting policy Note 2.6 on impairment of non-financial assets.

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

Notes to the financial statements - 31 December 2010 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 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.

2.7 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

(a) Finance lease

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

The Directors have applied the transitional provisions issued by the Malaysian Accounting Standards Board on adoption of FRS 117 "Leases" which allows the prepaid lease payments to be stated at its previous year's valuation less amortisation. Accordingly, the valuation has not been updated.

Amortisation is computed on the straight line method to write off the cost of each asset over its estimated useful life. The principal annual depreciation rate for related building is 2.86% per annum.

Property, plant and equipment acquired under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Leases (continued)

(b) Operating lease

Leases of assets where a significant portion of the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made under operating lease (net of any incentives received from the lessor) are charged to the statement of comprehensive income on the straight line basis over the lease period.

Change in accounting policy

Following the adoption of the improvement to FRS 117 "Leases", leasehold land in which the Group has substantially all the risks and rewards incidental to ownership has been reclassified retrospectively from operating lease to finance lease. Previously, leasehold land was classified as an operating lease unless title is expected to pass to the lessee at the end of the lease term. Refer to Note 32 for the impact of this change in accounting policy.

2.8 Inventories

Inventories comprise raw 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.

2.9 Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. Otherwise, they are presented as non-current assets.

2.10 Share capital

(a) Classification

Ordinary shares and non-redeemable preference 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Share capital (continued)

(b) Share issue costs

Incremental external costs directly attributable to the issue of new shares are shown as a deduction from the share premium account.

(c) 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.

2.11 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries and associates operate and generate taxable income.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is recognised on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

2.12 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Employee benefits (continued)

(a) Short term employee benefits (continued)

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

The Group and the Company have various post-employment benefit schemes in accordance with local conditions and practices. These benefits plans are either defined contribution or defined benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

(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% (2009: 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)

2.13 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 and bank overdrafts. Bank overdrafts are presented within borrowings in current liabilities on the statement on financial position.

2.14 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.

<u>Onerous Contract</u>

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.

<u>Restructuring</u>

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.

2.15 Payables

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Revenue recognition

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 Group's right to receive payment is established.

2.17 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Group's and the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

All foreign exchange gains and losses are presented in the statement of comprehensive income within other operating expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Foreign currencies (continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.18 Financial assets

(a) Classification

The Group has changed its accounting policy for recognition and measurement of financial assets upon adoption of FRS 139 "Financial instruments: Recognition and Measurement" on 1 January 2010.

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held-to-maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

(i) <u>Financial assets at fair value through profit or loss</u>

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorised as held for trading unless they are designated as hedges (see Note 2.20).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Financial assets (continued)

(a) Classification (continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and bank balances' in the statement of financial position.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(iv) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the financial year, which are classified as current assets.

(b) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Financial assets (continued)

(c) Subsequent measurement – gains and losses

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in statement of comprehensive income in the financial year in which the changes arise.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses (see accounting policy Note 2.18(d)) and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in statement of comprehensive income, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

Interest and dividend income on available-for-sale financial assets are recognised separately in statement of comprehensive income. Interest on available-for-sale debt securities calculated using the effective interest method is recognised in statement of comprehensive income. Dividends income on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

(d) Subsequent measurement - Impairment of financial assets

(i) <u>Assets carried at amortised cost</u>

The Group assesses at the end of the financial year whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Financial assets (continued)

(d) Subsequent measurement - Impairment of financial assets (continued)

(i) Assets carried at amortised cost (continued)

- Disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio; and
  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in statement of comprehensive income. If 'loans and receivables' or a 'held-to-maturity investment' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent financial year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in statement of comprehensive income.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Financial assets (continued)

(d) Subsequent measurement - Impairment of financial assets (continued)

(ii) Assets classified as available-for-sale

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, the Group uses criteria and measurement of impairment loss applicable for 'assets carried at amortised cost' above. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in statement of comprehensive income, the impairment loss is reversed through statement of comprehensive income.

In the case of equity securities classified as available-for-sale, in addition to the criteria for 'assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in statement of comprehensive income. The amount of cumulative loss that is reclassified to statement of comprehensive income is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in statement of comprehensive income. Impairment losses recognised in statement of comprehensive income on equity instruments classified as available-for-sale are not reversed through statement of comprehensive income.

Change in accounting policy

The Group has changed its accounting policy for impairment of investments upon adoption of FRS 139 "Financial instruments: Recognition and Measurement" on 1 January 2010.

Previously, for investments in non-current investments, allowance for diminution in value was made where, in the opinion of the Directors, there was a decline other than temporary in the value of such investments. Where there had been a decline other than temporary in the value of an investment, such a decline was recognised in the statement of comprehensive income in the period in which the decline was identified. Marketable securities (within current assets) were carried at the lower of cost and market value. Changes in the carrying amount of marketable securities were credited/charged to the statement of comprehensive income.

The Group has applied the new policy according to the transitional provisions by re-measuring all financial assets, as appropriate, and recording any adjustments to the previous carrying amounts to opening retained earnings or, if appropriate, another category of equity, of the current financial year. Comparatives for financial instruments have not been adjusted and therefore the corresponding balances are not comparable. Refer to Note 32 for the impact of this change in accounting policy.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Financial assets (continued)

(e) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to statement of comprehensive income.

2.19 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement 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.

2.20 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.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 22. Movements on the hedging reserve in other comprehensive income are shown in Note 32. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Change in accounting policy

The Group has changed its accounting policy for derivatives upon adoption of FRS 139 "Financial instruments: Recognition and Measurement" on 1 January 2010. Previously, derivative gains and losses were not recognised in the financial statements on inception. Instead, they were recognised when settled, at which time they were included in the measurement of the transaction hedged.

The Group has applied the new policy according to the transitional provisions by recognising and measuring derivatives, as appropriate, and recording any adjustments to the previous carrying amounts to the opening retained earnings or, if appropriate, another category of equity, of the current financial year. Comparatives for financial instruments have not been adjusted and therefore the corresponding balances are not comparable. Refer to Note 32 for the impact of this change in accounting policy.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Contingent Liabilities and Contingent Assets

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Company. The Group and the Company do not recognise contingent assets but disclose its existence where inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under a business combinations, the contingent liabilities assumed are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interests.

The Group recognises separately the contingent liabilities of the acquirees as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisitions and the information about the contingent liabilities acquired are disclosed in the financial statements.

Subsequent to the initial recognition, the Group measures the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provisions of FRS 137 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with FRS 118 "Revenue".

2.22 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between initial recognised amount and the redemption value is recognised in statement of comprehensive income over the period of the borrowings using the effective interest method, except for borrowing costs incurred for the construction of any qualifying asset.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the board of directors that makes strategic decisions.

