

# growing from to STRENGTH STRENGTH



CCM DUOPHARMA  
BIOTECH BERHAD (524271-W)  
(formerly known as Duopharma Biotech Bhd)

Annual Report 2006

www.duopharma.com.my

**CCM DUOPHARMA BIOTECH BERHAD** (524271-W)  
(formerly known as Duopharma Biotech Bhd)

Lot 2599, Jalan Seruling 59, Kawasan 3

Taman Klang Jaya, 41200 Klang

Selangor Darul Ehsan

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URL: [www.duopharma.com.my](http://www.duopharma.com.my)



**improving** the  
quality of **life**



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# ccm duopharma biotech berhad

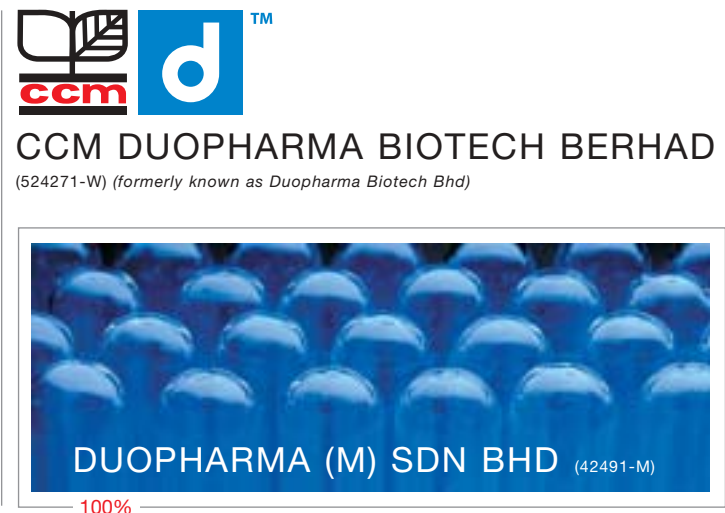
(formerly known as Duopharma Biotech Bhd) Company No: 524271-W

## annual report 2006

6th annual general meeting • 21 may 2007 • 2.30 p.m. • crystal crown hotel, pelabuhan klang



# corporate structure



## board structure



# corporate information

## BOARD OF DIRECTORS

Tan Sri Dato' Dr. Abu Bakar bin Suleiman  
(Chairman/Non-Independent  
Non-Executive Director)

Dato' Haji Mizanur Rahman bin  
S M Abdul Ghani  
(Managing Director)

Dr. Mohamad Hashim bin Ahmad Tajudin  
(Executive Director)

Datuk Alias bin Ali  
(Non-Independent Non-Executive Director)

Datuk Dr. Jegathesan a/l N M Vasagam @  
Manikavasagam  
(Independent Non-Executive Director)

Tuan Haji Ghazali bin Awang  
(Independent Non-Executive Director)

Dr. Mohd Nasir bin Hassan  
(Independent Non-Executive Director)

## COMPANY SECRETARIES

Saw Bee Lean (MAICSA 0793472)  
Tong Mei Fong (MAICSA 0826608)  
Lim Lily (LS 01066)

## REGISTERED OFFICE

No. 10A Lebuhraya Gopeng  
41400 Klang  
Selangor Darul Ehsan  
Tel No : 03-3344 3777  
Fax No : 03-3344 3377

## BUSINESS ADDRESS

Lot 2599 Jalan Seruling 59  
Kawasan 3  
Taman Klang Jaya  
41200 Klang  
Selangor Darul Ehsan  
Tel No : 03-3323 2759  
Fax No : 03-3323 3923  
Homepage : [www.duopharma.com.my](http://www.duopharma.com.my)  
E-mail : [duofarma@tm.net.my](mailto:duofarma@tm.net.my)

## AUDITORS

KPMG  
Chartered Accountants  
Wisma KPMG  
Jalan Dungun  
Damansara Heights  
50490 Kuala Lumpur

## PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad  
No. 19, Jalan Stesen  
41000 Klang  
Selangor Darul Ehsan

CIMB Bank Berhad  
(formerly known as Bumiputra-Commerce  
Bank Berhad)  
No. 1, Lorong Batu 3  
Off Jalan Lintang 3  
41300 Klang  
Selangor Darul Ehsan

## SHARE REGISTRAR

Tenaga Koperat Sdn Bhd  
20th Floor Plaza Permata  
Jalan Kampar  
Off Jalan Tun Razak  
50400 Kuala Lumpur  
Tel No : 03-4041 6522  
Fax No : 03-4043 9233

## STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia Securities  
Berhad





## commitment

As we remain poised on developing new drugs  
and improving related products...

## board of directors' profile





## TAN SRI DATO' DR. ABU BAKAR BIN SULEIMAN

### Age

- ☐ 62

### Nationality

- ☐ Malaysian

### Qualifications

- ☐ Bachelor of Medicine and Bachelor of Surgery, Monash University, Australia
- ☐ Master of Medicine, University of Singapore
- ☐ Fellow, Royal Australasian College of Physicians, Royal College of Physicians, London, Edinburgh, Glasgow, Ireland, Academy of Medicine, Malaysia, Singapore
- ☐ Fellow, Academy of Science, Malaysia
- ☐ Honorary Fellow, American College of Physicians, Royal College of Surgeons, Edinburgh

### Membership of Associations

- ☐ President, Association of Private Hospitals
- ☐ President, Malaysian Health Informatics Association
- ☐ President, National Kidney Foundation
- ☐ Chairman, Consultative Panel on Healthcare, National Productivity Corporation
- ☐ Chairman, Ministry of Health Committee on Living Unrelated Donor Transplantation
- ☐ Member, National Health Welfare Fund
- ☐ Subcommittee, Human Resource, Education and Healthcare
- ☐ Chairman, Malaysian – Morocco Trade Chamber

### Position on the Board

- ☐ Non-Independent Non-Executive Chairman

### Date appointed to the Board

- ☐ 22.05.2002

### Working Experience and Occupation

- ☐ Tan Sri began his career as a Medical Officer with the Ministry of Health in 1969 and subsequently completed training in Internal Medicine before he became a Consultant Physician with the Department of Nephrology in Hospital Kuala Lumpur. He has more than 20 years experience in the medical profession. He has held various top level positions including being the Head of the Department of Nephrology, Hospital Kuala Lumpur where he was attached for 11 years. In 1987, he held the position of Director of Medical Services, Ministry of Health (MOH) and became the Deputy Director General of Health in 1989 before rising to the rank of Director General of Health, a position he held from 1991 to 2001. He attended the Advance Management Program at Harvard Business School, USA in 1991. Upon his official retirement, he was appointed President of the International Medical University.

