Annual Report 2007

DKSH Holdings (Malaysia) Berhad

Think Asia. Think DKSH.

The Fantree, Our Symbol

From the book, *The Fantree Company*, and the company archive of Diethelm Keller Holding Ltd.

Contents

The fantree takes its name from the distinctive cluster of foliage branching out from the top of its stem. This uniquely striking plant is often known as the "traveler's palm". This is because thirsty travelers were able to find water in many parts of the tree, which can hold up to one liter of liquid. According to legend, if a traveler stands in front of a fantree and makes a wish in good faith, the wish is certain to come true.

Reportedly, a fantree trademark was employed by the Saigon bureau of Diethelm & Co. Ltd. (established in 1890) as early as 1899. At that time the fantree served as a symbol for the Diethelm merchant house. It later evolved into the official logo of the merged Diethelm Keller Group and ultimately into that of DKSH.

The fantree symbolizes our long heritage of truly belonging to the places where we do business. It also stands for our unrelentingly enterprising spirit and the unique combination of versatility and adaptability that is at the heart of our company. The fan of leaves represents our many activities; the red color may be taken as a reminder of our Swiss heritage; and the firmly-rooted fantree as a whole symbolizes our deep connection with Asia.

Notice of Annual General Meeting

Notice is hereby given that the Sixteenth Annual General Meeting of the Company will be held at the Kristal Ballroom 1, First Floor, West Wing, Hilton Petaling Jaya, No. 2, Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan on Thursday, June 12, 2008 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, 2007 and the reports of the directors and auditors thereon.
   Resolution 1

2. To approve the payment of a final dividend of 3 sen gross per ordinary share less 26% income tax for the year ended December 31, 2007.
   Resolution 2

3. To approve the payment of directors' fees of RM150,000 for the year ended December 31, 2007.
   Resolution 3

4. To re-elect the following Directors who retire pursuant to Article 99 of the Company's Articles of Association and, being eligible, offer themselves for re-election:

   (a) Michael Lim Hee Kiang
   Resolution 4

   (b) James Armand Menezes
   Resolution 5

5. To elect the following Directors who retire pursuant to Article 82 of the Company's Articles of Association and, being eligible, offer themselves for election:

   (a) Datuk Haji Abdul Aziz bin Ismail
   Resolution 6

   (b) Alexander Stuart Davy
   Resolution 7

6. To re-appoint PricewaterhouseCoopers as auditors of the Company and to authorize the directors to fix their remuneration.
   Resolution 8

As Special Business

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

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

   "**That**, pursuant to Paragraph 10.09 of the 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 21, 2008 with DKSH Corporate Shared Services Center Sdn Bhd ("CSSC") 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 will be disclosed 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 9

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

By Order of the Board

Wendy Chan Choi Kuan, MCCS
Company Secretary
(MACS 00728)

Petaling Jaya
May 21, 2008

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 9
Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

Ordinary Resolution 9, 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.

Statement Accompanying The Notice of Annual General Meeting

1. **Details of Attendance of Directors at Board Meetings**

   A total of four (4) Board Meetings were held during the financial year ended December 31, 2007, details of which are indicated in the table below.

2. **Directors who are Standing for Election and Re-election**

   - Michael Lim Hee Kiang who retires by rotation pursuant to Article 99 of the Company's Articles of Association and, being eligible, offers himself for re-election.
   - James Armand Menezes who retires by rotation pursuant to Article 99 of the Company's Articles of Association and, being eligible, offers himself for re-election.
   - Datuk Haji Abdul Aziz bin Ismail who retires pursuant to Article 82 of the Company's Articles of Association and, being eligible, offers himself for election.
   - Alexander Stuart Davy who retires pursuant to Article 82 of the Company's Articles of Association and, being eligible, offers himself for election.

   Profiles of the Directors standing for election and re-election are disclosed on pages 6 & 7 of the Annual Report.

3. **Date, Time and Place of the Sixteenth Annual General Meeting**

   The Sixteenth Annual General Meeting of DKSH Holdings (Malaysia) Berhad will be held as follows:

   Date: Thursday, June 12, 2008
   Time: 10.00 a.m.
   Place: Kristal Ballroom 1,
   First Floor, West Wing,
   Hilton Petaling Jaya
   No. 2, Jalan Barat,
   46200 Petaling Jaya,
   Selangor Darul Ehsan,
   Malaysia

Directors	Number of Meetings Attended
Michael Lim Hee Kiang	4 of 4
James Armand Menezes	4 of 4
Datuk Haji Abdul Aziz bin Ismail	2 of 2 (appointed on July 19, 2007)
Ahmad Fakhrizzaki Abdullah	2 of 2 (deceased on May 30, 2007)
Thon Lek	3 of 4
Niels Johan Holm	4 of 4
André Eugen Hägi	4 of 4
Alexander Stuart Davy	Not applicable (appointed on January 28, 2008)

Date	Time	Venue
February 26, 2007	3.30 p.m.	74 Jalan University, Petaling Jaya, Selangor Darul Ehsan
May 17, 2007	1.30 p.m.	74 Jalan University, Petaling Jaya, Selangor Darul Ehsan
August 14, 2007	1.00 p.m.	74 Jalan University, Petaling Jaya, Selangor Darul Ehsan
November 26, 2007	1.30 p.m.	74 Jalan University, Petaling Jaya, Selangor Darul Ehsan

Operating Structure

DKSH Holdings (Malaysia) Berhad

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

Directors' Profile

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

Mr. Michael Lim Hee Kiang, aged 60, a Malaysian, is an Independent Non-Executive Director and Chairman of DKSH Holdings (Malaysia) Berhad. He was appointed as Director of Diethelm Holdings (Malaysia) Berhad [now known as DKSH Holdings (Malaysia) Berhad] 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 is an Advocate and Solicitor and currently practises with Messrs Shearn Delamore & Co. where he has been a partner of the firm for the last 29 years. 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 formerly a lecturer at the Law Faculty, University of Malaya for three years from 1975 to 1977. Mr. Michael Lim attended all the four Board meetings of the Company held in the financial year ended December 31, 2007. He also sits on the boards of Selangor Properties Berhad, Dijaya Corporation Berhad, Paragon Union Berhad, Major Team Holdings Berhad, Wawasan TKH Holdings Berhad and Insas 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 is a partner 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 62, a Malaysian, was appointed as an Independent Non-Executive Director and a member of the Audit Committee of Diethelm Holdings (Malaysia) Berhad [now known as DKSH Holdings (Malaysia) Berhad] 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 5 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 5 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 Treasurer, on a voluntary basis, of Hospis Malaysia, a non-governmental organization limited by guarantee. Mr. Menezes attended all the four Board Meetings of the Company held in the financial year ended December 31, 2007. 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 55, a Malaysian, is a Non-Independent Non-Executive Director and a member of the Audit Committee of DKSH Holdings (Malaysia) Berhad. He was appointed to the Board and Audit Committee of DKSH Holdings (Malaysia) Berhad on July 19, 2007.
Datuk Haji Abdul Aziz is the Deputy Chief Executive of Lembaga Tabung Angkatan Tentera (LTAT), a post he assumed since 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. Since his appointment on July 19, 2007, Datuk Haji Abdul Aziz attended two Board meetings of the Company held in the financial year ended December 31, 2007. He does not have any family rela-

tionship 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 60, a Malaysian, is an Independent Non-Executive Director of DKSH Holdings (Malaysia) Berhad. He was appointed to the Board of Diethelm Holdings (Malaysia) Berhad [now known as DKSH Holdings (Malaysia) Berhad] 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 holding 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 Diethelm Malaysia Sdn Bhd and Harpers Trading (Malaysia) Sdn Bhd. He retired from this position in the middle of 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 three out of four Board Meetings of the Company held in the financial year ended December 31, 2007. 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 50, a United Kingdom national, is a Non-Independent Non-Executive Director of DKSH Holdings (Malaysia) Berhad. He was appointed to the Board of DKSH Holdings (Malaysia) Berhad 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 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 next five years. Mr. Davy joined the DKSH Group ten years ago, with the first seven years as the Group Chief Financial Officer of Diethelm Thailand, the Group's largest operation and the last three years as the Group Chief Financial Officer based in the Corporate Office in Zurich. Mr. Davy will relocate to the DKSH Group Financial Center which will be set up in Singapore in mid 2008. 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
Group Managing Director

Mr. Niels Johan Holm, aged 53, a Dane, was appointed as the Group Managing Director of Diethelm Holdings (Malaysia) Berhad [now known as DKSH Holdings (Malaysia) Berhad] on January 6, 2003. 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 business in Hong Kong, Malaysia, Taiwan, Singapore and Thailand. Mr. Holm attended all the four Board meetings of the Company held in the financial year ended December 31, 2007. He also sits on the boards of the various subsidiaries and associate companies of DKSH Holdings (Malaysia) Berhad. 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.

André Eugen Hägi
Group Finance Director

Mr. André Eugen Hägi, aged 59, a Swiss, was appointed as the Group Finance Director of Diethelm Holdings (Malaysia) Berhad [now known as DKSH Holdings (Malaysia) Berhad] on November 12, 1997.
Mr. Hägi is a Swiss certified financial controller and obtained a post-graduate degree in Master of Business Administration from Brunel University of London. From 1981 to 1996, he worked with Ciba-Geigy of Switzerland as Head of Finance and Administration of their companies in Iran, Singapore, Turkey, as well as of Ciba Agro International Ltd in Switzerland. From 1996 to 1997 he was with the Swiss watch group SMH before joining DKSH Holdings (Malaysia) Berhad in November 1997. Mr. Hägi attended all the four Board meetings of the Company held in the financial year ended December 31, 2007 and he also sits on the boards of the various subsidiaries and associate companies of DKSH Holdings (Malaysia) Berhad. Mr. Hägi 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.

To Our Shareholders

On behalf of the Board of Directors, I would like to present to you the Annual Report and the Audited Accounts for the Group and the Company for the financial year ended December 31, 2007.

Review of results

The Group had expected to report improvements in the Annual Report 2007 after the drop in sales and profits in 2006. Unfortunately, a number of unfavorable developments affected the year and the projected upturn did not materialize. While sales grew from RM 2,988 million in 2006 by almost 13% to RM 3,371 million, the profit after tax dropped from the RM 12.2 million reported in 2006 to now RM 5.0 million for 2007.

On June 1, 2007, the Group acquired Texchem Consumers Sdn Bhd, the distribution arm of the Texchem Resources Berhad group. Adjusted for the RM 114 million sales of this business in the seven months of 2007, the sales growth would still have reached 9.0%.

Below, please find the explanation of the background of this development in the three segmental reports.

Trading and Logistics Segment

The principal drop in performance was again in this segment as it was in 2006. It comprises the distribution of fast moving consumer and healthcare goods, which still represent 98% of the Group's business. Sales in 2007 reached RM 3,300 million, representing a growth of 12.7% from the 2006 achievement of RM 2,928 million. However, the segmental result dropped by 20% from RM 28.6 million in 2006 to RM 22.8 million in 2007.

Adjusted for the RM 114 million sales of Texchem Consumers Sdn Bhd in the seven months of 2007, the segmental sales growth would still have reached 8.8%.

The Trading and Logistics Segment of DKSH Holdings (Malaysia) Berhad is the largest market expansion services provider in Malaysia. As the description suggests, DKSH helps other companies and brands to grow their business in new or existing markets. Services comprise import, storage, marketing, sales and distribution. Today, DKSH represents over 180 small and large, local and multinational, brand owners and manufacturers. Some require the full range of services available and others just some of them. A precondition for this kind of business is the ability to place goods in the optimal number of department stores, hypermarkets, supermarkets, pharmacies and other retail oulets as well as hopistals and clinics throughout West and East Malaysia. The Group maintains sales offices in all major towns: Johor Baru, Melaka, Seremban, Ipoh, Penang, Kota Bharu, Kuantan, Temerloh, Kuching, Sibu, Bintulu, Miri, Labuan, Kota Kinabalu, Sandakan, Lahad Datu, Tawau, and also in Bandar Sri Begawan. Products in West Malaysia are delivered directly from the two distribution centers in Bukit Kemuning and Petaling Jaya. In East Malaysia, products are still delivered from individual warehouses attached to our sales offices.