Segment reporting is presented for enhanced assessment of the Group's risks and returns. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those components operating in other economic environments.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and segment liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) Valuation of trademarks

The Group valued the trademark using the premium pricing model. This valuation requires significant judgment. In making this judgment, the Group evaluates, among other factors, the price premium, discount rate and future use of the trademark. In making these key estimates and 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 given in Note 15 to the financial statements.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(b) Estimated impairment of goodwill

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

The recoverable amounts of cash generating units were determined based on the value in use calculations, where assumptions and estimates have been used, based on future events which the Directors expect to take place and actions which management expects to take. In making these key estimates and 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 given in Note 15 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.

3.2 Critical judgment in applying the entity's accounting policies

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy could materially affect the reported results and financial position of the Group. The following accounting policies require subjective judgement, often as a result of the need to make estimates about the effect of the matters that are inherently uncertain.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) The Group's activities expose it to a variety of financial risks, in the areas of foreign currency exchange risk, interest rate risk, credit risk and liquidity risk. The Group's overall financial risk management objective is to ensure that the Group is adequately protected. Financial risk management involves risk reviews, internal control systems and adherence to the Diethelm Keller SiberHegner ('DKSH') Group financial risk management policies.

(i) Foreign currency exchange risk

The Group's foreign exchange control policies were established to protect the Group from foreign currency risks. The Group takes advantage of any natural offsets of the Group's foreign currency revenues and expenses and from time to time enters into foreign currency forward contracts for a portion of the remaining exposure relating to these forecasted transactions.

Notes to the financial statements - 31 December 2010 (continued)

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) The Group's activities expose it to a variety of financial risks, in the areas of foreign currency exchange risk, interest rate risk, credit risk and liquidity risk. The Group's overall financial risk management objective is to ensure that the Group is adequately protected. Financial risk management involves risk reviews, internal control systems and adherence to the Diethelm Keller SiberHegner ('DKSH') Group financial risk management policies (continued)

(ii) Interest rate risk

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

The Group's outstanding borrowings as at year end at variable rates on which hedges have not been entered into, are denominated in RM. If the annual interest rates increase/decrease by 20.0% respectively (2009: 20.0%) with all other variables including tax rate being held constant, the result after tax will be lower/higher by 1.2% (2009:1.4%) as a result of higher/lower interest expense on these borrowings.

(iii) Credit risk management

The Group is exposed to credit related risks. With regards to trade receivables, the Group operates several credit management units closely linked to the selling divisions to enable a fast and complete follow-up. Credit is only made available to customers after proper credit reviews and each customer is imposed a credit limit.

(iv) Liquidity risk

The Group policy is to ensure that adequate borrowing facility is available at all times.

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

	Less than 1 year RM'000	Between 1 & 2 years RM'000	Between 2 & 5 years RM'000	Later than 5 years RM'000
Group				
As at 31 December 2010				
Trade and other payables	646,711	0	0	0
Bank borrowings	161,772	20,035	30,000	0
Amount due to intermediate holding company	32	0	0	18,835
Amounts due to other related companies	7,187	0	0	0
Company				
As at 31 December 2010				
Trade and other payables	279	0	0	0
Amount due to intermediate holding company	32	0	0	18,835
Amounts due to subsidiaries	23,663	3,718	0	79,075

Notes to the financial statements - 31 December 2010 (continued)

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) 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.

Fair value estimation

Effective 1 January 2010, the Group adopted the amendment to FRS 7 for financial instruments that are measured in the statements of financial position at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2010.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total Balance RM'000
Assets				
Available-for-sale financial assets	0	62	0	62
Liabilities				
Forward foreign exchange contracts	0	1,062	0	1,062

The Group does not hold any financial assets or liabilities that are fair valued at Level 1 and Level 3.

Specific valuation techniques used to value financial instruments include:

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Notes to the financial statements - 31 December 2010 (continued)

5 REVENUE

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Sale of goods	3,832,761	3,530,685	0	0
Rendering of services	34,849	28,993	0	0
Commission income	0	0	10	9
Finance income				
- subsidiaries	0	0	7,264	7,502
- others	0	0	144	291
Dividend income (gross)				
- subsidiaries	0	0	33,947	4,957
	3,867,610	3,559,678	41,365	12,759

6 STAFF COSTS

	Group	
	2010 RM'000	2009 RM'000
Wages, salaries and bonus	85,491	80,302
Post-employment benefits obligation:		
- national defined contribution plan	11,503	11,769
- other defined contribution plan (Note 24)	1,329	1,349
Retrenchment benefits	0	1,433
Over-accrual of payroll liabilities written back	(631)	0
Other employee benefits	27,135	27,222
	124,827	122,075

Staff costs include the remuneration of Executive Directors (Note 7).

7 DIRECTORS' REMUNERATION

The Directors of the Company in office during the financial year were as follows:

Non-executive Directors

Michael Lim Hee Kiang
James Armand Menezes
Thon Lek
Datuk Haji Abdul Aziz Ismail
Alexander Stuart Davy
Niels Johan Holm

Executive Director

André Eugen Hägi

The aggregate amount of emoluments receivable by Directors of the Company during the financial year was as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Non-executive Directors:				
- fees	162	162	150	150
Executive Director:				
- salaries and bonus	672	643	0	0
- other defined contribution plan	46	63	0	0
- other benefits	5	119	0	0
	723	825	0	0
	885	987	150	150

Notes to the financial statements - 31 December 2010 (continued)

8 FINANCE COST

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Interest expense:				
- bankers' acceptances	1,475	2,129	0	0
- promissory notes	1,517	1,042	0	0
- revolving credit	355	0	0	0
- term loans	2,084	6,148	0	0
- intercompany advances from holding companies	1,018	2,359	28	0
- subsidiaries	0	0	2,686	2,239
- others	404	413	22	19
	6,853	12,091	2,736	2,258

9 PROFIT BEFORE TAX

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Profit before tax is arrived at after charging/(crediting) the following:				
Auditors' remuneration: - fees for statutory audit	508	498	96	64
Property, plant and equipment:				
- write-offs	5	12	0	0
- net gain on diposal	(217)	(380)	0	0
Net exchange losses/(gains):				
- realised	720	(1,132)	0	0
- unrealised	(557)	(425)	0	0
Loss on disposal of unquoted shares	0	2	0	0
Cost of contract workers	3,350	2,081	0	0
Amortisation of trademark	976	975	0	0
Inventories:				
- write-offs	12,746	9,109	0	0
- (write-back)/allowances	(2,831)	1,032	0	0
Rental income	(554)	(516)	0	0
Interest income	(174)	(370)	(7,408)	(7,793)
(Write-back)/allowance for impairment of trade receivables	(2,246)	2,296	0	0
Bad debts written off	(106)	(1,430)	0	0
Provision for advances to subsidiary	0	0	7,836	0
Impairment loss on available-for-sale Investment	5	0	0	0

Notes to the financial statements - 31 December 2010 (continued)