### Membership of Board Committees

- ☐ Chairman, Nomination and Remuneration Committee

### Directorships of other public companies

- ☐ Chairman, Medical Advisory Committee of KPJ Healthcare Berhad
- ☐ Director, Medical Defence Malaysia Bhd

### Securities holdings in the Company and its subsidiaries

- ☐ 286,400 ordinary shares directly
- ☐ 11,000 ordinary shares indirectly

### Family Relationship with any Director and/or major shareholder

- ☐ None

### Conflict of interest with the Company

- ☐ None

### List of convictions for offences within the past 10 years other than traffic offences

- ☐ None

board of directors' profile (cont'd)

DATO' HAJI MIZANUR  
RAHMAN BIN S M ABDUL  
GHANI

Age

60

Nationality

Malaysian

Qualifications

- BA (Hons), University of Malaya
- Business Administration, University of Leuven, Belgium
- Marketing Management, Harvard Business School, USA

Membership of Associations

- Founder President, Business Council for Sustainable Development in Malaysia (BCSDM)
- Council Member, International Fertilizer Association (IFA)
- Chairman, Fertilizer Industry Association of Malaysia (FIAM)
- Council Member, Federation of Malaysian Manufacturers (FMM)
- Executive Committee Member, Chemical Industry Council of Malaysia (CICM)
- Member, Malaysian International Chamber of Commerce and Industry (MICCI)
- Member, Malaysian Economic Association (MEA)
- Member, Malaysian Institute of Human Resource Management (MIHRM)
- Member, Institute of Strategic and International Studies (ISIS)
- Member, Harvard Club of Malaysia

Position on the Board

Managing Director

Date appointed to the Board

18.11.2005

Working Experience and Occupation

- Dato' Haji Mizanur Rahman Ghani joined the Malaysian Industrial Development Authority (MIDA) in 1968 and subsequently was appointed as a Director before leaving in 1976 to join the ICI/CCM Group. Since 1983, he was the Managing Director of CCM Fertilizers Sdn Bhd and Chairman of Tioxide (Malaysia) Sdn Bhd. He was appointed Managing Director of CCM Duopharma Biotech Berhad on 28 November 2005.

Membership of Board Committees

None

Directorships of other public companies

None

Securities holdings in the Company and its subsidiaries

None

Family Relationship with any Director and/or major shareholder

None

Conflict of interest with the Company

None

List of convictions for offences within the past 10 years other than traffic offences

None

DR. MOHAMAD HASHIM  
BIN AHMAD TAJUDIN

Age

53

Nationality

Malaysian

Qualifications

- B.Sc. Agriculture, Universiti Putra Malaysia
- M.Sc. Agriculture (Soil Chemistry and Fertility), Universiti Putra Malaysia
- PhD in Soil Fertility and Management, Universiti Putra Malaysia
- Advanced Management Program, INSEAD, France
- Harvard Premier Business Management Programme

Membership of Associations

- Council Member, MARDI Science Council
- Chairman, Planters Editorial Committee for the Incorporated Society of Planters
- Member, R&D Directorate of the National Biotechnology Council
- Council Member, Federation of Malaysian Manufacturers
- Committee Member, Biotechnology, Pharmaceutical Healthcare Clusters Working Group (CWG) to Jawatankuasa Penasihat Pensyarikatan Bumiputera (JPPB) Implementation Coordination Unit, Jabatan Perdana Menteri
- Member, Programme Advisory Committee, MPOB

Position on the Board

Executive Director

Date appointed to the Board

18.11.2005

### Working Experience and Occupation

- ☐ Dr. Mohamad Hashim is the Group Managing Director of Chemical Company of Malaysia Berhad. Prior to his appointment in CCM, he was a Senior Director in the Oils & Fats Division of Golden Hope Plantations Berhad. He held various positions during his 26 years career stint in Golden Hope. Among others were as a Director in the Research and Development Division from 1998 to 2003 and as an Executive Director of Golden Hope Research Sdn Bhd and Golden Hope Agrotech Consultancy Sdn Bhd. He was also the Adjunct Professor, Agricultural Faculty, Universiti Putra Malaysia

### Membership of Board Committees

- ☐ None

### Directorships of other public companies

- ☐ Group Managing Director, Chemical Company of Malaysia Berhad
- ☐ Director, Impian Golf Resort Bhd

### Securities holdings in the Company and its subsidiaries

- ☐ None

### Family Relationship with any Director and/or major shareholder

- ☐ None

### Conflict of interest within the Company

- ☐ None

### List of convictions for offences within the past 10 years other than traffic offences

- ☐ None





## DATUK ALIAS BIN ALI

### Age

☐ 59

### Nationality

☐ Malaysian

### Qualifications

- ☐ Bachelor of Economics (Hons.), Universiti Malaya
- ☐ Master in Business Management (MBM), Asian Institute of Management (Manila)
- ☐ Diploma in Islamic Studies, University Kebangsaan Malaysia
- ☐ Diploma in Homeopathy Medicine, Homeopathic Medical Association of Malaysia

### Membership of Associations

- ☐ Member, Malaysian Institute of Management

### Position on the Board

- ☐ Non-Independent Non-Executive Director

### Date appointed to the Board

- ☐ 14.03.2006

### Working Experience and Occupation

- ☐ Datuk Alias begun his career serving in government departments and Ministries since 1970. He was appointed the Industrial Development Director of the Ministry of Trade & Industry in 1987. In 1990 he was appointed the Cabinet Under-Secretary in the Prime Minister's Department and Deputy Secretary-General (Cabinet) in 1995. He was the Secretary-General of the Ministry of Health from 2000 till 2004.

### Membership of Board Committees

- ☐ Member, Audit Committee



**Directorships of other public companies**

- ☐ Director, Intergrated Rubber Corporation Bhd
- ☐ Director, Air Asia Bhd
- ☐ Director, Fima Corporation Bhd
- ☐ Director, Mentakab Rubber Co. (Malaya) Bhd
- ☐ Director, Melati Ehsan Bhd

**Securities holdings in the Company and its subsidiaries**

- ☐ None

**Family Relationship with any Director and/or major shareholder**

- ☐ None

**Conflict of interest within the Company**

- ☐ None

**List of convictions for offences within the past 10 years other than traffic offences**

- ☐ None

## DATUK DR. JEGATHESAN A/L N M VASAGAM @ MANIKAVASAGAM

**Age**

- ☐ 63

**Nationality**

- ☐ Malaysian

**Qualifications**

- ☐ Bachelor of Medicine and Bachelor of Surgery, University of Singapore
- ☐ Diploma in Tropical Medicine and Hygiene, Mahidol University, Thailand
- ☐ Diploma in Clinical Pathology, University of London
- ☐ Member, Royal College of Pathologists, United Kingdom

- ☐ Fellow of the College of American Pathologists America
- ☐ Fellow, Royal College of Pathologists of Australasia

**Membership of Associations**

- ☐ Council Member, Academy of Medicine
- ☐ Founder Secretary and later President, Malaysia Sports Medicine
- ☐ Founder President, Malaysian Association of Doping Control in Sports
- ☐ Honorary Medical Advisor, Commonwealth Games Federation
- ☐ Chairman, Medical Committee of the Asian Athletic Association
- ☐ Chairman, Medical Committee of the Olympic Council of Malaysia
- ☐ Deputy President, Olympic Council of Malaysia

**Position on the Board**

- ☐ Independent Non-Executive Director

**Date appointed to the Board**

- ☐ 30.03.2006

**Working Experience and Occupation**

- ☐ Datuk Dr. Jegathesan began his career serving in numerous governmental departments in the Ministry of Health, culminating in the position of Deputy-Director General (Research and Technical Support) from 1994 till 1998. After a full term career in the Ministry of Health, Datuk Dr. Jegathesan served as Medical Advisor to the UNDP affiliated council for Health Research for Development in Geneva from 1988 to 2000, and thereafter as CEO of Sistem Hospital Awasan Taraf till 2003. He currently holds positions as Adjunct Professor, Faculty of Medicine and Health Sciences, Universiti Putra Malaysia; Adjunct Professor, Sports Science Center, Universiti Malaya, Consultant Microbiologist, Gribbles Pathology Laboratory Services, Consultant

**board of directors' profile (cont'd)**

Microbiologist, Sunway Hospital and MAHSA College and invited to be temporary Advisor to the World Health Organisation from time to time.