Market expansion service providers usually earn fixed margins from the sales price to the trade. They are negotiated with each manufacturer to reflect the range of services needed. With margins being fixed, cost increases can only be absorbed and income improved by handling ever increasing volumes and constantly improving efficiencies and synergies.

After having experienced a volume drop in 2006 because of a few larger agencies departing, sales increased again in 2007 by almost 13% (9% adjusted for Texchem Consumers Sdn Bhd), which should have resulted in better profits. While the increase in sales helped to absorb many of the normal expense increases, particularly in the areas of personnel and infrastructure, five unfavorable cost developments adversely affected the performance:

- Market Hygiene: The Malaysian trade practice of retailers returning goods to the supplier if these are damaged, expired or simply cannot be sold continued to have a severe impact on the Group's profitability. In 2007, the cost of writing-off such returns grew by 50% over 2006.
- Unrecoverable discounts: Sales to retailers are driven by special incentives, which normally are claimed back from the suppliers. In 2007 more incentives were granted than could be claimed back, partly to clear excess stock and stock with shorter expiry date after return from retailers.
- Logistics expenses: In 2007 cost of logistics increased faster than volume growth, mainly because of higher transportation charges.

While the first three of these negative developments were specific to the Trading and Logistics Segment, two more affected the entire business of the Group:

- IT expenses: In May 2006, the Group started drawing IT services from the DKSH Corporate Shared Services Center in Technology Park Malaysia and the respective charges were for seven months only. In 2007, full year charges applied. In addition, a number of IT and business process reengineering projects were initiated, which will benefit the group in the coming years. A recurrent related party transaction mandate was obtained from the shareholders in an Extraordinary General Meeting at the end of November 2007.
- Financing expenses: The balance sheet of the Group also grew in 2007, particularly with regards to receivables, and this added to the already high financing charges borne by the Group.

Chemicals Segment

The Chemicals Segment did achieve the expected turn around in 2007. Sales increased by 18% from RM 30.5 million in 2006 to RM 36.0 million in 2007 and the segmental contribution improved by 23% from RM 2.0 million in 2006 to RM 2.5 million, reflecting a generally healthier business.

This unit is a niche player in the chemicals market supplying chemical specialties and

raw materials to several industries. These materials are used in the manufacture of end products both for domestic consumption as well as for the export sector. In addition, animal health products and feed supplements are important contributors to local agricultural production.
2007 provided a generally favorable environment for the manufacturing and export sectors, particularly during the second half of the year. The agricultural sector was affected with prices of local farm produce of meat and eggs just about the break-even point because of rising feed prices. This was caused by the global shortage of grains which were diverted to produce ethanol and biofuels. The unit also entered into promising business ventures with new suppliers, which should positively impact the results from 2008 onwards.
The Group commented in previous statements that the unit had to undergo a fundamental reorientation after the departure of the largest three agencies at the end of 2005. This process has not been easy, not least because of the need to qualify chemical specialties and raw materials for industrial production processes. This takes time, especially when there is need to have these products registered with the authorities. The results are encouraging, however, the unit has still not reached the critical mass needed to reach a higher confidence level of sustainability. More efforts are needed to significantly improve volume throughputs to achieve lower unit operating costs and improve profitability.

Food Segment

It is a pleasure to report each year on the performance of the Food Segment. Again in 2007, this Segment performed very well and is becoming a significant contributor to the Group. Sales increased by 17.8% from RM 30.3 million in 2006 to RM 35.6 million in 2007 and the segmental result advanced by 31% from RM 3.6 million in 2006 to RM 4.7 million in 2007.
The Famous Amos Chocolate Chip Cookie Corporation (M) Sdn Bhd, the main business in this segment, again expanded its outlet coverage from 36 in 2006 to now 43. Outlets are being operated in prime locations in all the larger Malaysian airports and in all major shopping malls, and the chain has now also moved successfully into shop-lot areas, which previously had not been considered to be viable. As mentioned in last year's comments, the Group is determined to avoid an over-exposure of this chain and the expansion is carefully planned to ensure that all outlets are profitable.
The Food Segment also has a small food ingredient activity, which developed very well during 2007 as a more prominent ingredient supplier to the food processing industry.

Dividend

The results in 2007 were below expectation, however, the Board of Directors considered it appropriate to maintain on last year's level and recommends again a final dividend of three (3) sen gross per ordinary share for the year ended December 31, 2007.

Acknowledgment

The Directors recognize the contribution of management and staff of DKSH Holdings (Malaysia) Berhad in a very challenging 2007 and would like to thank everybody for their hard work.

Michael Lim Hee Kiang
Chairman

Outlook

In the Outlook 2006, management explained the restructuring projects, which were meant to improve the situation in 2007. The most important component in this project, the 'Order to Cash' project to realigning the sales force, took longer time to implement than originally anticipated. The roll-out of the electronic territory sales management devices is now on-going and is expected to complete by the end of May 2008. The rollout of these devices will not only result in a significant reduction of the back-office administration but will also fundamentally improve sales force effectiveness and responsiveness.
During the second half of 2007 the Group embarked on additional high-impact projects to change the negative trend during 2006 and to significantly improve performance of the Group. One of the most important decisions was to merge the fast moving consumer businesses of Harpers Trading (Malaysia) Sdn Bhd, DKSH Marketing Services Sdn Bhd and Texchem Consumers Sdn Bhd into the newly named DKSH Malaysia Sdn Bhd (formerly known as Diethelm Malaysia Sdn Bhd). This required a very thorough reorganization and restructuring of the IT infrastructure, which was successfully implemented on January 1, 2008. This merger will not only have a positive effect on reducing cost but will also help to improve credit management and trading terms.
In addition, in early 2008, 14 additional restructuring projects were identified, which will realign processes, merge similar activities, significantly cut expenses and lead to balance sheet improvements. The Group is determined to have all projects implemented during the first five months of this year and most restructuring expenses were incurred during the first quarter of 2008.
Because of these concise measures and the substantial restructuring cost, the Group showed a loss for the First Quarter 2008. However, because significant cost reductions were achieved early in the year, some of the identified profit enhancements will already materialize in 2008, and is expected to allow the Group to show an improved result as compared to 2007. The full effect of the entire restructuring program will be visible from 2009 onwards.

Niels Johan Holm
Group Managing Director

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
Group Managing Director

André Eugen Hägi
Group Finance Director

Company Secretary

Wendy Chan Choi Kuan, MCCS
(MACS 00728)

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
CIMB Bank Berhad
Standard Chartered Bank Malaysia Berhad
RHB Bank Berhad
United Overseas Bank (Malaysia) Bhd
Hong Leong Bank Berhad
AmBank 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 Ismail
Member

Share Registrar

Tenaga Koperat Sdn Bhd (118401-V)
20th Floor Plaza Permata
Jalan Kampar
Off Jalan Tun Razak
50400 Kuala Lumpur
Phone: +60 3 4047 3883
Fax: +60 3 4042 6352

Stock Exchange Listing

Bursa Malaysia Securities Berhad
- Main Board
Stock Code: 5908
Trustee Share Status

Corporate Profile

DKSH Malaysia Headquarters, Petaling Jaya

History

DKSH's history goes back all the way to the late 1860s, when three young Swiss pioneers, Wilhelm Heinrich Diethelm, Edward Anton Keller and Herman Siber ventured to the Far East. While Keller settled in the Philippines, Diethelm chose Singapore and Siber headed for Yokohama to establish their businesses. The first branch in Malaysia opened in Penang in 1923 and the Kuala Lumpur office followed in 1935.

The cooperation between the Diethelm and Keller families and their companies dates back all these years but the formation of the Diethelm Keller Group did not take place until more than 100 years later in July 2000. Today, Diethelm Keller Holding is managed by the fourth generation of the founder families. The DKSH Group was formed in June 2002 in a merger of Diethelm Keller Services Asia Ltd with Siber Hegner Holding Ltd, founded in 1865 in Yokohama by Hermann Siber.

DKSH Holdings (Malaysia) Berhad (formerly known as Diethelm Holdings (Malaysia) Berhad) was incorporated on December 24, 1991. On March 1, 1994, the Company became a public company and was listed on the Main Board of the Kuala Lumpur Stock Exchange (now known as Bursa Malaysia Securities Berhad) on December 13, 1994. Lembaga Tabung Angkatan Tentera (LTAT) has been the Company's Bumiputera partner since 1992 and remains a substantial shareholder of the Company with just under 15% of the shares.

International

DKSH Holdings (Malaysia) Berhad is majority-owned by the DKSH Group of Switzerland. DKSH is the No.1 Market Expansion Services Group with focus on Asia, helping clients and customers to grow their businesses in new or existing markets. DKSH is a Swiss company with headquarters in Zurich and over 140 years of company history in Asia. With 455 business locations in 35 countries - 15 of them in Europe and the Americas - and more than 22,000 specialized staff, DKSH offers any combination of sourcing, marketing, sales, distribution and after-sales services. The company provides its partners with sound expertise and on-the-ground logistics based on a comprehensive network of unique size and depth. Business activities are organized into four highly specialized Business Units that mirror its 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.

Business Segments

Trading and Logistics Segment

The largest segment of the Group has its focus on providing distribution services to more than 180 international and Malaysian manufacturers and suppliers of consumer goods and healthcare products. Among the Group's largest agencies are (alphabetically) Abbott, Beiersdorf, Boehringer Ingelheim, Boh Tea, Brand's, Bristol Myers-Squibb, Darlie, Ferrero, Fumakilla, Hoe Pharma, Indocafe, Maestro Swiss, Mars, Maxis, Novartis, Novo Nordisk, Quaker, Roche, Unicharm, and Wyeth. This Segment has its own registered trademark "Morgan" in Malaysia and Singapore under class 7, 9 and 11 to market small home appliances.

The Group's key strength is market access through a comprehensive network of 14 branches and four sales offices in key towns of West and East Malaysia as well as through the ProNet™ system linking selected wholesalers supplying the lower trade. Local sales and distribution teams ensure that products in care of the Group are widely available in hyper and supermarkets, shops, kiosks, medical halls, pharmacies and hospitals throughout the whole country. Branches are linked to the Head Office in Petaling Jaya by means of a nationwide dedicated network and orders are either processed in call centers or, in many cases, directly by sales personnel through pocket computers while they are with customers.

DKSH Holdings (Malaysia) Berhad operates two main distribution centers for its West Malaysian customers: Consumer Goods are supplied from Bukit Kemuning near Klang where the Group has a capacity of 56,000 pallet storage slots for handling ambient, air-conditioned, chilled and even frozen products. Healthcare products are delivered from a logistics center at Jalan University in Petaling Jaya, which is ISO 9001:2000 certified from SGS UK. In East Malaysia, all of the seven branches, as

well as Brunei, have their own consumer goods warehouses, while Kuching and Kota Kinabalu also stock pharmaceutical products to ensure the fastest possible delivery of vital drugs.

DKSH Transport Agencies (M) Sdn Bhd is the forwarding agent of the Group, which also handles considerable third party business. A new venture added is the cargo consolidation between West and East Malaysia.

Chemicals Segment

This business segment markets, sells and distributes chemicals raw materials, life sciences products, specialties chemicals, industrial supplies and polymers. It represents agencies from the United States, United Kingdom, France, Japan, Taiwan, Korea, Thailand as well as Malaysia. It serves a wide range of industrial customers, such as manufacturers of paint and ink, vinyl, rubber gloves, toiletries, pharmaceuticals, health food, herbal extracts, food packaging, automotive and auto parts as well as printers, plastic molders and compounders. Apart from industrial supplies, the other principal activity is geared towards the animal care industry, where customers are mainly poultry and animal farmers, as well as feed millers. Experienced industry experts are on call to promote these products and to professionally service manufacturers. An efficient logistics and order processing system supports the marketing and sales team.

Food Segment

The Famous Amos Chocolate Chip Cookie Corporation (M) Sdn Bhd currently operates 43 outlets in West and East Malaysia and sells chocolate chip cookies as well as muffins, drinks, ice cream and an extensive range of confectionery items. The chain is constantly expanding and has outlets at Kuala Lumpur International Airport and the airports of Johor Baru, Kuching, Miri and Kota Kinabalu.