10 TAX

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current tax:				
- Malaysian tax	9,294	7,445	2,313	2,525
Deferred tax (Note 17)	4,228	(1,547)	7,275	0
Tax expense	13,522	5,898	9,588	2,525
Current tax				
Current year	8,926	7,051	2,313	2,554
Under/(over) accrual in prior year (net)	368	394	0	(29)
	9,294	7,445	2,313	2,525
Deferred tax				
Origination and reversal of temporary differences	5,406	(931)	7,275	0
Under accrual in prior years (net)	(1,178)	(616)	0	0
	4,228	(1,547)	7,275	0
	13,522	5,898	9,588	2,525

The explanation of the relationship between tax expense and profit before tax is as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Numerical reconciliation between tax expenses and the product of accounting profit multiplied by the Malaysian tax rate				
Profit before tax	45,556	31,019	30,321	10,016
Tax calculated at the Malaysian tax rate of 25%	11,389	7,745	7,580	2,504
Tax effects of:				
- expenses not deductible for tax purposes	2,469	1,928	2,008	50
- changes in unrecognised deferred tax asset	(52)	(2,253)	0	0
- utilisation of previously unrecognised tax losses	0	(1,300)	0	0
- utilisation of previously recognised tax losses	(1,065)	0	0	0
- reversal of previously recognised temporary difference	1,591	0	0	0
	14,332	6,120	9,588	2,554
Over accrual in prior years (net)	(810)	(222)	0	(29)
Tax expense	13,522	5,898	9,588	2,525

Notes to the financial statements - 31 December 2010 (continued)

11 EARNINGS PER SHARE - BASIC

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

	Group	
	2010	2009
Net profit for the financial year (RM'000)	27,941	21,286
Weighted average number of ordinary shares in issue ('000)	157,658	157,658
Basic earnings per share (sen)	17.72	13.50

12 DIVIDENDS

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

	Group and Company			
	2010		2009	
	Gross dividend per share Sen	Amount of dividends, net of 25% tax RM'000	Gross dividend per share Sen	Amount of dividends, net of 25% tax RM'000
Final dividends:				
- for financial year ended 31 December 2009 paid on 18 August 2010	3.45	4,730	0	0
- for financial year ended 31 December 2008 paid on 19 August 2009	0	0	3.0	3,547
Dividends in respect of the year	3.45	4,730	3.0	3,547

At the forthcoming Annual General Meeting, a final single-tier dividend of 4.5 sen per share on 157,658,076 ordinary shares, amounting to RM7,094,613 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 ended 31 December 2011 when approved by shareholders.

Notes to the financial statements - 31 December 2010 (continued)

13 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	Assets under construction RM'000	Total RM'000
Cost/Valuation							
At 1 January 2010	0	42,212	14,745	66,814	4,322	644	128,737
Effect of adoption of amendment to FRS 117	39,575	0	0	0	0	0	39,575
As restated	39,575	42,212	14,745	66,814	4,322	644	168,312
Additions	0	917	639	4,022	238	353	6,169
Disposals	0	(73)	(117)	(167)	(478)	0	(835)
Write-offs	0	(429)	(238)	(1,417)	0	0	(2,084)
Reclassification	0	107	136	754	0	(997)	0
At 31 December 2010	39,575	42,734	15,165	70,006	4,082	0	171,562
Accumulated depreciation							
At 1 January 2010	0	27,545	11,041	57,612	3,658	0	99,856
Effect of adoption of amendment to FRS 117	10,814	0	0	0	0	0	10,814
As restated	10,814	27,545	11,041	57,612	3,658	0	110,670
Depreciation charge	503	3,340	1,332	4,955	254	0	10,384
Disposals	0	(73)	(116)	(148)	(478)	0	(815)
Write-offs	0	(428)	(238)	(1,413)	0	0	(2,079)
At 31 December 2010	11,317	30,384	12,019	61,006	3,434	0	118,160
Net book value at 31 December 2010	28,258	12,350	3,146	9,000	648	0	53,402
Cost/Valuation							
At 1 January 2009	0	41,770	15,649	65,740	5,073	125	128,357
Effect of adoption of amendment to FRS 117	39,575	0	0	0	0	0	39,575
As restated	39,575	41,770	15,649	65,740	5,073	125	167,932
Additions	0	444	251	2,153	411	625	3,884
Disposals	0	(2)	(1,154)	(293)	(1,162)	0	(2,611)
Write-offs	0	0	(1)	(888)	0	(4)	(893)
Reclassification	0	0	0	102	0	(102)	0
At 31 December 2009	39,575	42,212	14,745	66,814	4,322	644	168,312

Notes to the financial statements - 31 December 2010 (continued)

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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	Assets under construction RM'000	Total RM'000
Accumulated Depreciation							
At 1 January 2009	0	23,947	10,856	53,682	4,450	0	92,935
Effect of adoption of amendment to FRS 117	10,311	0	0	0	0	0	10,311
As restated	10,311	23,947	10,856	53,682	4,450	0	103,246
Depreciation charge	503	3,599	1,337	5,069	367	0	10,875
Disposals	0	(1)	(1,151)	(259)	(1,159)	0	(2,570)
Write-offs	0	0	(1)	(880)	0	0	(881)
At 31 December 2009	10,814	27,545	11,041	57,612	3,658	0	110,670
Net book value at 31 December 2009	28,761	14,667	3,704	9,202	664	644	57,642

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	
	2010 RM'000	2009 RM'000
Buildings	1,862	2,188

Notes to the financial statements - 31 December 2010 (continued)

14 INTERESTS IN SUBSIDIARIES

	Company 2010 RM'000	2009 RM'000
Non-current assets		
Unquoted shares at cost	90,849	90,849
Accumulated impairment losses: At start and end of financial year	(500)	(500)
	90,349	90,349
Advances to subsidiaries	227,084	202,350
Provision for doubtful advances to subsidiary	(7,836)	0
	219,248	202,350
	309,597	292,699
Current asset		
Amounts receivable from subsidiaries (Note 20)	21,711	195

Advances to subsidiaries are denominated in Ringgit Malaysia, unsecured and carry interest between 3.1% to 4.4% (2009: 4.8% to 5%) per annum. These advances are not intended to be recalled, in full or in part, within the next twelve months from the statement of financial position date.