Datuk Dr. Jegathesan's other crowning achievements were when he was a participant in the Asian Games in Jakarta in 1962, where he was the first Malaysian to win a gold medal and was dubbed the "fastest man in Asia" and was Sportsman of the Year in 1966.

**Membership of Board Committees**

- ☐ Member, Nomination & Remuneration Committee
- ☐ Member, Audit Committee

**Directorships of other public companies**

- ☐ None

**Securities holdings in the Company and its subsidiaries**

- ☐ 34,160 ordinary shares

**Family Relationship with any Director and/or major shareholder**

- ☐ None

**Conflict of interest with the Company**

- ☐ None

**List of convictions for offences within the past 10 years other than traffic offences**

- ☐ None

board of directors' profile (cont'd)

TUAN HAJI GHAZALI  
BIN AWANG

Age

60

Nationality

Malaysian

Qualifications

- Bachelor of Commerce, University of Newcastle (N.S.W)
- Chartered Accountant, Institute of Chartered Accountants, Australia
- Chartered Accountant, Malaysian Institute of Accountants
- Diploma in Islamic Studies, International Islamic University

Membership of Associations

- Member, Malaysian Institute of Accountants (MIA)

Position on the Board

- Independent Non-Executive Director

Date appointed to the Board

14.03.2006

Working Experience and Occupation

- Tuan Haji Ghazali began his career as an Accountant in Wilson Bishop Bowes & Craig in Australia in 1972. Upon returning to Malaysia, he assumed several positions in the Government services, Permodalan Nasional Berhad and Shell Companies in Malaysia. In 1994, he assumed the position of Executive Director/Group Director, Finance & Corporate Services, Kumpulan Guthrie Bhd until he retired in 2003.

Membership of Board Committees

- Chairman, Audit Committee
- Member, Nomination & Remuneration Committee

Directorships of other public companies

- Director, HeiTech Padu Bhd
- Director, BIMB Unit Trust Management Bhd
- Director, Bank Simpanan Nasional

Securities holdings in the Company and its subsidiaries

- None

Family Relationship with any Director and/or major shareholder

- None

Conflict of interest with the Company

- None

List of convictions for offences within the past 10 years other than traffic offences

- None

DR. MOHD NASIR  
BIN HASSAN

Age

46

Nationality

Malaysian

Qualifications

- Bachelor of Medicine and Bachelor of Surgery (MBBS), University Malaya
- Paediatrics and Paediatric Cardiology, University of Liverpool, England
- Member, Royal College of Physicians (Edinburgh)

Membership of Associations

- None

Position on the Board

- Independent Non-Executive Director

Date appointed to the Board

31.10.2003

Working Experience and Occupation

- Dr. Mohd Nasir began his career as a Medical Officer with the Ministry of Health (MOH) and was appointed as Paediatric Specialist in MOH in 1992 before joining the National Heart Institute in 1994 as Paediatric Cardiology Specialist until 1986. Dr. Mohd Nasir is currently attached to Ampang Puteri Specialist Hospital as Resident Consultant Paediatrician.

**Membership of Board Committees**

☐ Member, Audit Committee

**Directorships of other public companies**

☐ None

**Securities holdings in the Company and its subsidiaries**

☐ None

**Family Relationship with any Director and/or major shareholder**

☐ None

**Conflict of interest with the Company**

☐ None

**List of convictions for offences within the past 10 years other than traffic offences**

☐ None



# senior management’s profile

## VALLIYAPPAN A/L S.THEVARAYAN

Factory Manager

Age

43

Nationality

Malaysian

Qualifications

- Master of Science, University Malaya
- Master of Medical Sciences, University Malaya

Membership of Associations

- Member, Parenteral Drug Association (USA)

Working Experience and Occupation

- Mr Valliyappan was promoted to Production Manager of the small volume injectables and large volume parenterals in the year 1997 and subsequently to his current position as a Factory Manager in the year 2000. He was appointed to the Board of Directors of Duopharma Biotech Berhad from 22 May 2002 until 14 March 2006. He is overall responsible for all manufacturing activities of the plant in Klang. He has been trained in the field of biotechnology especially in Medical Biotechnology and has vast experience in pharmaceutical productions.
- He has published several scientific publications in the field of monoclonal antibodies and antigens. Prior to joining Duopharma he was attached to Top Plant Laboratories Sdn Bhd, a commercial Biotech company for four years.

## DR ABDUL MANAF BIN MOHAMAD RADZI

General Manager

Age

52

Nationality

Malaysian

Qualifications

- Doctor of Philosophy (Ph.D.) in Chemistry (Major in Physical Chemistry and Minor in Inorganic Chemistry), University of Tennessee, Knoxville, USA
- Masters in Business Administration (MBA) – ITM-Ohio University programme

Membership of Associations

- None

Working Experience and Occupation

- He is currently the General Manager of CCM Duopharma Biotech Berhad and also heads CCM Pharmaceuticals (S) Pte Ltd. and Innovax Sdn Bhd. He has been in various fields and has held positions in academia, research and development, information technology, trading and manufacturing and has worked with start-ups, public listed companies and multi-national companies. He also holds directorships in subsidiaries of the CCM Group.

## CHEK WU KONG

Financial Controller

Age

41

Nationality

Malaysian

Qualifications

- Accounting (Hons), Universiti Malaya
- Malaysian Institute of Certified Public Accountant (MICPA)

Membership of Associations

- Member, MIA

Working Experience and Occupation

- Commenced career in an international firm of public accountants in 1990, gaining experience in taxation, auditing and accounting.
- He joined Komarkcorp Berhad in 1994 as an Accountant responsible for corporate restructuring, group accounting and finance.
- Promoted to Group Finance Manager in 1995 and thereafter to Group Financial Controller in 1996 before venturing into his own business in January 2000.
- He joined CCM Duopharma in August 2000 in his present capacity.





## focused

...our utmost responsibility lies in effective governance practices, safety, health and environmental efforts and maintaining stringent guidelines in product manufacturing.