The Food Ingredients unit caters to manufacturers of beverage, confectionery and biscuits as well as to fast food establishments. A dedicated team provides customers with expert advice and technical training.

Support Services

Management Services

The Group operates a small unit for services, which are more efficiently provided by one central organization instead of being duplicated in each entity. These comprise Information Technology, Finance & Administration, Internal Audit and Corporate Support.

Since May 1, 2006, the Group's ERP system

Tesco Cheras Outlet

is hosted and maintained at the DKSH Corporate Shared Services Center in Technology Park Malaysia on the outskirts of Kuala Lumpur. This unit is directly owned by the majority shareholder of DKSH Holdings (Malaysia) Berhad, the international DKSH Group, and is also the IT service provider for all country operations of DKSH. At the same time, Lotus Notes, other peripheral IT solutions and Business Process Engineering were also taken over by them. The benefit to the DKSH Holdings (Malaysia) Berhad in obtaining IT services from such a multi-country service provider are economies of scale, technological excellence, state-of-the-art know-how, 24/7 support and considerably cheaper charges than in an own SAP 4.7 infrastructure.

The remaining Malaysian IT organization has been greatly reduced and now exclusively focuses on business solutions, PC support, networks and IT projects.

Finance and Administration comprises Group Control, Group Treasury, Taxation as well as service units for property management and purchasing.

Corporate Governance Statement

The Board of Directors requires high standards of corporate governance throughout DKSH Holdings (Malaysia) Berhad. It monitors the comprehensive application of all 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. For 2007, the Board reports the following status:

Part 1 – Principles of Corporate Governance

A Directors

The Board consists of six directors. Two are independent non-executive, two are non-independent non-executive and two are executive directors. In 2008, the Board size was increased to seven members with three of them being independent (see also Part 2, sections VI and XII). The Board receives comprehensive information to allow a thorough assessment of the Company's performance as set out in the four quarterly releases to shareholders. Appointments to the Board are discussed and subject to board members' approval. All directors submit themselves for re-election every two years (see also Part 2, section VIII).

B Directors' Remuneration

The Board participates regularly in the Annual Survey 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. Both the Group Managing Director and the Group Finance Director are 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 Board regularly meets with the auditors.

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 because of the following reasons:

- 'Succession planning': The Company is majority-owned by the international DKSH Group, which practises 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 for 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 good relevant professional background and experience.

IV Size of Non-Executive Participation

The Board is of the opinion that its current composition is a reasonable representative of the experience required to manage the investments in the Company effectively.

V Largest Shareholder is a Majority Shareholder

The largest shareholder holds the majority of the shares.

VI Independent Directors

Until the end of 2007, the Board consisted of one-third 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 directors 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 each director having more than 20 years of relevant experience and knowledge required 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, of its individual directors and of its Chief Executive Officer who is a member. This is a new requirement established in 2007 and the Board will initiate the necessary steps to comply in 2008.

XI Services of the Company Secretary

Directors have unrestricted access to the Company Secretary at all times.

XII Size of Board

Until the end of 2007, the Board consisted of six members. In early 2008, the size was increased to seven members. The Board is regularly assessing its size and composition to ensure its effectiveness.

XIII Directors' Training

The new director appointed in early 2008, has attended the Mandatory Accreditation Program and he received a comprehensive briefing on the Company and its operations. For the year under review, the directors attended training sessions on business strategy, communication, team building, motivation, sales and risk management. The Chairman of the Board had delivered a paper on Corporate Governance titled "50 Years of Merdeka" at the 14th Malaysian Law Conference held at the Kuala Lumpur Convention Center in October 2007. The Board will evaluate and determine the training needs of the Directors on a continuous basis in an effort to fulfil the Continuing Education Program (CEP) requirements as prescribed by the Listing Requirements of Bursa Malaysia.

XIV Board Structures and Procedures

In 2007, the Board and its members met as indicated 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.

XVI Relationship of the Board to Management

The Company has formal Limits of Authority for the management. The Board approves the annual budgets, including capital expenditure of the Company.

Directors	Status	Board Meetings attended	%
Michael Lim Hee Kiang	Chairman of the Board, Independent, Non-Executive	4 of 4	100
James Armand Menezes	Chairman Audit Committee, Independent, Non-Executive	4 of 4	100
Datuk Haji Abdul Aziz bin Ismail**	Non-Independent Non-Executive	2 of 2	100
Ahmad Fakhrizzaki Abdullah*	Non-Independent Non-Executive	2 of 2	100
Thon Lek	Independent Non-Executive	3 of 4	75
Niels Johan Holm	Executive	4 of 4	100
André Eugen Hägi	Executive	4 of 4	100
Alexander Stuart Davy***	Non-Independent Non-Executive	Not applicable	

* Ahmad Fakhrizzaki Abdullah passed away on May 30, 2007.
** Datuk Haji Abdul Aziz bin Ismail was appointed to the Board on July 19, 2007 as a nominee director of Lembaga Tabung Angkatan Tentera as replacement for Ahmad Fakhrizzaki Abdullah.
*** Alexander Stuart Davy was appointed to the Board on January 28, 2008.

XVII Quality of Information

The Board receives comprehensive historical, planning and market information to arrive at its decisions.

XVIII Agenda for Board Meetings

The Chairman of the Board, the Chairman of the Audit Committee, the Group Managing Director and the Group Finance Director jointly organize the information required for the Board to deal with the agenda.

XIX Access to Information

There are no restrictions on Company information for directors.

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 Company Secretary

All directors have access to the advice and services of the Company Secretary.

XXII Quality of Company Secretary

The Company Secretary has the respective professional qualification and more than 20 years experience in this field.

XXIII Use of Board Committees

The Board established the Audit Committee in 1994. Its terms of reference and report for 2007 are on pages 21 and 22.

XXIV Remuneration Committee

The Board is of the opinion that a remuneration committee is not required because 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 annual 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, 2007, the remuneration of executive and non-executive directors is indicated 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 RM 168,420.

American Depository Receipts (ADR) / Global Depository Receipts (GDR):

During the year under review, the Company did not sponsor any ADR or GDR programs.

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.

Directors' Remuneration	Executive Directors	Non-Executive Directors
RM 50,000 and below		5
RM 1,050,001 to RM 1,100,000	1	
RM 1,850,001 to RM 1,900,000	1	

Variation in Results:

In 2007, 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.

Employees' Share Option Scheme (ESOS):

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

Corporate Social Responsibility (CSR):

During the year under review, the Company launched a "DKSH Management Trainee Program" with the objective of establishing a development program to attract and groom potential fresh Malaysian graduates into future leaders for the DKSH Group. The trainees from this program will be included in the succession plan with career opportunities to be promoted to managerial positions based on technical competencies and career opportunities within the Group.

A Disaster Relief Committee, spear-headed by Corporate Human Resource, was formed to raise funds for our staff whose houses were damaged by the sudden severe floods in the southern states of Malaysia. Total collections from staff within the DKSH Group amounted to RM15,138.02. The Company then doubled the amount so that the total fund reached RM30,276.04. The money raised was distributed among 17 affected staff.

Internal Control Statement

Introduction

The Board considers internal controls an essential requirement for the operation of every company of the Group. Internal controls are an on-going process to ensure that the assets of the Group are well managed and protected.

Responsibility

The Board confirms that it is responsible for the Group's system of internal controls. However, it should be noted that such systems are geared towards managing and minimizing rather than eliminating risks. Any system can provide only reasonable but not absolute assurances against material misstatement or loss.

The Group has an ongoing process for identifying, evaluating and managing significant risks throughout the year. The process is regularly reviewed by the Board.

Risk Management Framework

The Board has established the organizational structure of the Group with clearly defined lines of accountability and transparent limits of authority as part of its risk management framework. Business risk assessments are an integral part of the annual strategic planning cycle.

Key Elements of Internal Controls

- In 2007, the Group completed a project to establish a comprehensive documentation of internal controls of the principal risk areas in compliance with a requirement of Swiss legislation for Swiss majority-controlled companies both in Switzerland and abroad. This initiative aims at strengthening internal controls, a more reliable financial reporting, better transparency and a clearer responsibility of management. The underlying documentation will have to be constantly updated and reviewed to reflect the current status of internal controls. The regional audit group of the majority shareholder accompanied the project and verified the documentation, which will be audited for the first time in 2008.

- Transparent and unambiguous limits of authority are available for each managerial position in DKSH Holdings (Malaysia) Berhad.

- The Internal Audit Department, reporting to the Audit Committee of the Board, checks on operational units and branches and conducts ad-hoc investigations of incidents.

- Management receives regular and prompt financial information as well as overviews of their key performance indicators.

- Group Treasury receives and settles all monetary transactions of the Group.

- Controlling units are attached to all operational divisions to ensure that all business decisions properly reflect financial considerations and that the administrative processing is timely and efficient.

- Central credit control units are attached to the main operational units assuring a close follow-up of outstanding receivables.

- The Central Warehouse in Bukit Kemuning has its own integrity and control organization with professional management.

- All companies and units of the Group apply the same standardized business processes on SAP R/3. The ERP is operated and maintained by the DKSH Corporate Shared Services Center Sdn Bhd in Technology Park, Kuala Lumpur, a wholly-owned company of the majority shareholder.

- DKSH Holdings (Malaysia) Berhad is part of the DKSH Group. Executive management from Corporate Center as well as world-wide heads of business units regularly visit Malaysia to obtain current and detailed information on the performance of the businesses.

- On a monthly basis, comprehensive financial reports have to be sent to the Corporate Center, which exercises strict control over financial matters of the Group.

- Corporate Center is closely involved in the annual strategic planning cycle and the target setting as well as in the coordination and supervision of the annual review and the extension of the medium-term business plans.

- In the second half of 2007, DKSH regional audit was frequently in Malaysia in support of and for the review of the earlier mentioned internal control project.

Weaknesses in Internal Controls that result in Material Losses

As in 2006, a number of minor internal control weaknesses were identified in 2007. For all of them follow-up actions were decided and implemented. None of the weaknesses has resulted in material losses, contingencies or uncertainties which would require a mentioning in this Annual Report.

Audit Committee

This Report on the Audit Committee follows the structure prescribed in the 'Malaysian Code on Corporate Governance' (revised 2007) under section 'BB'.

The Audit Committee of DKSH Holdings (Malaysia) Berhad was established by the Board of Directors in September 1994.

I The Audit Committee of the Company consists of three directors, two of whom are independent.

All members have more than 20 years business experience in various management and audit functions and they are financially literate.

II The main functions and responsibilities of the Audit Committee are:

- Assisting to establish an environment in which controls can operate effectively.
- Overseeing the monitoring of the Group's systems of financial reporting and internal control to obtain early warning of systems weaknesses.
- Reviewing the Group's accounting policies and reporting requirements.
- Reviewing the Group's procedures established to ensure compliance with all statutory and disclosure requirements.
- Assessing the adequacy of management reporting in relation to quality and timeliness.
- Recommending the appointment and remuneration of the external auditors and the terms and scope of the audit engagement.
- Reviewing all reports issued by the internal and external auditors and following up the implementation of recommendations made by them.
- Reviewing 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 all accounting and regulatory requirements.
- Reviewing and approving the annual internal audit plan.
- Reviewing any related party transactions and conflict of interest situations that may arise within the Company and the Group, including any transaction, procedure or course of conduct that raises questions of management integrity.
- Considering other issues referred to the Committee by the Board of Directors from time to time.

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

- quarterly meetings to review and approve the quarterly results for submission to the Board,
- review of the result of the interim and the final audit by external auditors,
- assessment of the effectiveness of the system of internal controls in force,
- examination of the internal audit reports and the work of the internal auditors, and
- discussion and approval of the internal annual audit plan for the year.

The members of the Audit Committee met once with the external auditors without any executive directors being present.

The Audit Committee obtained the Board's approval on its revised terms of reference and internal audit charter which sets out a mission statement and the objectives of the Internal Audit Department, its organization and reporting structure, and responsibility and authority. The Charter also covers the audit approach and methodology to be adopted by the Unit.

III The Group's external auditors were present at three audit committee meetings in 2007. The Head of Internal Audit, the Group Managing Director and the Group Finance Director attended the four meetings by invitation.