Notes to the financial statements - 31 December 2010 (continued)

14 INTERESTS IN SUBSIDIARIES (CONTINUED)

The subsidiaries of the Company are detailed below:

Name of company	Country of incorporation	Group's effective interest 2010 %	Group's effective interest 2009 %	Principal activities
DKSH Malaysia Sdn. Bhd.	Malaysia	100.0	100.0	General trading, warehousing and distribution of consumer, pharmaceutical, bio-medical, chemical and industrial products.
Subsidiary of DKSH Malaysia Sdn. Bhd.				
- Texchem Consumers Sdn. Bhd.	Malaysia	100.0	100.0	Dormant
DKSH Marketing Services Sdn Bhd	Malaysia	100.0	100.0	Trading
DKSH Transport Agencies (M) Sdn Bhd	Malaysia	51.0	51.0	Forwarding and husbanding activities.
Subsidiary of DKSH Transport Agencies (M) Sdn Bhd				
- Macro Consolidators (M) Sdn Bhd	Malaysia	51.0	51.0	Freight forwarding related activities
Harpers Trading (Malaysia) Sdn. Berhad	Malaysia	100.0	100.0	General trading, warehousing and distribution agency.
Subsidiary of Harpers Trading (Malaysia) Sdn. Berhad				
- DKSH (B) Sdn Bhd *	Negara Brunei Darussalam	100.0	100.0	General trading, warehousing and distribution agency.
Diethelm Chemicals Malaysia Sendirian Berhad	Malaysia	100.0	100.0	Dormant
DKSH Logistics Services Sdn Bhd	Malaysia	100.0	100.0	Provision of warehousing and distribution services.

Notes to the financial statements - 31 December 2010 (continued)

14 INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of company	Country of incorporation	Group's effective interest 2010 %	Group's effective interest 2009 %	Principal activities
Diethelm Central Services Sdn. Bhd.	Malaysia	100.0	100.0	Provision of estate management services.
Diethelm Franchise Holdings (M) Sdn Bhd ^	Malaysia	100.0	100.0	In liquidation.
The Famous Amos Chocolate Chip Cookie Corporation (M) Sdn Bhd	Malaysia	100.0	100.0	Manufacture and sale of chocolate chip cookies.
Diethelm Transport Holdings Sendirian Berhad ^	Malaysia	100.0	100.0	In liquidation.
Subsidiary of Diethelm Transport Holdings Sendirian Berhad				
- Diethelm Airtrans Sendirian Berhad ^	Malaysia	100.0	100.0	In liquidation.

* Audited by a firm other than PricewaterhouseCoopers, Malaysia.

^ These companies were not consolidated as the Group no longer has any control of these subsidiaries in view that the subsidiaries have been liquidated by way of Members' Voluntary Winding Up.

Notes to the financial statements - 31 December 2010 (continued)

15 INTANGIBLE ASSETS

	Goodwill RM'000	Trademark RM'000	Group Total RM'000
Year ended 31 December 2010			
At 1 January 2010	3,600	7,238	10,838
Amortisation charge	0	(976)	(976)
At 31 December 2010	3,600	6,262	9,862
At 31 December 2010			
Cost	3,600	8,213	11,813
Accumulated amortisation and impairment losses	0	(1,951)	(1,951)
At 31 December 2010	3,600	6,262	9,862
Year ended 31 December 2009			
At 1 January 2009	3,600	8,213	11,813
Amortisation charge	0	(975)	(975)
At 31 December 2009	3,600	7,238	10,838
At 31 December 2009			
Cost	4,283	9,758	14,041
Accumulated amortisation and impairment losses	(683)	(2,520)	(3,203)
At 31 December 2009	3,600	7,238	10,838

Impairment tests for goodwill

The goodwill is allocated to the trading and logistics segment of the Group:

	2010 RM'000	2009 RM'000
Trading and logistics	3,600	3,600

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.

15 INTANGIBLE ASSETS (CONTINUED)

Valuation of trademark

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

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

- A period of 6.5 years based on the remaining life of the trademark,
- Revenue and operating profits were based on the average of past 4 years results,
- Nil growth rate (2009: 5%), and
- Pre-tax weighted average cost of capital of 6.47%, at 1.5% risk premium (2009: pre-tax weighted average cost of capital of 5.25%, at 1.5% risk premium).

Based on the above key assumptions, the recoverable amount for the trademark based on the value-in-use calculation was higher than the carrying value of the trademark. Thus, no impairment is 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 13%, the trademark will be impaired by RM3,000.
- If the growth rate decrease by 11%, the trademark will be impaired by RM37,000.

16 AVAILABLE-FOR-SALE FINANCIAL ASSETS

		Group
	2010 RM'000	2009 RM'000
Unquoted shares – available-for-sale		
At 1 January (as previously stated)	58	58
Effect of FRS 139		
Impairment loss charged to statement of comprehensive income	(13)	0
Increase in fair value – recognised in other comprehensive income	17	0
At 1 January (as restated)	62	58
Impairment loss charged to statement of comprehensive income	(5)	0
Increase in fair value – recognised in other comprehensive income	5	0
At 31 December	62	58

Notes to the financial statements - 31 December 2010 (continued)

16 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

During the year, the members' voluntary liquidation for Total Fame Sdn Bhd was completed, and an amount of RM214,840 being reversal of impairment to shareholder was received on 1 September 2010.

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 statement 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.

During the financial year, the Company recognised an impairment loss of RM4,888 for Bukit Jalil Golf & Country Club membership as there was a significant decline in the fair value of this investment below its cost. The impairment loss was recognised in profit or loss.

The Company recognised the gain on fair value changes of RM5,000 for Saujana Golf Club membership directly in other comprehensive income.

17 DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Subject to income tax				
- deferred tax assets	6,832	11,022	0	0
- deferred tax liability	(7,515)	(7,477)	(7,275)	0
	(683)	3,545	(7,275)	0

	Company	
	2010 RM'000	2009 RM'000
Deferred tax liability		
Dividend income receivable	7,275	0

17 DEFERRED TAX (CONTINUED)

The movements during the financial year relating to deferred tax are as follows:

	Group	
	2010 RM'000	2009 RM'000
At start of financial year	3,545	1,998
(Charged)/credited to statement of comprehensive income (Note 10):		
- property, plant and equipment	(687)	814
- post-employment benefit obligation	(170)	508
- receivables	(121)	(307)
- inventories	(715)	275
- capital allowances	(594)	(991)
- unrealised foreign exchange	26	45
- tax losses	(2,189)	391
- others	222	812
	(4,228)	1,547
Charged to equity	0	0
At end of financial year	(683)	3,545
Subject to income tax		
Deferred tax assets (before offsetting)		
Capital allowances	0	594
Post-employment benefits obligation	2,263	2,433
Receivables	2,013	2,122
Inventories	1,576	2,292
Tax losses	199	2,388
Others	1,769	1,494
	7,820	11,323
Offsetting	(988)	(301)
Deferred tax assets (after offsetting)	6,832	11,022
Deferred tax liability (before offsetting)		
Property, plant and equipment	(8,503)	(7,778)
Offsetting	988	301
Deferred tax liability (after offsetting)	(7,515)	(7,477)

17 DEFERRED TAX (CONTINUED)

The amounts of deductible temporary differences and unused tax losses (both of which have no expiry date) for which no deferred tax asset is recognised in the statement of financial position are as follows:

	Group	
	2010 RM'000	2009 RM'000
Other deductible temporary differences	1,418	1,418
Unutilised capital allowances	5,034	5,034
Tax losses	9,433	9,433

At the reporting date, no deferred tax assets have been recognised for taxes that would be receivable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that there will not be future taxable profit from its subsidiaries to utilise the deferred tax assets.