**TAN SRI DATO' DR. ABU BAKAR BIN SULEIMAN**  
Chairman



## Dear Shareholders,

In what was a busy and eventful year, I am pleased to report that CCMD has lived up to expectations outlined in our Independent Advice Circular to shareholders dated 6 October 2005. As explained, the overriding goal of this exercise was to increase shareholder value over the long-term growth, and in this respect we are delivering on our promises. During the year, your Company continued to achieve significant market expansion both at home and abroad and this was reflected in its financial performance, where we recorded double-digit growth rates.

CCMD is also reaping a myriad of synergistic benefits since coming under the CCM banner. Having grown from strength to strength, we are positioning the Company to realise its long-term vision: to be a global player and leader in the pharmaceutical industry both in Malaysia and beyond. Guided by our corporate vision and with a road-map that will take us there, CCMD is moving forward with confidence.

**The year under review ended 31 December 2006 marked our first full year of operations as a subsidiary of the Chemical Company of Malaysia Berhad (CCM) Group. In line with our new corporate standing, we embarked on a rebranding exercise during the year. As a result, we are now known as CCM Duopharma Biotech Berhad (CCMD), a name that reflects the corporate identity of our parent company and allows for immediate brand recognition.**

### OPERATING ENVIRONMENT

Despite formidable challenges posed by the global environment, the Malaysian economy continued to demonstrate its resilience to achieve a healthy growth rate of 5.8% in 2006. Malaysia's sustained economic growth augurs well for the pharmaceutical industry, which is an important component of the healthcare sector. The industry has been projected to register growth of between 6% and 8% annually over the next several years.

In 2005, the domestic pharmaceutical market was estimated at RM2.7 billion, of which 70% to 80% was met by imports. Local production of pharmaceuticals mainly consisted of generic drugs, health supplements and injectables. Such empirical data points to the potential for local producers to significantly increase their market share. However, in 2006, the domestic industry had to contend with increasing imports from foreign generic manufacturers as well as rising costs of raw

**chairman's statement** (cont'd)

materials and packaging. In the face of these challenges, CCMD responded via a three-fold strategy of emphasising cost containment, productivity improvements and aggressive marketing. CCMD is benefitting from the synergy derived from coming under the CCM Group's corporate stable vis-à-vis the sharing of technology, knowledge, collaborative research and development (R&D); and expansion of distribution channels to gain access to new markets.

**FINANCIAL PERFORMANCE**

I take pride in informing you that for the seventh consecutive year, your Company has chalked up record earnings. CCMD posted a profit after tax of RM28.98 million for the financial year ended 31 December 2006 (FY 2006), an increase of 23.3% from RM23.51 million recorded in 2005.

For the same period, gross profit also grew by 17.1% to RM56.95 million from RM48.65 million. This was achieved on the back of an 11.5% increase in revenue to RM105.1 million, compared to RM94.30 million registered previously. CCMD's improved financial performance was attributed mainly to stronger sales to both the private and government sectors, as well as the launch of an array of new and diversified products during the year.

On the strength of its financial performance, the Group's earnings per share rose by 19.1% to 20.89 sen from 17.54 sen recorded in the previous corresponding period.

**DIVIDENDS**

To show our appreciation to shareholders for their support and loyalty, the Board of Directors is pleased to recommend a final dividend of 29% (14.5 sen) per share less 27% tax for the FY 2006. The total dividend for FY 2006 is 43% (21.5 sen) per share, consisting of the above final dividend and an interim dividend of 14% (7 sen) less 28% tax, which amounts to approximately RM21.7 million.

**CORPORATE DEVELOPMENTS**

The Company assumed its present name on 8 June 2006 in line with the CCM Group's strategy to enhance brand image and identification. By adding on CCM's name, we are riding on an established brand for the past 40 years. Integral to the re-branding exercise, the CCM logo has now been incorporated on all packaging materials allowing for better product recognition among customers and instilling brand loyalty. CCMD's market development team also reviewed and redesigned some of the packaging for over-the-counter (OTC) products to reflect the CCM identity.





For the same period, gross profit also grew by 17.1% to RM56.95 million from RM48.65 million. This was achieved on the back of an 11.5% increase in revenue to RM105.1 million, compared to RM94.30 million registered previously.

**chairman's statement** (cont'd)

The change management process has entailed a review and subsequent upgrading of organization structures, systems, methods and procedures to comply with those of our parent company. Our IT system has been revamped and upgraded in compliance with the standards set by CCM. It was also a year of adapting to a new corporate culture, a process facilitated through participation in corporate activities organised by the CCM Group, such as the Sports Carnival, Quality Convention and other recreational activities. In summary, CCMD staff have adapted remarkably well to the challenge of the new corporate culture and work ethics introduced by CCM.

CCMD continued to place emphasis on optimising its portfolio of assets, divesting those that are no longer performing or in line with our core pharmaceuticals business.

Thus, on 24 November 2006, we divested our 40% equity stake in Altratec Sdn Bhd, a company whose principal activity is the re-packaging of food products.

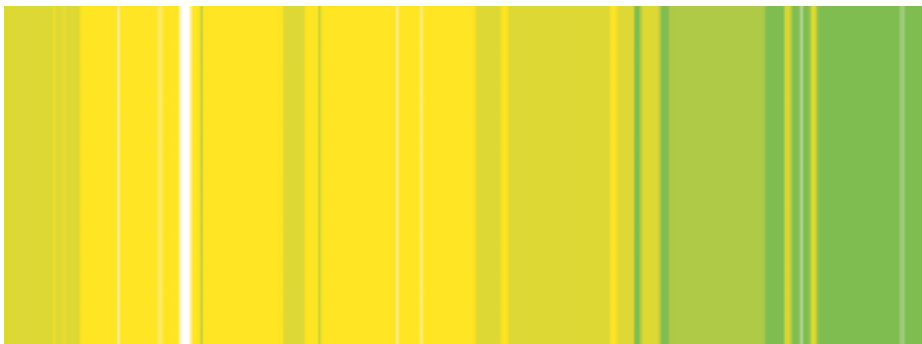
**OPERATIONAL HIGHLIGHTS**

CCMD is reaping the benefits of operational synergies and economies of scale by way of the enhancement of its R&D activities. We are now able to tap into the expertise of CCM's pharmaceutical R&D company, Innovax Sdn Bhd, and this has resulted in the development of a wider range of products introduced to the market.

During the year in review, 3 new ethical products were launched further increasing our product range. Among these were ACE inhibitors for reducing blood pressure, anesthetics, contraceptives and anti-

retroviral drugs for the treatment of HIV-infected patients.

CCMD also launched 5 new OTC herbal products traditionally used to maintain general health and well being. CCMD took two years to develop Diamelon, which was launched on 18 December 2006. The product is derived from bitter melon (bitter gourd), traditionally used to manage blood sugar levels. Three other herbal products were launched by the Deputy Prime Minister YAB Dato' Sri Mohamad Najib Tun Razak in September 2006. Sunlax is a food supplement that rejuvenates, refreshes and relaxes through an active ingredient commonly found in green tea. The other two products, Pygenol, nourishes the skin while Lipasu Plus is a herbal fat blocker containing flavanols extracted from plants.