IV There were neither restrictions on investigations by the Audit Committee nor on resources or on access to information.

V The Audit Committee met four times in 2007 and the agenda was sent out at least one week ahead. The Audit Committee meetings were held on February 26, May 17, August 14 and November 26, 2007.

Details of attendance are indicated in the table on page 22.

Throughout the year, the Chairman of the Audit Committee has been in continuous contact with senior management and the internal and external auditors.

VI The details of the Audit Committee's work in 2007 are explained under II.

VII The Internal Audit Department of the Company aims at providing an independent appraisal of all activities in order to add value, improve operational efficiency, assess the management of risk and foster internal control systems. The prime objective of internal audit is to examine and evaluate whether the Company's framework of risk management, internal control systems, and governance processes are adequate and functioning properly. In addition, the objectives of internal audit include advising and recommending senior management on improvements in internal control and risk management systems.

In order to achieve the mission statement and objectives, internal audit's scope of work includes the following:

- Assurance that risks are appropriately identified and managed.
- Examination and evaluation of the adequacy and effectiveness of the internal control systems.
- Testing of transactions and verification of specific internal control procedures.
- Review of the management and financial information systems including accuracy and reliability of accounting records and financial reports.
- Review computerized accounting systems for adequate internal controls and efficiency.
- Evaluation of the existence, adequacy, effectiveness and compliance to existing policies and procedures.
- Identification of cost inefficiencies for profit improvement.
- Conducting special assignments requested by the Group Managing Director/Group Finance Director and the Audit Committee.
- Provide consulting services and support to management on a special project basis.
- Provide recommendations on improvements in all areas mentioned above.

The Internal Audit Department has the responsibility to:

- Establish an annual audit plan based on a Company risk assessment in consultation with the Group Managing Director/Group Finance Director and the Audit Committee. The Audit Committee approves the annual audit plan.
- Implement the annual audit plan and special projects requested by the Chairman, Audit Committee and Group Managing Director/Group Finance Director.
- Maintain an appropriate level of professional audit staff with relevant knowledge, skills and experience.
- Issue audit reports on a timely basis.
- Ensure that the audit department complies with sound internal auditing principles and best internal audit practices.
- Issue guidelines on best practices to be observed, arising from weaknesses identified during audits covering the Group operations.

VIII Internal Audit is independent and only controlled by the Audit Committee.

Members	Status of Directorship	Meetings Attended
James Armand Menezes	Independent Non-Executive Chairman of the Audit Committee, CPA	4 of 4
Michael Lim Hee Kiang	Independent Non-Executive Chairman of the Board and member of the Audit Committee	4 of 4
Datuk Haji Abdul Aziz bin Ismail (appointed on July 19, 2007)	Non-Independent Non-Executive Director and member of the Audit Committee	2 of 2
Ahmad Fakhrizzaki Abdullah (deceased on May 30, 2007)	Non-Independent Non-Executive Director and member of the Audit Committee	2 of 2

List of Properties as at December 31, 2007

Location & 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	33,829	258,746	45
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	9,245	83,171	47

* The Group's Revaluation Policy is disclosed in Note 2.4 on pages 43 and 44 of the Annual Report.

Analysis of Shares
as at April 25, 2008

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 Shareholders/ Depositors	% of Shareholders/ Depositors	No. of Shares Held	% of Issued Capital
1 - 99	3	0.11	101	0.00
100 - 1,000	1,432	55.33	1,410,249	0.89
1,001 - 10,000	1,000	38.64	3,655,050	2.32
10,001 - 100,000	134	5.18	3,950,800	2.51
100,001 - 7,882,902	17	0.66	7,839,800	4.97
7,882,903 and above	2	0.08	140,802,076	89.31
Total	2,588	100.00	157,658,076	100.00

Substantial Shareholders

Name	No. of Shares Held	% of Issued Capital
1. Dihoma Sendirian Berhad	117,155,076	74.3096
2. Lembaga Tabung Angkatan Tentera	23,647,000	14.9989

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

	Direct	
Name	No. of Shares Held	% of Issued Capital
1. Michael Lim Hee Kiang	10,000	0.0063
2. James Armand Menezes	-	-
3. Datuk Haji Abdul Aziz bin Ismail	-	-
4. Thon Lek	5,000	0.0032
5. Alexander Stuart Davy	-	-
6. Niels Johan Holm	318,000	0.2017
7. André Eugen Hägi	-	-

30 Largest Shareholders

	Name	No. of Shares Held	% of Issued Capital
1	Dihoma Sendirian Berhad	117,155,076	74.3096
2	Lembaga Tabung Angkatan Tentera	23,647,000	14.9989
3	Permodalan Nasional Berhad	3,440,000	2.1819
4	Cimsec Nominees (Asing) Sdn Bhd Werner Alex Keicher	1,650,000	1.0466
5	Foh Chong & Sons Sdn Bhd	370,000	0.2347
6	Beh Chun Chuan	366,500	0.2325
7	Niels Johan Holm	318,000	0.2017
8	Leong Yuet Ling	252,000	0.1598
9	Sumur Ventures Sdn Bhd	225,000	0.1427
10	Egon Arthur Heldner	202,000	0.1281
11	McLaren Saksama (Malaysia) Sdn Bhd	196,000	0.1243
12	Ting Kian	189,300	0.1201
13	Lim Pow Toon	147,000	0.0932
14	HDM Nominees (Asing) Sdn Bhd UOB Kay Hian Pte Ltd for Saw Tze Choon	111,000	0.0704
15	Ting Wee Jinn	110,900	0.0703
16	Lim Chai Kee @ Lim Gaik Kee	110,000	0.0698
17	Goh Jak Lan	109,400	0.0694
18	Teh Chee Ch'ng	106,000	0.0672
19	Lim Hiang Chiap	105,000	0.0666
20	Gulam Rasul Ebrahim Nalla	100,000	0.0634
21	Ng Yew Chin	100,000	0.0634
22	OSK Nominees (Tempatan) Sdn Berhad Pledged securities account for Tan Gaik Suan	99,500	0.0631
23	Ng Chin Tiong	81,000	0.0514
24	Liau Thai Min	80,200	0.0509
25	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged securities account for Cheang Set Fong (REM 178)	80,000	0.0507
26	Amerjeet Singh a/l Naib Singh	79,000	0.0501
27	Lim Bee Hong	77,000	0.0488
28	Malaysia Nominees (Tempatan) Sendirian Berhad Pledged securities account for Liau Thai Min (40-00088-000)	74,400	0.0472
29	Lee Seng Ming	65,100	0.0413
30	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged securities account for Liau Thai Min	65,000	0.0412
Total		149,711,376	94.96

Financial Highlights

Consolidated Results of DKSH Holdings (Malaysia) Berhad Group					
	2003 RM'000	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000
Turnover	2,371,116**	2,772,607	3,027,615	2,988,296	3,371,767
Profit before tax	13,919**	16,913	28,005	17,081	10,595
Net profit attributable to shareholders	10,537	13,107	18,610	8,607	1,446
Total assets employed	827,242	1,004,771	1,008,170	1,109,849	1,228,353
Shareholders' equity	41,464*	125,024	142,499	148,510	146,908

* The Redeemable Cumulative Preference Shares is classified as a financial liability in the financial year ended December 31, 2003 in accordance with MASB 24 "Financial Instruments: Disclosure and Presentation".

** The figures for 2003 were reclassified to conform with 2004's presentation for the purpose of fairer presentation.

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 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, 2007, 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 2007.

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
Net profit from ordinary activities after tax	1,446	2,837
Minority interests	3,560	0
Net profit for the financial year	5,006	2,837

Dividends

The dividends on ordinary shares paid or declared by the Company since 31 December 2006 were as follows:

	RM'000
In respect of the financial year ended 31 December 2006, a final gross dividend of 3 sen per share, less income tax of 27%, as shown in the Directors' report of that year, on 157,658,076 shares, paid on 8 August 2007	3,453

The Directors now recommend the payment of a final gross dividend of 3 sen per share on 157,658,076 ordinary shares, less income tax of 26%, amounting to RM3,500,009 which is subject to the approval of members at the forthcoming Annual General Meeting of the Company.

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:

Niels Johan Holm	
Michael Lim Hee Kiang	
André Eugen Hägi	
James Armand Menezes	
Thon Lek	
Datuk Haji Abdul Aziz bin Ismail	(Appointed on 19 July 2007)
Alexander Stuart Davy	(Appointed on 28 January 2008)
Ahmad Fakhrizzaki Abdullah	(Deceased on 30 May 2007)

In accordance with Article 99 of the Company's Articles of Association, Michael Lim Hee Kiang and James Armand Menezes 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, Datuk Haji Abdul Aziz bin Ismail and Alexander Stuart Davy will retire at the forthcoming Annual General Meeting and being eligible, offer themselves 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 1.1.2007	Bought	Sold	At 31.12.2007
Niels Johan Holm	288,000	7,400	0	295,400
Michael Lim Hee Kiang	10,000	0	0	10,000
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.

Directors' Report

Statutory Information on the Financial Statement

Before the income statements and balance sheets 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.

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 Dihoma Sendirian Berhad 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 Board 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

Auditors

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 28 March 2008.

Niels Johan Holm Group Managing Director	André Eugen Hägi Group Finance Director

Consolidated Income Statement

for the financial year ended 31 December 2007

	Note	2007 RM'000	2006 RM'000
Revenue	5	3,371,767	2,988,296
Other operating income		7,962	9,835
Changes in inventories of work-in-progress and finished goods		(44,263)	59,548
Finished goods purchased		(2,985,627)	(2,743,204)
Staff costs	6	(133,898)	(124,122)
Warehousing and logistics expenses		(41,880)	(34,884)
Allowance for doubtful debts		(9,338)	(8,769)
Rental		(23,538)	(20,507)
Amortisation of prepaid land lease rentals		(507)	(851)
Depreciation of property, plant and equipment		(11,471)	(10,159)
Travelling and entertainment expenses		(15,932)	(14,719)
IT and communication expenses		(17,413)	(13,846)
Utilities, upkeep, repairs and maintenance costs		(13,336)	(11,367)
Office expenses		(3,845)	(7,824)
Other selling, advertising and promotional expenses		(29,278)	(18,588)
Other operating expenses		(19,427)	(14,539)
Finance cost	8	(19,381)	(17,219)
Profit before tax	9	10,595	17,081
Tax expense	10	(5,589)	(4,872)
Profit for the financial year		5,006	12,209
Attributable to:			
Equity holders of the Company		1,446	8,607
Minority interests		3,560	3,602
Profit for the financial year		5,006	12,209
Earnings per share attributable to ordinary equity holders of the Company - basic (sen)	11	0.92	5.46
Dividends per ordinary share in respect of the financial year (sen)	12	3.0	3.0

Company Income Statement

for the financial year ended 31 December 2007

	Note	2007 RM'000	2006 RM'000
Revenue	5	7,706	10,663
Other operating expenses		(1,113)	(108)
Finance cost	8	(2,457)	(1,364)
Profit before tax	9	4,136	9,191
Tax expense	10	(1,299)	(2,573)
Profit for the financial year		2,837	6,618
Dividends per ordinary share in respect of the financial year (sen)	12	3.0	3.0

Balance Sheets

as at 31 December 2007

	Note	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Non-Current Assets					
Property, plant and equipment	13	41,103	40,300	0	0
Prepaid land lease rentals	14	29,762	30,269	0	0
Interests in subsidiaries					
- investments	15	0	0	105,744	90,349
- advances	15	0	0	108,991	107,995
Intangible assets	16	12,790	3,600	0	0
Other investments	17	62	0	0	0
Deferred tax assets	18	7,521	6,703	0	0
		91,238	80,872	214,735	198,344
Current Assets					
Short term investments	19	0	0	0	0
Inventories	20	323,005	342,500	0	0
Receivables					
- trade and other receivables	21	717,907	574,015	100	120
- amounts receivable from subsidiaries	21	0	0	527	320
- amounts receivable from other related companies	21	29	233	0	0
Tax refund receivable		1,821	570	420	0
Deposits, bank and cash balances	27	94,353	111,659	27,030	18,618
		1,137,115	1,028,977	28,077	19,058
Less: Current Liabilities					
Payables	22	580,240	477,394	450	472
Borrowings (unsecured)					
- bank overdrafts	23	266	0	0	0
- others	23	332,003	315,864	0	0
Current tax liabilities		1,261	1,830	0	284
		913,770	795,088	450	756
Net Current Assets		223,345	233,889	27,627	18,302