18 SHORT TERM INVESTMENTS

	Group and Company	
	2010 RM'000	2009 RM'000
Unquoted investments, at carrying value	49	49
Allowance for diminution in value of investments	(49)	(49)
	0	0

These subsidiaries were not consolidated as these companies are in liquidation by way of Members' Voluntary Winding Up. These subsidiaries are listed in Note 14 to the financial statements.

19 INVENTORIES

	Group	
	2010 RM'000	2009 RM'000
At costs:		
Raw materials and packaging materials	1,110	1,400
Work-in-progress	1,802	1,630
Finished goods	310,743	243,539
	313,655	246,569
At net realisable value:		
Finished goods	0	3,098
	313,655	249,667

Notes to the financial statements - 31 December 2010 (continued)

20 RECEIVABLES

	Group			Company	
	2010 RM'000	2009 RM'000 Restated	2008 RM'000	2010 RM'000	2009 RM'000
Trade receivables	601,906	565,623	614,360	0	0
Less: Provision for impairment of trade receivables	(20,490)	(22,887)	(28,866)	0	0
	581,416	542,736	585,494	0	0
Deposits	3,642	2,974	3,319	0	0
Prepayments	1,232	3,682	7,636	83	86
Other receivables	3,306	1,511	2,506	0	0
	589,596	550,903	598,955	83	86
Amounts receivable from intermediate holding company	133	0	0	4	0
Amounts receivable from immediate holding company	165	0	479	0	0
Amounts receivable from subsidiaries (Note 14)	0	0	0	21,711	195
Amounts receivable from other related companies	125	41	134	1	1
	423	41	613	21,716	196
	590,019	550,944	599,568	21,799	282

The currency exposure profile of receivables is as follows:

	Group		
	2010 RM'000	2009 RM'000	2008 RM'000
Trade receivables			
Ringgit Malaysia	569,572	531,784	577,958
Brunei Dollar	9,954	10,384	6,169
US Dollar	1,768	516	1,143
Singapore Dollar	122	52	186
Euro	0	0	38
	581,416	542,736	585,494

20 RECEIVABLES (CONTINUED)

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Intercompany receivables				
Ringgit Malaysia	379	26	21,716	196
US Dollar	25	15	0	0
Brunei Dollar	19	0	0	0
	423	41	21,716	196

Deposits, prepayments and other receivables are denominated in Ringgit Malaysia.

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

Credit terms of trade receivables range from 14 days to 90 days (2009: 14 days to 90 days).

Credit risk management with respect to trade receivables are disclosed in Note 4(a) to the financial statements.

As at 31 December 2010, the Group's trade receivables of RM61,183,000 (2009: RM71,306,000) 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. The age analysis of these trade receivables is as follows:

	Group	
	2010 RM'000	2009 RM'000
Less than three months	58,546	68,849
Between three to six months	2,074	2,306
Between six months and one year	563	151
	61,183	71,306
Not overdue	520,233	471,430
Trade receivable	581,416	542,736

Notes to the financial statements - 31 December 2010 (continued)

20 RECEIVABLES (CONTINUED)

Movements of the provision for impairment of trade receivables during the year are as follows:-

	Group	
	2010 RM'000	2009 RM'000
At start of financial year	22,887	28,866
Provision for impairment of receivables	1,450	9,037
Uncollectible receivables written off during the year	(151)	(8,296)
Unused amounts reversed	(3,696)	(6,720)
At end of financial year	20,490	22,887

The creation and release of provision for impaired receivables have been disclosed separately in the statement of comprehensive income. Amount charged to the allowance account are generally written off when there is no expectation of further recovery.

The other classes within trade and other receivables do not contain impaired assets.

21 PAYABLES

	Group			Company	
	2010 RM'000	2009 RM'000 Restated	2008 RM'000 Restated	2010 RM'000	2009 RM'000
Trade payables	572,987	469,295	482,352	0	0
Amounts payable to:					
- intermediate holding company	32	195	85	32	0
- subsidiaries	0	0	0	1,838	287
- other related companies	7,187	6,395	6,718	0	0
Accruals	34,501	37,083	39,189	279	290
Other payables	39,223	29,810	31,348	0	0
	653,930	542,778	559,692	2,149	577

Notes to the financial statements - 31 December 2010 (continued)

21 PAYABLES (CONTINUED)

The currency exposure profile of payables is as follows:

Trade payables	Group 2010 RM'000	2009 RM'000 Restated	2008 RM'000 Restated
Ringgit Malaysia	511,820	393,311	411,828
US Dollar	37,420	35,652	48,119
Euro	20,784	37,936	18,489
Swiss Franc	957	1,041	221
Brunei Dollar	117	247	473
Singapore Dollar	384	210	1,408
Australia Dollar	1,327	615	837
Japanese Yen	39	81	61
Others	139	202	916
	572,987	469,295	482,352

Intercompany payables	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Ringgit Malaysia	6,467	1,223	1,870	287
US Dollar	78	5,364	0	0
Singapore Dollar	0	3	0	0
Swiss Franc	673	0	0	0
Japanese Yen	1	0	0	0
	7,219	6,590	1,870	287

Other payables	Group 2010 RM'000	Group 2009 RM'000
Ringgit Malaysia	38,911	29,612
Brunei Dollar	312	198
	39,223	29,810

The average credit terms of payables are as follows:

	Average credit terms 2010	Average credit terms 2009
Trade payables	30 to 180 days	30 to 180 days
Other payables	30 days	30 days
Amounts payable to intermediate holding company, subsidiaries, other related companies	Payable within 30 days	Payable on demand

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

22 DERIVATIVE FINANCIAL INSTRUMENTS

	Group Fair value 2010 RM'000	2009 RM'000
2010		
Current liability:		
Forward foreign exchange contracts - at fair value through profit or loss	15,150	0
2009		
Current liability:		
Forward foreign exchange contracts	19,730	19,295

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 2010, the settlement dates on open forward contracts ranged between 1 and 5 months (2009: 1 and 5 months).

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

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	1,043	1 AUD = RM3.0447
SGD 204,000	SGD	MYR	495	1 SGD = RM2.4216

Notes to the financial statements - 31 December 2010 (continued)

22 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

31 December 2009

Hedged item	Currency to be received	Currency to be paid	RM'000 equivalent	Contractual rate
Trade payables:				
EUR 534,000	EUR	MYR	2,722	1 EUR = RM5.0927
USD 1,471,800	USD	MYR	5,060	1 USD = RM3.4383
USD 1,996,700	USD	MYR	7,157	1 USD – RM3.5862
CHF 628,600	CHF	MYR	2,120	1 CHF = RM3.3726
AUD 276,200	AUD	MYR	857	1 AUD = RM3.1036
SGD 138,900	SGD	MYR	343	1 SGD = RM2.4684

The fair value of outstanding forward contracts of the Group at the balance sheet date was an unfavourable net position fo RM1,062,000 (2009: unfavourable net position of RM435,000).