As reported last year, CCMD won tender awards to supply SLN 30 and SLN 40 tablets and Methadone to the Ministry of Health (MOH). We are the only company in Malaysia permitted by the patent holder to produce SLN and SLN 40, and supplies of these 3-in-1 anti-retroviral drugs for the treatment of HIV/AIDS patients commenced in 2006. Methadone is a well-tested medication used for the treatment of narcotic withdrawal and has proven highly successful in an initial 6-month government pilot programme to wean drug users from their addiction. The Government has decided to extend this programme to three years and CCMD will be a supplier of Methadone to the MOH up to the year 2009.

We have embarked on a major promotional advertising campaign to reach out to a larger customer base and tap into sectoral markets by participating in nationwide media events and exhibitions.

On the international front, CCMD's products already enjoy a strong presence in ASEAN markets. ASEAN markets will continue to be the mainstay of our export business, but by tapping into CCM's distribution network, we are moving further down the path towards becoming an international rather than a mere regional

player. We have already started export sales to new markets in the Middle East and Africa, and we plan to consolidate our presence in these regions. Meanwhile, markets in Central Europe and Central Asia are being developed.

### **SUSTAINING INNOVATIVE GROWTH**

CCMD is in a much stronger position today than ever before to realise its ultimate goal encapsulated in its corporate vision. Nonetheless, given the competition and the challenges that lie ahead, sustaining our momentum will be no mean feat.

Further internationalisation of the Group's activities is a major challenge we have to master to continue to enhance shareholder value. Among strategies adopted, CCMD is establishing direct supply channels to government hospitals overseas and is also seeking strategic partnerships with established agents and distributors in the

host countries. Our participation in trade fairs in targeted regions will also help increase brand and product awareness.

We also need to continually improve and expand our product range. In this regard, CCMD plans to invest around three percent of its revenue for R&D activities annually. CCMD's niche lies in the manufacture of small volume injectables, but we are also venturing into another niche market catering to the growing demand for herbal and OTC products. To cite an example, Donna is currently exported to the ASEAN markets, but by 2007, we plan to export the product to countries in the Middle East as well. More herbal and OTC products will be launched in 2007, with many others in varying stages of development. CCMD is also in discussions with the relevant authorities to obtain the 'halal' certification for some of its products. This will ensure a smoother entry into Muslim markets, which is another rapidly expanding niche market.

**We are the only company in Malaysia permitted by the patent holder to produce SLN and SLN 40, and supplies of these 3-in-1 anti-retroviral drugs for the treatment of HIV/AIDS patients commenced in 2006.**





**Knowledge skills revolve around the operational and technical knowledge required to perform the job competently, and would include courses on sales and marketing, management techniques and financial analysis among others.**

The past year has seen a steady increase in CCMD's business activities and the range of products being manufactured. We anticipate the up-trend is likely to continue in tandem with the growing demand for pharmaceutical products at home and abroad. Taking a proactive stance, we have initiated plans to set up additional manufacturing and warehousing facilities.

In all that we strive to achieve, CCMD has long recognised the strategic importance of the human capital as the key driver for growth. That is why the Company expends considerable resources each year in training and developing its human capital. Our training programmes are tailored towards the development of the employees' knowledge and soft skills. Knowledge skills revolve around the operational and technical knowledge required to perform the job competently, and would include courses on sales and marketing, management techniques and financial analysis among others. On the other hand, soft skills addresses aspects of how individuals relate

to others, such as interpersonal skills, team building and leadership development, just to cite a few examples.

CCMD deploys both internal and external trainers. For operational and technical-specific programmes, we rely on our pool of in-house trainers as well as trainers from the CCM Group of Companies. Our external trainers comprise mainly consultants, lecturers and specialists drawn from academic institutions and Government bodies. Key personnel also undergo rigorous training and gain local and overseas exposure through collaboration with related institutions and vendors.

We cannot afford to slacken in the pursuit of quality excellence. Our operations are based on the internationally recognised current Good Management Practice (cGMP). During the year, CCMD embraced Total Quality Management (TQM) as the management tool to continually improve processes, products and services. To

ensure maximum participation by employees, we have set up Quality Improvement Teams, who have been tasked to develop and fine-tune programmes that are customer-centric, flexible and responsive to improving quality. We continue to enhance our reputation as a manufacturer and supplier of quality products.

While sustaining the momentum of our business, we are not neglecting our responsibility in the key areas of Safety, Health and Environment (SHE). CCMD is justifiably proud of its SHE record, and this has been reinforced through the formation of SHE committees, comprising staff from various departments and all levels of the corporate hierarchy. During the year, a slogan campaign was organised in addition to SHE plant audit and training programmes. A SHE policy has also been formally drawn up and displayed prominently at various locations to remind all employees that SHE is everybody's responsibility.

### **A NEW ERA OF GROWTH**

The extent of the Group's earnings growth in the coming financial year will be considerably influenced by general economic conditions. Already, the financial

**chairman's statement** (cont'd)

year 2007 is shaping to be a good one. Analysts have shrugged aside the minor hiccup in global equity markets experienced in March 2007, and the global economy is projected to remain on track to achieve growth of 4.7%. The Malaysian economy is expected to remain resilient, given its endowment of crude oil resources and through effective macroeconomic policies. Against this favourable backdrop, demand for healthcare products is expected to remain robust in Malaysia and markets throughout the world.

Going forward, our growth in Malaysia and around the world will continue in FY 2007 barring any unforeseen circumstances. We have a strong operating cash flow and our solid financial base has contributed greatly to our competitiveness. More importantly,

we have the human capital edge measured in terms of knowledge and years of experience in the business. From this position of strength, we will continue to seize opportunities coming our way and consolidate the foothold we have established in selected areas. In the coming year, CCMD has plans to introduce more OTC, ethical and herbal-based products and medication. Over the longer term, earnings from the Group's overseas ventures could provide a steady stream of recurring earnings and we are stepping up our export drive to new markets in the South Pacific, West Asia and the African continent.

CCMD remains very much an unfolding story, with many more exciting chapters to be written.

**APPRECIATION**

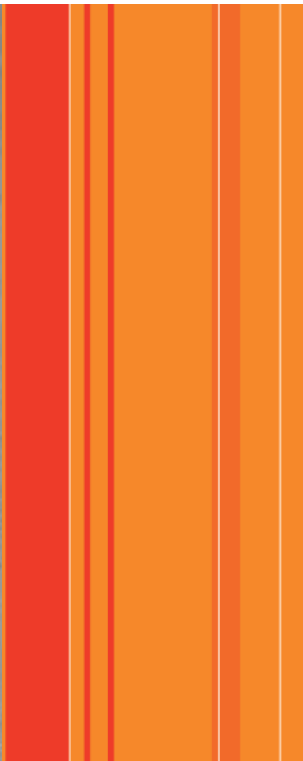
High levels of performance, professionalism and sheer hard work on the part of our management and staff were vital success factors. We have a great team and I thank all of you for your contributions. We also owe our success to the support and cooperation received from several quarters, namely, our business associates, government regulatory authorities and advisers. The many loyal customers of CCMD at home and abroad and of course, our shareholders deserve special mention. To all of you, please accept my gratitude and sincere appreciation.