	Note	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Less: Non-Current Liabilities					
Borrowings (unsecured)					
- advances from intermediate holding company	23	19,866	19,242	0	0
- advances from immediate holding company	23	18,927	21,021	0	0
- subsidiaries	23	0	0	56,061	29,729
- term loans	23	100,000	100,000	0	0
Post-employment benefits obligation	24	9,475	8,937	0	0
Deferred tax liabilities	18	7,411	7,842	0	0
		155,679	157,042	56,061	29,729
		158,904	157,719	186,301	186,917
Capital and Reserves Attributable to Equity Holders of the Company					
Share capital	25	157,658	157,658	157,658	157,658
Share premium		24,514	24,514	24,514	24,514
Revaluation reserve		13,505	12,291	0	0
(Accumulated losses)/retained earnings	26	(48,769)	(45,953)	4,129	4,745
		146,908	148,510	186,301	186,917
Minority Interests		11,996	9,209	0	0
Total Equity		158,904	157,719	186,301	186,917

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2007

		Attributable to equity holders of the Company						
	Note	Share capital RM'000	Share premium on ordinary shares RM'000	Revaluation reserve RM'000	Accumulated losses RM'000	Total RM'000	Minority interests RM'000	Total equity RM'000
At 1 January 2007		157,658	24,514	12,291	(45,953)	148,510	9,209	157,719
Profit for the financial year		0	0	0	1,446	1,446	3,560	5,006
Dividends for financial year ended 31 December 2006:								
- by the Company	12	0	0	0	(3,453)	(3,453)	0	(3,453)
- by a subsidiary		0	0	0	0	0	(773)	(773)
		0	0	0	(3,453)	(3,453)	(773)	(4,226)
Adjustment on change in tax rate	18	0	0	1,214	(809)	405	0	405
At 31 December 2007		157,658	24,514	13,505	(48,769)	146,908	11,996	158,904
At 1 January 2006		157,658	24,514	12,291	(51,964)	142,499	5,988	148,487
Profit for the financial year		0	0	0	8,607	8,607	3,602	12,209
Dividends for financial year ended 31 December 2005:								
- by the Company	12	0	0	0	(3,405)	(3,405)	0	(3,405)
- by a subsidiary		0	0	0	0	0	(381)	(381)
		0	0	0	(3,405)	(3,405)	(381)	(3,786)
Adjustment on change in tax rate	18	0	0	0	809	809	0	809
At 31 December 2006		157,658	24,514	12,291	(45,953)	148,510	9,209	157,719

Company Statement of Changes in Equity

for the financial year ended 31 December 2007

	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 2007		157,658	24,514	4,745	186,917
Profit for the financial year		0	0	2,837	2,837
Dividends for financial year ended:					
- 31 December 2006	12	0	0	(3,453)	(3,453)
At 31 December 2007		157,658	24,514	4,129	186,301
At 1 January 2006		157,658	24,514	1,532	183,704
Profit for the financial year		0	0	6,618	6,618
Dividends for financial year ended:					
- 31 December 2005	12	0	0	(3,405)	(3,405)
At 31 December 2006		157,658	24,514	4,745	186,917

Cash Flow Statements

for the financial year ended 31 December 2007

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Operating Activities					
Profit for the financial year		1,446	8,607	2,837	6,618
Adjustments for non-cash items:					
Property, plant and equipment:					
- depreciation		11,471	10,159	0	0
- write-offs		281	8	0	0
- net gain on disposal		(87)	(304)	0	0
Amortisation of prepaid land lease rentals		507	851	0	0
Inventories:					
- write-offs		20,022	13,368	0	0
- (writeback)/allowance for obsolescence		(1,911)	4,148	0	0
Allowance for doubtful debts		9,338	8,769	0	0
Allowance/(reversal) of impairment in investment in subsidiaries (net)		0	0	653	(300)
Interest income		(152)	(207)	(6,594)	(5,440)
Interest expense		19,381	17,219	2,457	1,364
Dividend received (gross)		0	0	(1,102)	(4,751)
Net unrealised exchange losses		264	217	0	0
Tax expense		5,589	4,872	1,299	2,573
Minority interests		3,560	3,602	0	0
Accruals for post-employment benefits obligation		1,315	1,494	0	0
Impairment of goodwill		0	683	0	0
Amortisation of trademark		568	0	0	0
		71,592	73,486	(450)	64
Changes in working capital:					
Inventories		28,309	(77,052)	0	0
Receivables		(97,572)	(13,176)	(291)	5,886
Payables		54,317	18,297	694	215
Cash from operations		56,646	1,555	(47)	6,165
Dividend received (net)		0	0	804	3,468
Interest received		152	207	6,447	4,991
Interest paid		(19,385)	(17,140)	(2,337)	(81)
Tax paid		(8,005)	(5,204)	(2,291)	(2,164)
Post-employment benefit obligation paid		(814)	(620)	0	0
Net cash flow from operating activities		28,594	(21,202)	2,576	12,379

	Note	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Investing Activities					
Proceeds from disposal of property, plant and equipment		112	456	0	0
Purchase of property, plant and equipment and leasehold land	A	(9,228)	(16,170)	0	0
Acquisition of a subsidiary	29	(10,249)	0	(16,047)	0
Purchase of trademark		(1,000)	0	0	0
Prepayment of land lease rentals		0	(442)	0	0
Advances to subsidiaries		0	0	(996)	(1,842)
Net cash flow from investing activities		(20,365)	(16,156)	(17,043)	(1,842)
Financing Activities					
Dividends paid		(4,226)	(3,786)	(3,453)	(3,405)
(Repayment)/proceeds from short term borrowings		(20,110)	77,904	0	0
Repayment of term loan		0	(4,870)	0	0
Advance from intermediate holding company		624	0	0	0
Repayment to immediate holding company		(2,094)	0	0	0
Advances from subsidiaries		0	0	26,332	3,379
Net cash flow from financing activities		(25,806)	69,248	22,879	(26)
Change in Cash and Cash Equivalents		(17,577)	31,890	8,412	10,511
Currency Translation Diferrences		5	(74)	0	0
Cash and Cash Equivalents at start of Financial Year		111,659	79,843	18,618	8,107
Cash and Cash Equivalents at end of Financial Year	27	94,087	111,659	27,030	18,618

Note A: Non-cash transaction

The principal non-cash transactions is in respect of purchase of property, plant and equipment of which RM1,741,694 (2006: RM1,205,000) has not been paid at the financial year end.

Notes to the Financial Statements

31 December 2007

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, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

The financial statements of the Group and Company have been prepared under the historical cost convention (as modified by the revaluation of land and buildings), except as disclosed in this summary of significant accounting policies.

The preparation of financial statements in conformity with the provisions of the Companies Act 1965 and the MASB Approved Accounting Standards for Entities Other than Private Entities in Malaysia 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 judgment in the process of applying the Group's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ.

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

(a) Standards and amendments to published standards that are effective

The new accounting standards and amendments to published standards effective for the Group's financial year beginning 1 January 2007 are as follows:

- FRS 124 Related Party Disclosures
- Amendment to FRS 119_{2004} Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures – in relation to the "asset ceiling" test
- FRS 6 Exploration for and Evaluation of Mineral Resources

All changes in accounting policies have been made in accordance with the transition provisions in the respective standards and amendments to published standards. All standards and amendments adopted by the Group require retrospective application other than:

- FRS 119 - not relevant as the Group does not have any defined benefit plans
- FRS 6 - not relevant as the Group does not carry out exploration for and evaluation of mineral resources

A summary of the impact of the new accounting standards and amendments to published standard on the financial statements of the Group is set out in Note 33 to the financial statements.

2 Summary of Significant Accounting Policies (continued)

2.1 Basis of preparation (continued)

(b) **Standards, amendments to published standards and interpretations to existing standards that are not yet effective and have not been early adopted**

The new standards and amendments to published standards and interpretations that are mandatory for the Group's financial year beginning after 1 January 2008 or later financial years, but which the Group has not early adopted, are as follows:

- FRS 139 Financial Instruments : Recognition and Measurement (effective date yet to be determined by Malaysian Accounting Standards Board). This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Group will apply this standard when effective.

- Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operations (effective for accounting periods beginning on or after 1 July 2007). This amendment requires exchange differences on monetary items that form part of the net investment in a foreign operation to be recognised in equity instead of in profit or loss regardless of the currency in which these items are denominated in. The Group will apply this amendment from financial year beginning 1 January 2008.

(c) **Standards that are not yet effective and not relevant for the Group's operations**

- FRS 112 Income Taxes (effective for accounting periods beginning on or after 1 July 2007).
- FRS 120 Accounting for Government Grants and Disclosure of Government Assistance (effective for accounting periods beginning on or after 1 July 2007).
- IC Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities (effective for accounting periods beginning on or after 1 July 2007).
- IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (effective for accounting periods beginning on or after 1 July 2007).
- IC Interpretation 5 Rights to Interests arising from Decommission, Restoration and Environmental Rehabilitation Funds (effective for accounting periods beginning on or after 1 July 2007).
- IC Interpretation 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (effective for accounting periods beginning on or after 1 July 2007).
- IC Interpretation 7 Applying the Restatement Approach under FRS 129 Financial Reporting in Hyperinflationary Economies (effective for accounting periods beginning on or after 1 July 2007).
- IC Interpretation 8 Scope of FRS 2 (effective for accounting periods beginning on or after 1 July 2007).

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. 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.

2 Summary of Significant Accounting Policies (continued)

2.2 Economic entities in the Group (continued)

(a) Subsidiaries (continued)

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 minority 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 the accounting policy Note 2.3 (a) on goodwill. 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 income statement.

Minority 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 minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since that date.

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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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 is recognised in the consolidated income statement.

(b) Transactions with minority interests

For purchases of a subsidiary's equity shares from minority 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 minority interests for cash consideration and at fair value result in gains and losses for the Group and are recorded in the income statement. The gain or loss is the difference between the Group's share of net assets immediately before and immediately after the disposal and a rateable portion of goodwill is realised.

For purchases or disposals from or to minority 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 minority 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.

2 Summary of Significant Accounting Policies (continued)

2.3 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries over the fair value of the Group's share of the identifiable net assets at the date of acquisition. Goodwill on acquisition of subsidiaries occurring on or after 1 January 2005 are included in the balance sheet.

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 assets.

(b) Trademark

Acquired trademarks is shown at historical cost. Trademarks have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over its estimated useful lives of 10 years.

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 income statement during the financial year in which they are incurred.

Surpluses arising on revaluation are credited to revaluation reserve. Any deficit arising from revaluation is charged against revaluation reserve to the extent of a previous surplus held in revaluation reserve for the same asset. In all other cases, a decrease in carrying amount is charged to income statement.

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

2 Summary of Significant Accounting Policies (continued)

2.4 Property, plant and equipment (continued)

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 each balance sheet date.

At each balance sheet date, 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 assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit/(loss) from operations. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

2.5 Investments

Investments in subsidiaries are shown at cost. 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 to the financial statements on impairment of assets.

Investments in other non-current investments are shown at cost and an allowance for diminution in value is made where, in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the financial year in which the decline is identified.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged/credited to the income statement.

2.6 Impairment of assets

Assets that have an indefinite useful life 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 each reporting date.

The impairment loss is charged to the income statement 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 the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

2 Summary of Significant Accounting Policies (continued)

2.7 Leases

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 income statement on the straight line basis over the lease period.

In the case of a lease of land, the up-front payment represents prepaid lease rentals and are amortised on a straight line basis over the lease term.

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 Trade receivables

Trade receivables are carried at invoice amount less an allowance for doubtful debts. The allowance is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

2.10 Share capital

(a) Classification

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

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

(b) 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 to shareholders of the Company

Dividends are recognised as a liability in the financial year in which they are declared.

2 Summary of Significant Accounting Policies (continued)

2.11 Income taxes

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and includes all taxes based upon the taxable profits.