23 BORROWINGS

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Current:				
Bankers' acceptances	107,000	73,000	0	0
Term loans	5,000	6,667	0	0
Promissory notes	49,708	70,496	0	0
Finance lease (secured)	64	79	0	0
	161,772	150,242	0	0
	161,772	150,242	0	0
Non-current:				
Advances from:				
- intermediate holding company	18,835	21,412	18,835	0
- immediate holding company	0	31,893	0	0
- subsidiaries	0	0	104,618	113,879
	18,835	53,305	123,453	113,879
Term loans	50,000	25,000	0	0
Finance lease (secured)	35	99	0	0
	68,870	78,404	123,453	113,879
Total	230,642	228,646	123,453	113,879

Notes to the financial statements - 31 December 2010 (continued)

23 BORROWINGS (CONTINUED)

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 1.5% to 2.85% (2009: 2.5%) per annum. Advances from immediate and intermediate holding companies bear interest at 3.1% to 4.4% (2009: 4.8%) per annum. These are unsecured and are not repayable within the next 12 months.

Finance lease liabilities

Finance lease liabilities are 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% (2009: 4.84%) per annum.

Weighted average year end effective interest rates

	Group	
	2010 %	2009 %
Bankers' acceptances	3.08	2.45
Promissory notes	3.03	2.43
Term loans	4.43	4.63

All borrowings are denominated in Ringgit Malaysia.

Maturity structure of external borrowings are as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Within one year	161,772	150,242	0	0
Between one and two years	20,035	5,099	0	0
Between two and five years	30,000	20,000	0	0
Total	211,807	175,341	0	0

Notes to the financial statements - 31 December 2010 (continued)

24 POST-EMPLOYMENT BENEFITS OBLIGATION

	Group	
	2010 RM'000	2009 RM'000
Defined contribution plan		
Non-current:		
At 31 December	10,496	9,896

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

	Group	
	2010 RM'000	2009 RM'000
At 1 January	9,896	9,692
Charged to statement of comprehensive income (Note 6)	1,329	1,349
Contributions paid	(729)	(1,145)
At 31 December	10,496	9,896

25 SHARE CAPITAL

	Group and Company			
	2010		2009	
	Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000
Authorised Ordinary shares of RM1.00 each At start and end of financial year	499,180	499,180	499,180	499,180
Issued and fully paid Ordinary shares of RM1.00 each At start and end of financial year	157,658	157,658	157,658	157,658

26 RETAINED EARNINGS

Under the single tier system which came into effect from the year of assessment 2008, the Company is not required to have tax credits under Section 108 of Income Tax Act 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders. The Company may continue to pay franked dividends until the Section 108 credits are exhausted or 31 December 2013 whichever is earlier unless the Company irrevocably opts to disregard the Section 108 credits to pay single-tier dividends under the special transitional provisions of the Finance Act 2007.

As at 31 December 2010, the Section 108 tax credits balance of the Company is nil (2009: RM3,935,096). The Company may distribute dividends out of its retained earnings as at 31 December 2010 under the single tier system.

27 CASH AND CASH EQUIVALENTS

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Deposit with a licensed bank	3,200	20,278	0	11,350
Bank and cash balances	129,742	67,169	83	108
Deposit, bank and cash balances	132,942	87,447	83	11,458
The currency exposure profile of deposit, bank and cash balances is as follows:				
Ringgit Malaysia	131,424	86,331	83	11,458
Brunei Dollar	493	892	0	0
US Dollar	1,025	224	0	0
	132,942	87,447	83	11,458

Deposit with a licensed bank has a maturity period of 6 days (2009: 51 days) and carry interest at 2.5% annum (2009: 1.67% per annum).

Bank and cash balances are non-interest bearing. Bank balances are deposits held at call with banks.

Notes to the financial statements - 31 December 2010 (continued)

28 PROVISION FOR OTHER LIABILITIES

	Group 2010 RM'000	2009 RM'000
Provision for other liabilities		
- Property reinstatement cost	289	319

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

29 COMMITMENTS

(a) Capital commitments

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

	Group 2010 RM'000	2009 RM'000
Authorised by the Directors and contracted for:		
- Property, plant and equipment	248	540

(b) Non-cancellable operating lease commitments

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

	Group 2010 RM'000	2009 RM'000
Payable within one year	20,807	19,231
Payable after one year but not later than five years	24,233	38,097
	45,040	57,328

30 SIGNIFICANT RELATED PARTY DISCLOSURES

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

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.

In addition to the related party disclosures mentioned elsewhere in the financial statements, set out below are the other significant related party transactions. The related party transactions described below were carried out on terms and conditions agreed among the parties.

Related party relationships:

Related parties	Relationship
Diethelm Holdings (Asia) Sendirian Berhad	Intermediate holding company
DKSH Resources (Malaysia) Sdn. Bhd.	Immediate holding company
DKSH Marketing Services Sdn Bhd	Subsidiary
Harpers Trading (Malaysia) Sdn Bhd	Subsidiary
DKSH (B) Sdn Bhd (formerly known as Harpers Trading (B) Sdn Bhd)	Subsidiary
DKSH Logistics Services Sdn Bhd	Subsidiary
DKSH Transport Agencies (M) Sdn. Bhd.	Subsidiary
Diethelm Central Services Sdn Bhd	Subsidiary
DKSH Malaysia Sdn Bhd	Subsidiary
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

30 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

The following transactions were carried out with related parties:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
(a) Sales of goods and services:				
Sale of services:				
- related company (rental)	384	384	0	0
- related company (human resource charge)	232	228	0	0
	616	612	0	0
Others (interest):				
- subsidiaries	0	0	7,264	7,502
	616	612	7,264	7,502
(b) Purchase of goods and services:				
Purchase of services:				
- related company (goods)	29,702	0	0	0
- related company (travel)	917	524	0	0
- related company (management fee and regional audit)	3,033	2,808	0	0
- related company (cost sharing)	0	13	0	0
- related company (information technology charges)	9,310	9,676	0	0
- other related party (rental)	12,392	11,641	0	0
- related company (purchase of assets)	134	263	0	0
	55,488	24,925	0	0
Others (interest):				
- immediate holding company	317	1,346	0	0
- intermediate holding company	701	1,013	28	0
- subsidiaries	0	0	2,686	2,239
	1,018	2,359	2,714	2,239
	56,506	27,284	2,714	2,239

30 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(c) Key management compensation

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Salaries and bonus	8,651	8,296	150	150
Post employment benefits obligation				
- national defined contribution plan	608	730	0	0
- other defined contribution plan	59	126	0	0
Other employees benefits	680	1,296	0	0
	9,998	10,448	150	150