Thank you.

**TAN SRI DATO' DR. ABU BAKAR BIN SULEIMAN**  
Chairman







## competitiveness

Retaining our leading edge through innovative Research & Development as we strive to be constantly ahead of the competition...

## statement on corporate governance







Our Board of Directors bring with them collective experience that will ensure excellent corporate governance and enhanced group performance.

#### THE CODE

The Board of Directors is committed to ensure that good corporate governance is being practised throughout the Group, as it is a fundamental part of discharging its responsibilities to enhance shareholders' value and financial performance of the Group. The following statement sets out how the Company has applied the principles in Part I of the Malaysian Code of Corporate Governance.

#### THE BOARD OF DIRECTORS

The Board retains full and effective control of the Group. The Board currently consists of seven (7) members, including two (2) Executive Directors and five (5) Non-Executive Directors. The Directors, with their different backgrounds and specialisations, collectively bring with them a wide range of experience and expertise to enable the Board to lead and control the Company effectively. A brief description on the background of the Directors is presented in this Annual Report.

The Board has a balanced composition of Executive and Non-Executive Directors, with one third independent Non-Executive

Directors. The Board has met six (6) times during the financial year under review. It is envisaged that the Board will convene additional meetings as necessary. All Board members bring an independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Board, in discharging its fiduciary duties, is assisted by two (2) Board Committees, namely the Audit Committee and the Nomination & Remuneration Committee, each entrusted with specific tasks.

These Committees have the authority to examine particular issues and report back to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

All Committees have written terms of reference, which have been approved by the Board, and the Board receives report of their proceedings and deliberations. The Chairman of the various committees will report to the Board on the outcome of the Committee meetings and such reports will be incorporated in the minutes of the Board Meeting.



statement on corporate governance (cont'd)

MEETINGS AND SUPPLY OF INFORMATION

Board Meetings are scheduled a year ahead in order to enable full attendance at Board meetings. During the financial year under review, the Board deliberated upon and considered a variety of matters including the Group's financial results, strategic plan and business plan of the Group in the meetings held. During the year, six board meetings were held. Details of the Directors' meeting attendances during the financial year are as follows:-

Scheduled Board meetings are structured with a pre-set agenda. Prior to the Board meetings, all Directors are provided with the board papers containing information relevant to the business of the meeting. All Directors, whether as a Board or in their individual capacity have full access to information within the Group and to obtain independent professional advice in furtherance of their duties at the Group's expense, if required. In addition, all Directors have access to the advice and service of the Company Secretary.

Name of Directors	Status	No of Meetings Attended
Tan Sri Dato' Dr. Abu Bakar bin Suleiman	Chairman, Non-Independent Non-Executive Director	6/6
Dr. Mohamad Hashim bin Ahmad Tajudin	Executive Director	6/6
Dato' Haji Mizanur Rahman bin S. M. Abdul Ghani	Managing Director	6/6
Dr. Mohd Nasir bin Hassan	Independent Non-Executive Director	6/6
Datuk Alias bin Ali (Appointed w.e.f. 14 March 2006)	Non-Independent Non-Executive Director	3/4
Tuan Haji Ghazali bin Awang (Appointed w.e.f. 14 March 2006)	Independent Non-Executive Director	4/4
Datuk Dr. Jegathesan a/l N M Vasagam @ Manikavasagam (Appointed w.e.f. 30 March 2006)	Independent Non-Executive Director	3/4

## All Board members bring an independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

### AUDIT COMMITTEE

Audit Committee reviews issues of accounting policy and presentation of external financial reporting, monitors the work of the internal audit function and ensures that an objective and professional relationship is maintained with the external auditors. The Audit Committee works closely with both the internal and external auditors who, in turn, have access to the Chairman of the Audit Committee.

The composition and terms of reference of the Audit Committee are set out in the Audit Committee Report.

### NOMINATION AND REMUNERATION COMMITTEE

The Nomination Committee and Remuneration Committee, both established on 15 July 2002 were merged as a single committee by the Board on 30 March 2006. The Nomination and Remuneration Committee consists of Non-Executive Directors. The present members of the Nomination and Remuneration Committee comprise:-

The duties of the Committee shall be to:-

- ☐ recommend to the Board, candidates for all directorships. In making the recommendations the Committee should also consider candidates proposed by the Chief Executive Officer/Managing Director, and within the bounds of practicability, by any other senior executive, Director or shareholder;
- ☐ recommend to the Board, Directors to fill the seats on Board Committees;
- ☐ review annually the required mix of skills and experience of the Board, including the core competencies which Non-Executive Directors should bring to the Board;
- ☐ assess annually the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director.
- ☐ The duties of the Committee shall be to recommend to the Board the remuneration of the Executive Directors in all its forms.

Name	Position
Tan Sri Dato' Dr. Abu Bakar bin Suleiman	Chairman (Non-Independent Non-Executive Director)
Datuk Dr. Jegathesan a/l N M Vasagam @ Manikavasagam	Member (Independent Non-Executive Director)
Tuan Haji Ghazali bin Awang	Member (Independent Non-Executive Director)

**statement on corporate governance (cont'd)**

The objectives of the Nomination & Remuneration Committee are as follows:

- (i) to establish a remuneration framework for Directors and make recommendations to the Board of Directors on all elements of remuneration, terms of employment, reward structure and fringe benefits for Directors.
- (ii) to review and assess the composition of the Board of Directors to ensure that there is an appropriate balance of skills, experience and expertise among the Board members.
- (iii) to make recommendations to the Board with regard to appointment of new Directors. The Nomination Committee had assisted the Board in carrying out an annual review on the balance and size of Non-Executive participation in the Board as well as establishing procedures and processes for the annual assessment of the effectiveness of the Board as a whole and the contributions of each Director and Board Committee member.

The Nomination and Remuneration Committee held one (1) meeting in 2006.

**APPOINTMENT AND RE-ELECTION OF DIRECTORS****Appointment**

The Board appoints its members through a formal process, which is consistent with the Company's Articles of Association.

The proposed appointment of a new member to the Board, as well as the proposed re-appointment and re-election of Director seeking re-election at the Annual General Meeting are recommended by the Nomination and Remuneration Committee (NRC) to the Board for approval.

New members of the Board undergo an in-house company training programme to familiarise themselves with the operations of the Group.

**Re-Election**

The Company's Articles of Association provide that at least one-third (1/3) of the Board are subject to retirement by rotation at each Annual General Meeting provided always that each Director shall retire at least once in every three years. The Directors to retire in each year are the Directors who have been longest in office since their appointment or re-appointment. A retiring Director is eligible for re-election. This provides an opportunity for shareholders to renew their mandates. To assist shareholders in their decision, sufficient information such as personal profile, meeting attendance and the shareholdings in the Company of each Director standing for election are furnished in a separate statement accompanying the Notice of Annual General Meeting.

**The Audit Committee works closely with both the internal and external auditors who, in turn, have access to the Chairman of the Audit Committee.**

#### **DIRECTORS' TRAINING**

All Directors have attended and successfully completed the Mandatory Accreditation Programme (MAP) conducted by the relevant authorities and have attained the CEP points as required by the authorities.