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 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 is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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 Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

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

(b) Post-employment benefits

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

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

2 Summary of Significant Accounting Policies (continued)

2.12 Employee benefits (continued)

(b) Post-employment benefits (continued)

(ii) Other defined contribution plan

The Group accrues an additional 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 income statement 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.

2.13 Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise cash on hand, deposits held at call with banks, short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the balance sheet.

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.

(a) Onerous contracts

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. For example, the present value of future payments for surplus leased properties under non-cancellable operating leases, net of estimated sub-leasing revenue, is recognised as a liability (or, if lower, the costs of exiting from the contract) for the leased property that is no longer part of a cash generating unit.

(b) Restructuring

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

2 Summary of Significant Accounting Policies (continued)

2.15 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, rental and commission income	- as it accrues unless collectibility is in doubt.
Dividend income	- when the Group's right to receive payment is established.

2.16 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 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 income statement.

(c) Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
(ii) income and expenses for each income statement 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
(iii) all resulting exchange differences are recognised as a separate component of equity.

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.

2.17 Financial instruments

(a) Description

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

(b) Financial instruments recognised on the balance sheet

The particular recognition methods adopted for financial instruments recognised on the balance sheet are disclosed in the individual policy statements associated with each item.

(c) Financial instruments not recognised on the balance sheet

The Group is a party to financial instruments that comprise foreign currency forward contracts. These instruments are not recognised in the financial statements on inception.

Foreign currency forward contracts

The Group enters into foreign currency forward contracts to protect the Group from movements in exchange rates by establishing the rate at which a foreign currency asset or liability will be settled.

Exchange gains and losses on contracts are recognised when settled at which time they are included in the measurement of the transaction hedged.

(d) Fair value estimation for disclosure purposes

In assessing the fair value of financial instruments, the Group uses the estimated discounted value of future cash flows and makes assumptions that are based on market conditions existing at each balance sheet date to determine the fair value.

The face values of financial assets (less any estimated credit adjustments) and financial liabilities with a maturity period of less than one year are assumed to approximate their fair values.

2.18 Segment reporting

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 risk 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

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.

(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.

(c) Deferred tax assets

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.

4 Financial Risk Management Objectives and Policies

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.

(a) Foreign currency exchange risk

The Group's foreign exchange control policies were established to protect the Group from foreign currency risks. The Group covers all foreign currency payables through foreign currency forward contracts, except in those cases where the suppliers assume the risks.

(b) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposures arise from the Group's borrowings. They are managed through the use of a mixture of fixed and floating rate debts.

4 Financial Risk Management Objectives and Policies (continued)

(c) 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. With regards to foreign currency forward contracts, the Group only enters into such contracts with reputable Malaysian and international banks.

(d) Liquidity risk

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

5 Revenue

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Sale of goods	3,345,270	2,960,373	0	0
Rendering of services	26,497	27,923	0	0
Commission income	0	0	10	472
Interest income	0	0	6,594	5,440
Dividend income (gross)				
- unquoted investment	0	0	1,102	4,751
	3,371,767	2,988,296	7,706	10,663

6 Staff Costs

	Group	
	2007 RM'000	2006 RM'000
Wages, salaries and bonus	92,214	85,625
Post-employment benefits obligation:		
- national defined contribution plan	13,195	12,657
- other defined contribution plan (Note 24)	1,315	1,494
Other employee benefits	27,174	24,346
	133,898	124,122

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 bin Ismail (Appointed on 19 July 2007)
Alexander Stuart Davy (Appointed on 28 January 2008)
Ahmad Fakhrizzaki Abdullah (Deceased on 30 May 2007)

Executive Directors

Niels Johan Holm
André Eugen Hägi

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

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Non-executive Directors:				
- fees	162	162	150	150
- estimated money value of benefits-in-kind	8	8	8	8
	170	170	158	158
Executive Directors:				
- salaries and bonus	2,367	1,749	0	0
- other defined contribution plan	0	237	0	0
- other benefits	622	821	0	0
	2,989	2,807	0	0
	3,159	2,977	158	158

8 Finance Cost

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Interest expense:				
- bank overdrafts	109	39	0	0
- bankers' acceptances	9,099	6,829	0	0
- promissory notes	763	788	0	0
- term loans	7,014	7,087	0	0
- intercompany advances from holding companies	1,874	1,947	2,436	1,344
- others	522	529	21	20
	19,381	17,219	2,457	1,364

9 Profit Before tax

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Profit before tax is arrived at after charging/(crediting) the following:				
Auditors' remuneration:				
- fees for statutory audit	446	421	10	10
Property, plant and equipment:				
- write-offs	281	8	0	0
- net gain on disposal	(87)	(304)	0	0
Net exchange losses/(gains):				
- realised	533	(905)	0	0
- unrealised	264	217	0	0
Cost of contract workers	1,717	2,080	0	0
Impairment of goodwill	0	683	0	0
Amortisation of trademark	568	0	0	0
Inventories:				
- write-offs	20,022	13,368	0	0
- (writeback)/allowance for obsolescence	(1,911)	4,148	0	0
Rental income	(32)	(706)	0	0
Interest income	(152)	(207)	(6,594)	(5,440)
Allowance for/(reversal of) impairment in investment in subsidiaries (net)	0	0	653	(300)
Trade debtors				
- allowance for pre-finance debts	5,162	3,461	0	0
- writeback of doubtful debts	(1,118)	(1,133)	0	0
- allowance for trade debts	5,294	6,441	0	0
Legal fees paid to a firm in which a Director is a partner	127	264	68	0

10 Tax

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Current tax:				
- Malaysian tax	6,433	7,940	1,299	2,573
Deferred tax (Note 18)	(844)	(3,068)	0	0
Tax expense	5,589	4,872	1,299	2,573
Current tax				
Current year	5,878	7,417	1,369	2,627
Under/(over) accrual in prior years (net)	555	523	(70)	(54)
	6,433	7,940	1,299	2,573
Deferred tax				
Origination and reversal of temporary differences	496	(1,058)	0	0
Recognition of previously unrecognised temporary differences	(1,458)	(2,021)	0	0
Over accrual in prior years (net)	118	11	0	0
	(844)	(3,068)	0	0
	5,589	4,872	1,299	2,573

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

	Group		Company	
	2007 %	2006 %	2007 %	2006 %
Numerical reconciliation between the average effective tax rate and the Malaysian tax rate				
Malaysian tax rate	27	28	27	28
Tax effects of:				
- expenses not deductible for tax purposes	32	12	6	1
- recognition of previously unrecognised temporary differences	(13)	(2)	0	0
- unrecognised temporary differences	1	5	0	0
- utilisation of previously unrecognised tax losses	0	(5)	0	0
- recognition of previously unrecognised tax losses	0	(9)	0	0
- tax effects of substantively enacted changes in statutory tax rate for year of assessment 2007 and subsequent years	0	(1)	0	0
	47	28	33	29
Under/(over) accrual in prior years (net)	6	1	(2)	(1)
Average effective tax rate	53	29	31	28

Tax savings during the financial year due to the recognition of previously unrecognised tax losses amounted to RM Nil (2006: RM785,000).

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	
		2007	2006
Net profit for the financial year	(RM'000)	1,446	8,607
Weighted average number of ordinary shares in issue	('000)	157,658	157,658
Basic earnings per share	(sen)	0.92	5.46

12 Dividends

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

	Group and Company			
	2007		2006	
	Gross dividend per share Sen	Amount of dividends, net of 27% tax RM'000	Gross dividend per share Sen	Amount of dividends, net of 28% tax RM'000
Final dividends:				
- for financial year ended 31 December 2006 paid on 8 August 2007	3.0	3,453	0	0
- for financial year ended 31 December 2005 paid on 9 August 2006	0	0	3.0	3,405
Dividends in respect of the year	3.0	3,453	3.0	3,405

At the forthcoming Annual General Meeting, a final gross dividend of 3 sen per share on 157,658,076 ordinary shares, less income tax of 26%, amounting to RM3,500,009 will be proposed for shareholders' approval. These financial statements do not reflect this proposed final dividend and the dividend will be accounted for in the financial year ending 31 December 2008 when approved by shareholders.

Notes to the Financial Statements

31 December 2007

13 Property, Plant and Equipment

Group	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 2007	38,214	18,810	53,813	6,095	1,032	117,964
Additions						
- on purchase	1,628	46	6,117	102	3,077	10,970
- on acquisition of a subsidiary (Note 29)	0	4	6,943	1,930	0	8,877
Disposals	(20)	(797)	(246)	(855)	0	(1,918)
Write-offs	(2,314)	(110)	(4,836)	(118)	0	(7,378)
Reclassification	2,778	(4,416)	5,664	0	(4,026)	0
At 31 December 2007	40,286	13,537	67,455	7,154	83	128,515
Accumulated depreciation						
At 1 January 2007	19,931	11,527	41,540	4,666	0	77,664
Depreciation charge	2,852	1,390	6,512	717	0	11,471
Additions						
- on acquisition of a subsidiary (Note 29)	0	4	5,609	1,654	0	7,267
Disposals	(20)	(797)	(211)	(865)	0	(1,893)
Write-offs	(2,239)	(110)	(4,630)	(118)	0	(7,097)
Reclassification	0	(3,953)	3,953	0	0	0
At 31 December 2007	20,524	8,061	52,773	6,054	0	87,412
Net book value at 31 December 2007	19,762	5,476	14,682	1,100	83	41,103
Cost/Valuation						
At 1 January 2006	33,495	13,587	57,906	6,858	309	112,155
Additions	4,329	4,115	6,686	355	1,890	17,375
Disposals	(3)	(2,194)	(294)	(1,143)	0	(3,634)
Write-offs	(62)	(546)	(7,319)	(5)	0	(7,932)
Intercompany transfer	27	0	(27)	0	0	0
Reclassification	428	3,848	(3,139)	30	(1,167)	0
At 31 December 2006	38,214	18,810	53,813	6,095	1,032	117,964
Accumulated depreciation						
At 1 January 2006	17,316	10,037	46,473	5,085	0	78,911
Depreciation charge	2,604	1,083	5,801	671	0	10,159
Disposals	0	(2,155)	(224)	(1,115)	0	(3,494)
Write-offs	(62)	(544)	(7,301)	(5)	0	(7,912)
Intercompany transfer	16	0	(16)	0	0	0
Reclassification	57	3,106	(3,193)	30	0	0
At 31 December 2006	19,931	11,527	41,540	4,666	0	77,664
Net book value at 31 December 2006	18,283	7,283	12,273	1,429	1,032	40,300

13 Property, Plant and Equipment (continued)

The Group's 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 revalued land and buildings had these assets been carried at cost less accumulated depreciation, are as follows:

	Group	
	2007 RM'000	2006 RM'000
Buildings and renovations	2,955	3,402

14 Prepaid Land Lease Rentals

The movement during the financial year in the amounts recognised on the balance sheet are as follows:

	Group	
	2007 RM'000	2006 RM'000
At start of financial year	30,269	30,678
Additions	0	442
Amortisation for the year	(507)	(851)
At end of financial year	29,762	30,269

The future minimum lease payments for the prepaid land lease rentals are as follows:

	Group	
	2007 RM'000	2006 RM'000
Not later than one year	507	792
Later than one year and not later than five years	2,028	3,168
Later than five years	27,227	26,309
	29,762	30,269

15 Interest In Subsidiaries

	Company 2007 RM'000	Company 2006 RM'000
Non-current assets		
Unquoted shares at cost	106,897	90,849
Accumulated impairment losses:		
At start of financial year	(500)	(800)
Additions	(653)	(200)
Reversals	0	500
Included in other operating expense of the income statement	(653)	300
At end of financial year	(1,153)	(500)
	105,744	90,349
Advances to subsidiaries	108,991	107,995
	214,735	198,344
Current asset		
Amounts receivable from subsidiaries (Note 21)	527	320

Advances to subsidiaries are denominated in Ringgit Malaysia, unsecured and carry interest at 5% (2006: 5%) per annum. These advances are not intended to be recalled, in full or in part, within the next twelve months from the balance sheet date.

The carrying amounts of these advances at the balance sheet date were not reduced to their estimated fair values of RM103,425,000 (2006: RM104,102,000) as these advances are receivable from profitable wholly-owned subsidiaries and the Directors are of the opinion that the amounts are fully recoverable.