31 SEGMENTAL INFORMATION

The Group is organised into three main business segments:

- Marketing and distribution services
- Logistics
- Others

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

(a) Primary reporting format - business segments

	Marketing, distribution and trading services RM'000	Logistics RM'000	Others RM'000	Eliminations RM'000	Group RM'000
Financial year ended 31 December 2010					
Revenue					
Segment revenue	1,631,114	2,193,424	43,072	0	3,867,610
Intersegment revenue	1,671	0	0	(1,671)	0
Revenue	1,632,785	2,193,424	43,072	(1,671)	3,867,610
Results					
Segment results	19,035	27,442	5,932	0	52,409
Finance cost					(6,853)
Tax expense					(13,522)
Profit for the financial year					32,034

Notes to the financial statements - 31 December 2010 (continued)

31 SEGMENTAL INFORMATION (CONTINUED)

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

	Marketing and distribution services RM'000	Logistics RM'000	Others RM'000	Eliminations RM'000	Group RM'000
At 31 December 2010					
Net assets					
Segment assets	466,527	429,813	52,133	0	948,473
Unallocated assets					159,132
Total assets					1,107,605
Segment liabilities	(223,351)	(345,742)	(3,894)	0	(572,987)
Unallocated liabilities					(332,934)
Total liabilities					(905,921)
Financial year ended 31 December 2010					
Other information					
Capital expenditure	2,460	1,310	2,399	0	6,169
Depreciation of property, plant and equipment	4,881	1,318	4,185	0	10,384
Amortisation of trademark	976	0	0	0	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 13).

31 SEGMENTAL INFORMATION (CONTINUED)

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

	Marketing and distribution services RM'000	Logistics RM'000	Others RM'000	Eliminations RM'000	Group RM'000
Financial year ended 31 December 2009					
Revenue					
Segment revenue	1,580,175	1,940,367	39,136	0	3,559,678
Intersegment revenue	1,635	0	0	(1,635)	0
Revenue	1,581,810	1,940,367	39,136	(1,635)	3,559,678
Results					
Segment results	13,890	22,777	6,443	0	43,110
Finance cost					(12,091)
Tax expense					(5,898)
Profit for the financial year					25,121
At 31 December 2009					
Net assets					
Segment assets	453,723	345,401	51,332	0	850,456
Unallocated assets					118,691
Total assets					969,147
Segment liabilities	(179,900)	(288,478)	(1,328)	0	(469,706)
Unallocated liabilities					(321,041)
Total liabilities					(790,747)

Notes to the financial statements - 31 December 2010 (continued)

31 SEGMENTAL INFORMATION (CONTINUED)

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

	Marketing and distribution services RM'000	Logistics RM'000	Others RM'000	Eliminations RM'000	Group RM'000
Financial year ended 31 December 2009					
Other information					
Capital expenditure	956	820	2,108	0	3,884
Depreciation of property, plant and equipment	5,463	1,629	3,783	0	10,875
Amortisation of Trademark	975	0	0	0	975

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 13).

Unallocated assets mainly consist of:

	Group 2010 RM'000	2009 RM'000
Goodwill	3,600	3,600
Trademark	6,262	7,238
Cash and bank	131,142	66,957
Short term deposits	1,800	20,490
Other receivables	8,283	8,167
Deferred tax assets	6,832	11,022
Others	1,213	1,217
	159,132	118,691

Notes to the financial statements - 31 December 2010 (continued)

31 SEGMENTAL INFORMATION (CONTINUED)

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

Unallocated liabilities mainly consist of:

	Group	
	2010 RM'000	2009 RM'000
Other payables	(73,827)	(67,304)
Short-term borrowings	(161,772)	(150,242)
Long term borrowing	(50,000)	(25,000)
Deferred tax liabilities	(7,515)	(7,477)
Retirement benefits	(10,496)	(9,896)
Intercompany advances	(18,835)	(53,305)
Intercompany payables	(7,219)	(6,590)
Others	(3,270)	(1,227)
	(332,934)	(321,041)

(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.

32 CHANGES IN ACCOUNTING POLICIES

During the financial year, the Group changed the following accounting policies upon adoption of new accounting standards, amendments and improvements to published standards and interpretations:

(i) Leasehold land – Note 2.7
(ii) Financial assets – Note 2.18

The following note (i) disclose the impacts of such changes in the financial statements of the Group.

In addition, the Group has also adopted the following 2 accounting standards that introduced new presentation and disclosures requirements:

- FRS 101 (revised) "Presentation of Financial Statements" prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share

- FRS 7 "Financial instruments: Disclosures" introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments. FRS 7 does not require comparative disclosures when the standard is first applied.

(i) Impact on the Group's statements of financial position

	Balances as at 31 December 2008		
	As previously reported RM'000	FRS 117 RM'000	As restated RM'000
Property, plant and equipment	35,422	29,264	64,686
Prepaid lease payments	29,264	(29,264)	0

Notes to the financial statements - 31 December 2010 (continued)

32 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(i) Impact on the Group's statements of financial position (continued)

	Balances as at 31 December 2009			Balances as at 1 January 2010	
	As previously reported RM'000	FRS 117 RM'000	As restated RM'000	FRS 139 RM'000	As adjusted RM'000
Property, plant and equipment	28,881	28,761	57,642	0	0
Prepaid lease payments	28,761	(28,761)	0	0	0
Available-for-sale financial assets	0	0	0	62	62
Other investments	58	0	58	(58)	0
Retained earnings	(33,474)	0	(33,474)	(522)	(33,996)
Revaluation reserve	13,505	0	13,505	17	13,522

	Increase/(decrease) to balances as at 31 December 2010		
	FRS 117 RM'000	FRS 139 RM'000	Total RM'000
Available-for-sale financial assets	0	5	5
Translation reserve	0	(27)	(27)

Notes to the financial statements - 31 December 2010 (continued)

33 SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

The following analysis of realised and unrealised retained profits/(accumulated losses) at the legal entity is 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 whilst the disclosure at the Group level is based on the prescribed format by the Bursa Malaysia Securities Berhad.

	Group 2010 RM'000
Total retained profits/(accumulated losses) of DKSH Holdings (Malaysia) Berhad and its subsidiaries:	
- realised	15,913
- unrealised	(2,142)
	13,771
Less: consolidated adjustments	(24,534)
Total Group retained profits/(accumulated losses) as per consolidated accounts	(10,763)

The disclosure of realised and unrealised profit/(losses) above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.

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

We, Stuart Davy and John Peter Clare, two of the Directors of DKSH Holdings (Malaysia) Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 35 to 105 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 31 December 2010 and of the results and the cash flows of the Group and Company for the financial year ended on that date in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965.

The information set out in Note 33 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 of Directors in accordance with their resolution dated 20 April 2011.