The Directors undergo Continuing Education Programme (CEP) or relevant training programme to further enhance their skill, knowledge and to keep themselves updated on the expectations of their roles and other market developments. Besides, the Group organised forum on products familiarisation and in-house training on "Financial Reporting Standards" to keep them updated on developments in the marketplace and regulatory changes.

#### **INVESTORS RELATION AND SHAREHOLDERS COMMUNICATION**

The Board recognises the importance of maintaining effective communication, ensuring timely and accurate disclosure of information to the shareholders and investors of the Group. Besides the information communicated through the annual report, various announcements on significant events are made throughout the year and quarterly financial results are announced via Bursa Malaysia Securities Berhad's website ([www.bursamalaysia.com](http://www.bursamalaysia.com)) to ensure shareholders are apprised with up-to-date overview of the Group's performance and operations.

#### **DIRECTORS' REMUNERATION**

Details of Directors' remuneration paid by the Group for the financial year ended 31 December 2006 are as follows:-

	<b>Salaries, Bonus &amp; Other Emoluments RM'000</b>	<b>Fees RM'000</b>	<b>Benefits In-kind RM'000</b>	<b>Total RM'000</b>
Executive Directors	602	—	23	625
Non-Executive Directors	—	213	—	227

The number of Directors of the Group whose remuneration fall within the respective bands are as follows:-

<b>Range of Remuneration</b>	<b>Number of Directors</b>	
	<b>Executive</b>	<b>Non-Executive</b>
Below RM50,000	—	8
RM50,001 to RM100,000	—	1
RM600,000 to RM650,000	1	—

## **All members of the Board as well as the external auditors of the Company are available to respond to shareholders' queries raised at the meeting.**

---

The Annual General Meeting ("AGM") is the principal forum for dialogue and interaction with shareholders of the Company. Notice of the AGM and annual reports are sent out to the shareholders at least 21 days before the date of the meeting. At each AGM, the Board presents the progress and performance of the business and encourages shareholders to participate in the question and answer session or to seek clarification on the Group's performance and business climate. All members of the Board as well as the external auditors of the Company are available to respond to shareholders' queries raised at the meeting.

Continuous briefing for members of the media, fund managers, institution investors and investment analysts are held to provide updates on key events and latest developments of the Group. The Group's corporate website, [www.duopharma.com.my](http://www.duopharma.com.my) and an Investors' Relation (IR) website, [www.wallstraits.com](http://www.wallstraits.com), provide avenues for dissemination of up-to-date information such as corporate information, financial information, press releases, share price history and other relevant news on the Group. Shareholders and all interested parties can subscribe free of charge to the IR e-alert, enabling them to be alerted on latest developments of the Group.

### **ACCOUNTABILITY AND AUDIT**

#### **Financial Reporting**

The Board is aware of its responsibilities to shareholders and the requirement to present a balanced and comprehensive assessment of the Group's financial position and prospects. In this regard, the Directors are responsible for the preparation of financial statements that give a true and fair view of the state of affairs of the Group at the end of the financial year.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group, to enable them to ensure that the financial statements comply with the Companies Act, 1965 and approved Accounting Standards in Malaysia. The Directors are also responsible for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Internal Control**

The Statement on Internal Control on page 41 of the Annual Report provides an overview on the state of internal control within the Group.

#### **Risk Management**

The report on Risk Management on page 39 to 40 of the Annual Report describes the structure and process of risk management in the Group.

#### **Audit Committee**

The details are shown in the accompanying report of the Audit Committee on pages 37 to 38.

#### **Internal Audit**

The Group has established an Internal Audit Division that reports to the Audit Committee.

The Audit Committee reviews and approves the audit plan, which identifies the scope of work for the year.

The Internal Auditor reports to the Audit Committee.

## statement on corporate governance (cont'd)

### STATE OF INTERNAL CONTROL

The Directors are fully aware of the responsibilities to maintain a sound system of internal controls to safeguard shareholders' investment and the Group's assets. The Directors' responsibilities for the Group's system of internal controls cover not only financial aspects of the business but also operational and compliance controls as well as risk management matters.

The function of the Internal Audit Department is to assist the Audit Committee and the Board of Directors as follows:-

- Perform regular review on compliance of operational procedures using risk based audit approach
- Conduct investigations on specific areas or issues as directed by the Audit Committee and the Management
- Facilitate and evaluate the risk management processes

The Statement on Internal Control is presented in this Annual Report to provide an overview of the state of internal controls within the Group.

### RELATIONSHIP WITH THE AUDITORS

The Company has established and maintained a professional and transparent relationship with the Company's external auditors, Messrs KPMG in seeking professional advice and ensuring compliance with the accounting standards in Malaysia.

### DIRECTORS' RESPONSIBILITIES IN RELATION TO THE PREPARATION OF THE AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 1965 to prepare financial statements which are in accordance with applicable approved accounting standards and give a true and fair view of the state of affairs of the Group and the Company at the end of the financial period and of the results and cash flows of the Group and the Company for the financial period.

In preparing the financial statements, the Directors have:

- adopted suitable accounting policies and applied them consistently;
- made judgements and estimates that are prudent and reasonable;
- ensured that applicable accounting standards have been followed; and
- prepared the financial statements on the going concern basis.

The Directors have prepared the annual financial statements in compliance with the Companies Act, 1965.

### COMPLIANCE STATEMENT

The Company has complied throughout the financial year with all the best practice of corporate governance set out in Part 2 of the Code, except for Best Practice AAVII (Nomination of a Senior Independent Non-executive Director). Given the current composition of the Board which reflects a strong independent element and the separation of the roles of the Chairman and Managing Director, the Board does not consider it necessary at this juncture to nominate a Senior Independent Non-Executive Director.

### OTHER INFORMATION

#### 1. Non-Audit Fees

During the financial year ended 31 December 2006, the non-audit fees paid to the external auditors or a firm or a company affiliated to the Auditor's firm amounted to approximately RM46,000.



## statement on corporate governance (cont'd)

### 2. *Material Contracts*

There were no contracts entered into by the Group involving Directors or major shareholders' interest, either subsisting at the end of the financial year ended 31 December 2006 or entered into since the end of the previous financial year.

### 3. *Revaluation policy*

The Group adopted a policy to revalue its landed properties every five years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying amount.

### 4. *Share Buy-back*

There was no share buy-back effected during the financial period ended 31 December 2006.

### 5. *Employees' Share Option Scheme ("ESOS")*

The ESOS of the Company was approved by the shareholders on 25 June 2004.

On 26 January 2005, the Company granted options to eligible employees of the Group to subscribe for a total

of 7,938,000 new ordinary shares of RM0.50 each in the Company at an option price of RM2.32 per share. To date, a total of 7,433,000 options have been exercised.

The Audit Committee has verified that the options granted were made in accordance with the By-laws of the ESOS.

### 6. *Options, Warrants or Convertible Securities*

There were no options, warrants or convertible securities issued by the Company during the financial period ended 31 December 2006.