The subsidiaries of the Company are detailed below:

Name of company	Country of incorporation	Group's effective interest 2007 %	Group's effective interest 2006 %	Principal activities
DKSH Malaysia Sdn Bhd (formerly known as Diethelm Malaysia Sdn Bhd)	Malaysia	100.0	100.0	General trading, warehousing and distribution of consumer, pharmaceutical, bio-medical, chemical and industrial products and the manufacture of aluminium and stainless steel household products.
DKSH Marketing Services Sdn Bhd	Malaysia	100.0	100.0	General trading, warehousing and distribution agency.
DKSH Transport Agencies (M) Sdn Bhd	Malaysia	51.0	51.0	Forwarding and husbanding activities.

15 Interest In Subsidiaries (continued)

Name of company	Country of incorporation	Group's effective interest 2007 %	Group's effective interest 2006 %	Principal 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				
Harpers Trading (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 (formerly known as Diethelm Logistics Services Sdn Bhd)	Malaysia	100.0	100.0	Provision of warehousing and distribution services.
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.
Texchem Consumers Sdn Bhd #	Malaysia	100.0	0	General trading, merchandising and distribution agency.
Subsidiary of Texchem Consumers Sdn Bhd				
Texchem Consumers (East Malaysia) Sdn Bhd ^	Malaysia	100.0	0	In liquidation.
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 member firm of PricewaterhouseCoopers International Limited and PricewaterhouseCoopers, Malaysia.
^ These companies were not consolidated as it was resolved that these subsidiaries be liquidated by way of Members' Voluntary Winding Up.
# Acquired during the financial year (Note 29).

Notes to the Financial Statements

31 December 2007

16 Intangible Assets

	Goodwill RM'000	Trademark RM'000	Group Total RM'000
Year ended 31 December 2007			
At 1 January 2007	3,600	0	3,600
Acquisition of a subsidiary (Note 29)	0	8,758	8,758
Additions	0	1,000	1,000
Amortisation charge	0	(568)	(568)
Closing net book amount	3,600	9,190	12,790
At 31 December 2007			
Cost	4,283	9,758	14,041
Accumulated amortisation and impairment losses	(683)	(568)	(1,251)
Net book amount	3,600	9,190	12,790
Year ended 31 December 2006			
At 1 January 2006	4,283	0	4,283
Impairment loss	(683)	0	(683)
Closing net book amount	3,600	0	3,600
At 31 December 2006			
Cost	4,283	0	4,283
Accumulated impairment losses	(683)	0	(683)
Net book amount	3,600	0	3,600

Impairment tests for goodwill

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

	2007 RM'000	2006 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.

The discount rates used in the cash flow projection is 5.81% (2006: 6.67%).

16 Intangible Assets (continued)

Valuation of trademark

The valuation of trademark is determined based on the premium pricing model. Key assumptions used are as follows:

• Weighted average cost of capital	5.03%
• Discount rate (with 100% premium)	10%
• Price premium	RM0.17 - RM0.29

17 Other Investments

	Group	
	2007 RM'000	2006 RM'000
Shares at cost in an unquoted corporation	490	490
Accumulated impairment losses	(490)	(490)
	0	0
Unquoted – Golf Club Membership	58	0
Quoted shares	4	0
	62	0
Market value of quoted shares	2	0

18 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 balance sheet:

	Group	
	2007 RM'000	2006 RM'000
Subject to income tax		
- deferred tax assets	7,521	6,703
- deferred tax liabilities	(7,411)	(7,842)
	110	(1,139)

18 Deferred Tax (continued)

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

	Group	
	2007 RM'000	2006 RM'000
At start of financial year	(1,139)	(5,016)
Credited/(charged) to income statement (Note 10):		
- property, plant and equipment	(568)	(109)
- post-employment benefit obligation	(61)	60
- receivables	352	765
- inventories	(295)	300
- capital allowances	633	0
- unrealised foreign exchange	(164)	180
- tax losses	656	1,713
- others	291	159
	844	3,068
Charged to equity	405	809
At end of financial year	110	(1,139)
Subject to income tax		
Deferred tax assets (before offsetting)		
Capital allowances	633	0
Unrealised foreign exchange	16	180
Post-employment benefit obligation	1,812	1,873
Receivables	1,286	934
Inventories	2,013	2,308
Tax losses	2,369	1,713
Property, plant and equipment	44	296
Others	509	218
	8,682	7,522
Offsetting	(1,161)	(819)
Deferred tax assets (after offsetting)	7,521	6,703
Deferred tax liabilities (before offsetting)		
Property, plant and equipment	(8,572)	(8,661)
Offsetting	1,161	819
Deferred tax liabilities (after offsetting)	(7,411)	(7,842)

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 balance sheet are as follows:

	Group	
	2007 RM'000	2006 RM'000
Deductible temporary differences	17,946	17,217
Tax losses	15,680	14,182

19 Short Term Investments

	Group 2007 RM'000	Group 2006 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 liquidated by way of Members' Voluntary Winding Up. These subsidiaries are listed in Note 15 to the financial statements.

20 Inventories

	Group 2007 RM'000	Group 2006 RM'000
Raw materials and packaging materials	1,803	1,133
Work-in-progress	671	1,328
Finished goods	320,531	340,039
	323,005	342,500

21 Receivables

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Trade receivables	727,708	582,752	0	0
Allowance for doubtful debts	(32,490)	(27,167)	0	0
	695,218	555,585	0	0
Deposits	3,765	3,203	0	0
Prepayments	10,773	1,636	100	120
Other receivables	8,151	13,591	0	0
	717,907	574,015	100	120
Amounts receivable from subsidiaries (Note 15)	0	0	527	320
Amounts receivable from other related companies	29	233	0	0
	717,936	574,248	627	440

21 Receivables (continued)

The currency exposure profile of receivables is as follows:

	Group	
	2007 RM'000	2006 RM'000
Trade receivables		
Ringgit Malaysia	687,246	550,706
US Dollar	619	185
Singapore Dollar	305	43
Brunei Dollar	6,433	4,651
Euro	615	0
	695,218	555,585

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Other receivables				
Ringgit Malaysia	8,151	13,022	0	0
Brunei Dollar	0	569	0	0
	8,151	13,591	0	0
Intercompany receivables				
Ringgit Malaysia	5	9	527	320
Swiss Francs	24	33	0	0
Indonesia Rupiah	0	191	0	0
	29	233	527	320

Deposits and prepayments are denominated in Ringgit Malaysia.

The amounts receivable from subsidiaries and other related companies are non-trade in nature, unsecured, non-interest bearing and have no fixed repayment terms.

Credit terms of trade receivables range from 60 days to 90 days (2006: 60 days to 90 days).

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

22 Payables

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Trade payables	496,473	408,460	0	0
Amounts payable to:				
- intermediate holding company	159	164	0	0
- subsidiaries	0	0	184	195
- other related companies	9,997	6,310	0	0
Accruals	42,912	33,925	266	277
Other payables	30,699	28,535	0	0
	580,240	477,394	450	472

The currency exposure profile of payables is as follows:

	Group	
	2007	2006
	RM'000	RM'000
Trade payables		
Ringgit Malaysia	388,554	322,434
US Dollar	77,344	61,798
Euro	25,555	20,328
Brunei Dollar	407	2,041
Singapore Dollar	2,558	1,266
Australia Dollar	1,286	0
Japanese Yen	410	0
Others	359	593
	496,473	408,460

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Intercompany payables				
Ringgit Malaysia	4,709	2,224	184	195
Swiss Francs	748	958	0	0
US Dollar	4,576	2,805	0	0
Singapore Dollar	49	487	0	0
Euro	51	0	0	0
Brunei Dollar	23	0	0	0
	10,156	6,474	184	195
Accruals				
Ringgit Malaysia	42,912	33,925	266	277

22 Payables (continued)

	Group 2007 RM'000	Group 2006 RM'000
Other payables		
Ringgit Malaysia	30,448	27,982
Brunei Dollar	251	553
	30,699	28,535

The average credit terms of payables are as follows:

	Average credit terms 2007	Average credit terms 2006
Trade payables	90 days	90 days
Other payables	30 days	30 days
Amounts payable to holding companies, subsidiaries, other related companies and trade accruals	No fixed repayment terms	No fixed repayment terms

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

23 Borrowings (Unsecured)

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Current:				
Bank overdrafts (Note 27)	266	0	0	0
Bankers' acceptances	314,232	272,890	0	0
Promissory notes	0	12,974	0	0
Term loan	17,771	30,000	0	0
	332,003	315,864	0	0
	332,269	315,864	0	0
Non-current:				
Advances from:				
- intermediate holding company	19,866	19,242	0	0
- immediate holding company	18,927	21,021	0	0
- subsidiaries	0	0	56,061	29,729
	38,793	40,263	56,061	29,729
Term loans	100,000	100,000	0	0
	138,793	140,263	56,061	29,729
Total	471,062	456,127	56,061	29,729

23 Borrowings (Unsecured) (continued)

Advances from intermediate and immediate holding companies and subsidiaries are unsecured, carry interest at 5% (2006: 5%) per annum and are not repayable within the next 12 months.

	Group	
	2007	2006
	%	%
Weighted average year end effective interest rates		
Bank overdrafts	7.40	N/A
Bankers' acceptances	4.01	4.01
Promissory notes	4.31	4.31
Term loans	5.54	5.54

All borrowings are denominated in Ringgit Malaysia.

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Maturity structure				
Within one year	332,269	315,864	0	0
Between one and two years	68,793	70,263	56,061	29,729
Between two and five years	70,000	70,000	0	0
Total	471,062	456,127	56,061	29,729
Estimated fair values				
Advances from:				
- intermediate holding company	18,851	18,548	0	0
- immediate holding company	17,960	20,263	0	0
- subsidiaries	0	0	53,198	28,657
Term loans	96,425	93,962	0	0
	133,236	132,773	53,198	28,657

24 Post-Employment Benefits Obligation

	Group	
	2007 RM'000	2006 RM'000
Defined contribution plan		
Non-current:		
At 31 December	9,475	8,937

The movements during the financial year in the amounts recognised on the consolidated balance sheet are as follows:

	Group	
	2007 RM'000	2006 RM'000
At 1 January	8,937	8,063
Charged to income statement (Note 6)	1,315	1,494
Recoverable from principal	16	0
Acquisition of a subsidiary (Note 29)	21	0
Contributions paid	(814)	(620)
At 31 December	9,475	8,937

25 Share Capital

	Group and Company			
	2007		2006	
	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

As at 31 December 2007, the Company has sufficient Section 108 tax credits to frank all of its retained earnings if paid out as dividends.

27 Cash and Cash Equivalents

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Deposit with a licensed bank	6,486	22,559	0	18,360
Bank and cash balances	87,867	89,100	27,030	258
Deposit, bank and cash balances	94,353	111,659	27,030	18,618
Bank overdrafts (Note 23)	(266)	0	0	0
	94,087	111,659	27,030	18,618
The currency exposure profile of deposit, bank and cash balances is as follows:				
Ringgit Malaysia	93,375	110,606	27,030	18,618
Brunei Dollar	31	1,039	0	0
US Dollar	947	14	0	0
	94,353	111,659	27,030	18,618

Deposit with a licensed bank has a maturity period of 13 days (2006: 7 days) and carry interest at 3.02 % per annum (2006: 2.82% per annum).

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

28 Commitments

(a) Capital commitments

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

	Group	
	2007 RM'000	2006 RM'000
Authorised by the Directors and contracted for:		
- Property, plant and equipment	322	254

(b) Non-cancellable operating lease commitments

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

	Group	
	2007 RM'000	2006 RM'000
Payable within one year	16,934	16,908
Payable after one year but not later than five years	63,168	75,388
Payable after five years	3,613	4,741
	83,715	97,037

29 Acquisition of a Subsidiary

On 31 May 2007, the Group acquired 100% of the share capital of Texchem Consumers Sdn. Bhd., a general trading, merchandising and distribution agency. The acquired business contributed revenues of RM112,236,000 and net loss of RM653,000 to the Group for the period from 31 May 2007 to 31 December 2007.