STUART DAVY
DIRECTOR

JOHN PETER CLARE
GROUP FINANCE DIRECTOR

STATUTORY DECLARATION PURSUANT TO
SECTION 169(16) OF THE COMPANIES ACT, 1965

I, John Peter Clare, the Group Finance Director primarily responsible for the financial management of DKSH Holdings (Malaysia) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 35 to 105 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.

JOHN PETER CLARE

Subscribed and solemnly declared by the abovenamed John Peter Clare at Petaling Jaya, Selangor Darul Ehsan in Malaysia on 20 April 2011, before me.

No B158
Soong Foong Chee
Commissioner for Oaths

Independent auditors' report to the members of DKSH Holdings (Malaysia) Berhad

(Incorporated in Malaysia)

(Company No. 231378 A)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of DKSH Holdings (Malaysia) Berhad on pages 35 to 105 which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, changes in equity and 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 Notes 2 to 32.

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 MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965, and for such internal control 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 judgment, 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 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 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 MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2010 and of their financial performance and cash flows for the year then ended.

Independent auditors' report to the members of DKSH Holdings (Malaysia) Berhad (continued)

(Incorporated in Malaysia)

(Company No. 231378 A)

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 of 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 the subsidiary of which we have not acted as auditors, which are indicated in Note 14 to the financial statements.

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

(d) The audit report on the financial statements of the subsidiary did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 32 on page 105 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. 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.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

MOHAMMAD FAIZ BIN MOHAMMAD AZMI
(No. 2025/03/12 (J))
Chartered Accountant

Kuala Lumpur
20 April 2011

May 18, 2011

The Board of Directors
DKSH Holdings (Malaysia) Berhad
74 Jalan University
46200 Petaling Jaya
Selangor

Dear Sirs,

Change of auditors

Pursuant to Section 172(11) of the Companies Act, 1965, we, DKSH Resources (Malaysia) Sdn. Bhd., being a shareholder of the Company, hereby give notice of our intention to nominate Ernst & Young for the appointment as the new auditors of the Company and to propose the following as an ordinary resolution to be tabled at the forthcoming Nineteenth Annual General Meeting of the Company, to replace the retiring auditors, PricewaterhouseCoopers:

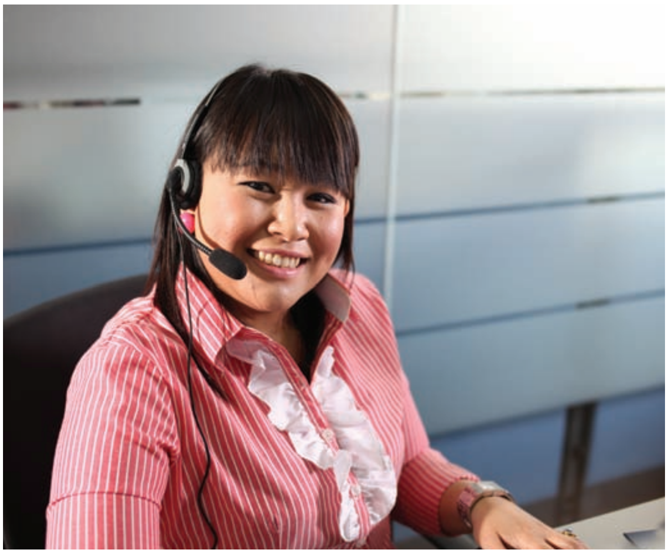
"That Ernst & Young be and are hereby appointed as the Company's auditors in place of the retiring auditors, PricewaterhouseCoopers to hold office until the conclusion of the next Annual General Meeting and that the Directors be authorized to fix their remuneration."

Thank you.

Yours faithfully,
DKSH Resources (Malaysia) Sdn. Bhd.

Tan Lai Huat Director	John Peter Clare Director

DKSH Resources (Malaysia) Sdn. Bhd. (231234-D)
74 Jalan University, P. O. Box 77, 46700 Petaling Jaya, Selangor, Malaysia
Phone +60 3 7966 0288, Fax +60 3 7957 0829, www.dksh.com



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

It Is the sum of the diverse talents of our people that makes DKSH the leading provider of Market Expansion Services with a focus on Malaysia.

Our sales force help to grow businesses by increasing sales, enhancing efficiency and launching new opportunities.

Our Famous Amos Chocholate Chip Cookie business: 59 outlets nationwide and growing.

Proxy Form

for the Nineteenth Annual General Meeting

DKSH Holdings (Malaysia) Berhad

No. of shares held:	
CDS Account No:	

I/We, ...(Company No:/ NRIC No:..)
(Name of shareholder as per NRIC in block letters) (New & old)

of...
(full address)

....

being a member/members of DKSH Holdings (Malaysia) Berhad (231378-A) hereby appoint

....(NRIC No:..)
(Name of proxy as per NRIC in block letters) (New & old)

of...
(full address)

or failing him, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Nineteenth Annual General Meeting of the Company to be held at the Conference Room, Ground Floor, 74 Jalan University, 46200 Petaling Jaya, Selangor Darul Ehsan on Thursday, June 16, 2011 at 10.00 a.m. and at any adjournment thereof.

My/Our proxy is to vote as indicated below:

NO	ORDINARY RESOLUTION	For	Against
1	Adoption of audited financial statements and reports		
2	Approval of final dividend		
3	Approval of directors' fees		
4	Re-election of James Armand Menezes		
5	Re-election of Datuk Haji Abdul Aziz bin Ismail		
6	Election of John Peter Clare		
7	Appointment of Ernst & Young as auditors		
8	Approval of Proposed Shareholders' Mandate		
	SPECIAL RESOLUTION 1		
9	Approval of amendment to Article 121 of the Articles of Association of the Company		

(Please indicate with an "x" in the spaces provided how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion.)

Dated this .... day of 2011

....
Signature of Member or Common Seal

Notes

(a) Every member is entitled to appoint a proxy or in the case of a corporation, to appoint a representative to attend and vote in his place. A proxy need not be a member of the Company.
(b) The Form of Proxy must be signed by the appointer or his attorney duly authorized in writing or if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorized. In the case of joint holdings, the signature of the first named holder is sufficient.
(c) If the Form of Proxy is returned without any indication as to how proxy shall vote, the proxy will vote or abstain as he thinks fit.
(d) If no name is inserted in the space for the name of your proxy, the Chairman of the Meeting will act as your proxy.
(e) The original Form of Proxy must be deposited at 74, Jalan University, 46200 Petaling Jaya not less than forty-eight (48) hours before the time of holding the Meeting or any adjournment thereof, or in the case of a poll, not less than twenty-four (24) hours before the time appointed for taking the poll. Only original Proxy Forms are valid.

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affix
postage

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

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We make you grow

No. 1

in Market Expansion Services

DKSH Holdings (Malaysia) Berhad (231378-A)
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