If the acquisition had occurred on 1 January 2007, Group revenue would have been RM3,438,594,000 and net profit would have been RM265,000. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to intangible assets had applied from 1 January 2007, together with the consequential tax effect.

Details of net assets acquired and goodwill are as follows:

	2007 RM'000
Purchase consideration - cash paid	16,047
Less: fair value of net assets acquired	(16,047)
Goodwill	0

The assets and liabilities as of 31 May 2007 arising from the acquisition are as follows:

	2007 RM'000
Other investment	562
Cash and cash equivalents	5,798
Property, plant and equipment (Note 13)	1,610
Intangible asset – trademark (Note 16)	8,758
Inventories	26,927
Trade and other receivables	55,185
Trade and other payables	(46,524)
Borrowings	(36,248)
Post-employment benefits obligation (Note 24)	(21)
Net assets acquired	16,047
Purchase consideration settled in cash	16,047
Less: cash and cash equivalents in subsidiary acquired	(5,798)
Cash ouflow on acquisition	10,249

The trademark is attributable to the brand of a certain product registered in the name of the subsidiary company.

The fair value of the assets and liabilities approximates the carrying amounts.

There was no acquisition in the year ended 31 December 2006.

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 Dihoma Sendirian Berhad 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
Dihoma Sendirian Berhad	Immediate holding company
DKSH Marketing Services Sdn Bhd	Subsidiary
Harpers Trading (Malaysia) Sdn Bhd	Subsidiary
DKSH Logistics Services Sdn Bhd (formerly known as Diethelm Logistics Services Sdn Bhd)	Subsidiary
DKSH Transport Agencies (M) Sdn. Bhd	Subsidiary
Diethelm Central Services Sdn Bhd	Subsidiary
DKSH Malaysia Sdn Bhd (formerly known as Diethelm Malaysia Sdn Bhd)	Subsidiary
Texchem Consumers Sdn Bhd	Subsidiary
DKSH Corporate Shared Services Centre 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
Lembaga Tabung Angkatan Tentera	Other related party

30 Significant Related Party Disclosures (continued)

The following transactions were carried out with related parties:

	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
(a) Sales of goods and services:				
Sales of goods:				
- related company	79	95	0	0
Sale of services:				
- related company (rental)	384	259	0	0
- related company (information technology charges)	54	1,002	0	0
- related company (human resource charges)	123	117	0	0
	561	1,378	0	0
Other (interest):				
- subsidiaries	0	0	6,501	5,318
	640	1,473	6,501	5,318
(b) Purchase of goods and services:				
Purchase of goods:				
- related company	664	1,050	0	0
Purchase of services:				
- related company (travel)	1,609	1,268	0	0
- related company (management fee and regional audit)	3,469	3,071	0	0
- related company (information technology charges)	11,268	6,760	0	0
- other related party (rental)	11,408	10,693	0	0
	27,754	21,792	0	0
Others (interest):				
- immediate holding company	895	1,079	0	0
- intermediate holding company	979	868	0	0
- subsidiaries	0	0	2,436	1,344
	1,874	1,947	2,436	1,344
	30,292	24,789	2,436	1,344
(c) Key management compensation				
Salaries and bonus	9,775	8,407	0	0
Post employment benefits obligation				
- national defined contribution plan	777	703	0	0
- other defined contribution plan	163	414	0	0
Other employees benefits	1,936	1,940	0	0
	12,651	11,464	0	0

31 Segmental Information

The Group is organised into three main business segments:

- Trading and logistics
- Chemicals
- Food

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

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

	Trading and logistics RM'000	Chemicals RM'000	Food RM'000	Eliminations RM'000	Group RM'000
Financial year ended 31 December 2007					
Revenue					
Segment revenue	3,300,117	36,014	35,636	0	3,371,767
Intersegment revenue	1,361	0	0	(1,361)	0
Revenue	3,301,478	36,014	35,636	(1,361)	3,371,767
Results					
Segment results	22,779	2,525	4,672	0	29,976
Finance cost					(19,381)
Tax expense					(5,589)
Profit for the financial year					5,006
At 31 December 2007					
Net assets					
Segment assets	1,064,485	15,725	8,878	0	1,089,088
Unallocated assets					139,265
Total assets					1,228,353
Segment liabilities	(491,759)	(3,347)	(1,367)	0	(496,473)
Unallocated liabilities					(572,976)
Total liabilities					(1,069,449)

31 Segmental Information (continued)

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

	Trading and logistics RM'000	Chemicals RM'000	Food RM'000	Eliminations RM'000	Group RM'000
Financial year ended 31 December 2007					
Other information					
Capital expenditure	10,224	0	746	0	10,970
Depreciation of property, plant and equipment	10,700	153	618	0	11,471
Amortisation of prepaid land lease rentals	507	0	0	0	507
Amortisation of trademark	568	0	0	0	568

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) and prepaid land lease rentals (Note 14).

	Trading and logistics RM'000	Chemicals RM'000	Food RM'000	Eliminations RM'000	Group RM'000
Financial year ended 31 December 2006					
Revenue					
Segment revenue	2,927,535	30,507	30,254	0	2,988,296
Intersegment revenue	794	0	0	(794)	0
Revenue	2,928,329	30,507	30,254	(794)	2,988,296
Results					
Segment results	28,643	2,048	3,609	0	34,300
Finance cost					(17,219)
Tax expense					(4,872)
Profit for the financial year					12,209

31 Segmental Information (continued)

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

	Trading and logistics RM'000	Chemicals RM'000	Food RM'000	Eliminations RM'000	Group RM'000
Financial year ended 31 December 2006					
Net assets					
Segment assets	946,438	14,238	7,979	0	968,655
Unallocated assets					141,194
Total assets					1,109,849
Segment liabilities	(405,015)	(2,329)	(1,116)	0	(408,460)
Unallocated liabilities					(543,670)
Total liabilities					(952,130)
Other information					
Capital expenditure	16,974	25	818	0	17,817
Depreciation of property, plant and equipment	9,369	213	577	0	10,159
Amortisation of prepaid land lease rentals	851	0	0	0	851
Impairment of goodwill	683	0	0	0	683

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) and prepaid land lease rentals (Note 14).

(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 company is not material to constitute an independent geographical segment as stipulated under FRS 114: Segment Reporting.

32 Financial Instruments

Forward foreign exchange contracts

Forward foreign exchange contracts are entered into by subsidiaries in currencies other than their functional currency to manage exposure to fluctuations in foreign currency exchange rates on specific transactions. In general, the Group's policy is as disclosed in Notes 2.17 and 4 to the financial statements.

At 31 December 2007, the settlement dates on open forward contracts ranged between 1 and 3 (2006: 1 and 3) months. The foreign currency amounts to be received and contractual exchange rates of the Group's outstanding contracts are as follows:

Hedged item	Settlement currency	RM'000 equivalent	Contractual rate
At 31 December 2007			
Trade payables:			
Euro 406,000	Euro	1,983	1Euro = 4.884
Euro 189,000	Euro	929	1Euro = 4.913
USD 930,000	US Dollar	3,142	1USD = 3.379
USD 201,000	US Dollar	677	1USD = 3.367
USD 2,711,000	US Dollar	9,166	1USD = 3.381
CHF 134,000	Swiss Francs	397	1CHF = 2.963
AUD 83,000	AUD Dollar	241	1AUD = 2.904
SGD 70,000	Singapore Dollar	162	1SGD = 2.314
GBP 24,000	Sterling Pound	160	1GBP = 6.687
Amount payable to ultimate holding company:			
CHF 242,000	Swiss Francs	732	1CHF = 3.025
At 31 December 2006			
Trade payables:			
Euro 476,000	Euro	2,218	1 Euro = 4.657
USD 472,000	US Dollar	1,673	1 USD = 3.542
USD 1,153,000	US Dollar	4,090	1 USD = 3.548
CHF 109,000	Swiss Francs	319	1 CHF = 2.933
AUD 353,000	AUD Dollar	990	1 AUD = 2.803
Amount payable to ultimate holding company:			
CHF 267,000	Swiss Francs	787	1 CHF = 2.943
CHF 102,000	Swiss Francs	299	1 CHF = 2.939
CHF 144,000	Swiss Francs	423	1 CHF = 2.941

The fair value of outstanding forward contracts of the Group at the balance sheet date was a favourable net position of RM305,000 (2006: favourable net position of RM60,000).

Future liabilities in foreign currencies are forward-purchased from reputable banks when their amount and due date are known. Forward hedges are exclusively used for bona-fide and documented trade transactions and not for speculative purposes in line with the Group's policy.

33 Changes in Accounting Policies

The list of new accounting standards and amendments to published standards that are effective for the Group's financial year beginning 1 January 2007 is set out in Note 2.1(a) to the financial statements.

(a) Irrelevant or immaterial effect on financial statements. The adoption of FRS 124 did not have a material impact on the financial statements of the Group. In summary:

- FRS 124 only affects disclosure of transactions with related parties.

34 Comparatives

	As previously reported RM'000	Reclassification RM'000	As restated RM'000
Group - 2006			
Income statement			
Allowance for doubtful debts	5,308	3,461	8,769
Other selling, advertising and promotional expenses	22,049	(3,461)	18,588
IT and communication expenses	7,304	6,542	13,846
Office expenses	13,922	(6,098)	7,824
Other operating expenses	14,983	(444)	14,539
	63,566	0	63,566
Balance sheet			
Payables	477,418	(24)	477,394
Post-employment benefits obligation	8,913	24	8,937
	486,331	0	486,331

35 Approval of Financial Statements

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 28 March 2008.

Statement by Directors

Pursuant to Section 169(15) of the Companies Act 1965

We, Niels Johan Holm and André Eugen Hägi, two of the Directors of DKSH Holdings (Malaysia) Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 32 to 77 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 2007 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.

Signed on behalf of the Board of Directors in accordance with their resolution dated 28 March 2008.

Niels Johan Holm
Group Managing Director

André Eugen Hägi
Group Finance Director

Statutory Declaration

Pursuant to Section 169(16) of the Companies Act 1965

I, André Eugen Hägi, the 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 32 to 77 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.

André Eugen Hägi

Subscribed and solemnly declared by the abovenamed André Eugen Hägi at Petaling Jaya, Selangor Darul Ehsan in Malaysia on 28 March 2008, before me.

No. B158
Soong Fong Chee
Commissioner For Oaths

PricewaterhouseCoopers (AF 1146)
Chartered Accountants
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Kuala Lumpur Sentral
P O Box 10192
50706 Kuala Lumpur, Malaysia
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Report of the Auditors

to the members of DKSH Holdings (Malaysia) Berhad (Company No. 231378-A)

We have audited the financial statements set out on pages 32 to 77. These financial statements are the responsibility of the Company's Directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved auditing standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements have been prepared in accordance with the provisions of the Companies Act 1965 and MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities so as to give a true and fair view of:

   (i) the matters required by Section 169 of the Companies Act 1965 to be dealt with in the financial statements; and

   (ii) the state of affairs of the Group and Company as at 31 December 2007 and of the results and cash flows of the Group and Company for the financial year ended on that date;

and

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

The name of the subsidiary of which we have not acted as auditors is indicated in Note 15 to the financial statements. We have considered the financial statements of the subsidiary and the auditor's report thereon.

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 consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection 3 of section 174 of the Act.

PricewaterhouseCoopers
(No. AF: 1146)
Chartered Accountants

Mohammad Faiz Bin Mohammad Azmi
(No. 2025/03/08 (J))
Partner of the firm

Kuala Lumpur
28 March 2008

Proxy Form

for the Sixteenth Annual General Meeting

DKSH

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 Sixteenth Annual General Meeting of the Company to be held at the Kristal Ballroom 1, First Floor, West Wing, Hilton Petaling Jaya, No. 2, Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan on Thursday, June 12, 2008 at 10.00 a.m. and at any adjournment thereof.

My/Our proxy is to vote as indicated below:

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 Michael Lim Hee Kiang		
5	Re-election of James Armand Menezes		
6	Election of Datuk Haji Abdul Aziz bin Ismail		
7	Election of Alexander Stuart Davy		
8	Re-appointment of PricewaterhouseCoopers as auditors		
9	Approval of Proposed RRPT Mandate Renewal		

(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 2008

....
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. Photocopies are not acceptable.

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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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