### 7. *American Depositary Receipt ("ADR") or Global Depositary Receipt ("GDR") Programme*

During the financial period ended 31 December 2006, the Company did not sponsor any ADR or GDR programme.

### 8. *Imposition of Sanctions / Penalties*

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management, by the relevant authorities.

### 9. *Profit Guarantees*

There were no profit guarantees during the financial period ended 31 December 2006 by the Company.

### 10. *Contracts Relating to Loans*

There were no contracts relating to loans by the Company involving Directors' and major shareholders' interests.

### 11. *Recurrent Related Party Transaction of a Revenue or Trading Nature*

At an Annual General Meeting ("AGM") held on 18 May 2006, the Company obtained a shareholders' mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature.

The disclosure of the recurrent related party transactions conducted during the financial period ended 31 December 2006 is set out on page 91 of the Annual Report.

# report of the audit committee

## TERMS OF REFERENCE

### Membership

- The Audit Committee shall have a minimum of three (3) directors, a majority of whom are independent.
- The Chairman of the Audit Committee shall be an Independent Non-executive Director.
- At least one member of the Committee:-
  - i. must be a member of the Malaysian Institute of Accountants (MIA); or
  - ii. if not a member of MIA:
    - ☐ he must have at least three years of working experience; and
    - ☐ he must have passed the examination specified in Part I of the 1st Schedule of the Accountants Act 1967; or
    - ☐ he must be a member of one of the Association of Accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.

### Meeting

- The quorum shall be two members, who must be Independent Directors.
- The Internal Auditor shall be invited to attend the meeting.
- A representative of the external auditor shall be invited to attend the meeting, where necessary.

### Authority

The Audit Committee shall have:

- i. the authority to seek any information relevant to its activities from employees of the Company and the Group.
- ii. the necessary resources required to carry out its duties and is authorized to obtain such independent professional advice it considers necessary.
- iii. full and unlimited access to any information and documents pertaining to the Company and the Group.

### Responsibilities

- To review the financial reporting to external parties carried out by the Group.
- To review the accounting policies of the Group.
- To review the scope and audit programmes of the internal and external auditors and any material issues arising from these audits.
- To review the effectiveness of the Group's systems of accounting and internal controls.
- To review the effectiveness of the Group's risk management process.
- To recommend to the Board the appointment of the external auditors and the level of their fees.
- To consider any related party transactions that may arise within the Group.

report of the audit committee (cont'd)

Members and Meetings

The Audit Committee comprises of four (4) members, all of whom are Non-executive Directors.

A total of four (4) meetings were held during the year. The status and attendance record of each of the members during the year, are as follows:

Name	Status of Directorship	Number of Meetings	
		Held	Attended
Tuan Haji Ghazali bin Awang (Chairman) (appointed on 14 March 2006)	Independent Non-Executive	3	3
Dr. Mohd. Nasir bin Hassan	Independent Non-Executive	4	4
Datuk Alias bin Ali (appointed on 14 March 2006)	Non-Independent Non-Executive	3	2
Datuk Dr. Jegathesan a/l N M Vasagam @ Manikavasagam (appointed on 23 May 2006)	Independent Non-Executive	2	1

Activities during the Year

The following activities were carried out by the Audit Committee during the year:

- i. Reviewed and approved the internal audit plan for the year.

ii. Reviewed the audit reports of the Company prepared by the internal and external auditors and consideration of the major findings by the auditors and management responses thereon.

iii. Reviewed the quarterly and annual reports of the Company prior to submission to the Board of Directors for consideration and approval.

iv. Reviewed the related party transactions entered into by the Company and the disclosure of such transactions in the annual report and circular on recurrent related party transactions.
- v. Reviewed the Company’s risk profile, risk assessment reports from the Risk Management Committee and the management process for identifying, evaluating and managing the significant risks faced by the Company.

vi. Reviewed with the External Auditors, their management letter and the management reports.

vii. Evaluated the performance of the External Auditors and made recommendations to the Board of Directors on their re-appointment and audit fees.

Internal Audit

The Company has an internal audit function whose principal responsibility is to undertake regular and systematic risk-based assessments of the systems of internal control so as to

provide reasonable assurance that such systems are adequate and continue to operate effectively in managing the key risks of the Company.

Further details of the activities of the internal audit department are set out in the Statement on Internal Control on page 41.

Relationship with External Auditors

The External Auditors are invited to all the meetings of the Audit Committee and they attended all the meetings of the committee during the year. The Audit Committee also met once during the year with the External Auditors without the presence of executive Board members and Management.

# report on risk management

## RISK MANAGEMENT

Risk Management is an integral part of the Company's corporate governance structure and a key management tool. A systematic and integrated risk management process is formally established in the Company. The process is overseen by a Risk Management Committee chaired by the Managing Director and comprises Senior Management staff of the Company. The Company's Risk Management Facilitation Team reports to the Risk Management Committee and also the Board Audit Committee on the Company's key risks and the state of measures to manage the Company's key risks.

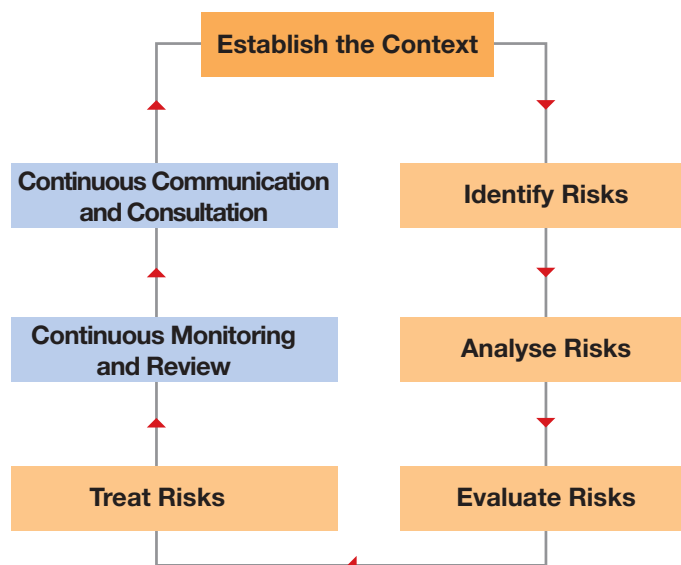
The Company's recognises the broad spectrum of risks which it faces along with the opportunities which it seeks in its businesses and operations. It is hence the Company's objective to maintain an effective risk management programme to assess and mitigate these risks and thereby facilitate the Company in meeting all its business objectives, most specifically:-

- To enhance the Company's high standards of corporate governance;
- To safeguard shareholders' investment;
- To safeguard the Company's assets;
- To develop the Company's employees and promote their well-being; and
- To facilitate the Company's long-term growth under all business conditions.

The Company's Annual Risk Management Programme is approved by the Risk Management Committee. The risk management activities outlined in the Programme are facilitated by the Risk Management Facilitation Team including updating of risk profiles; "just-in-case" risk scenario planning; and risk analysis of business or operational initiatives/issues emerging in the Company.

## RISK MANAGEMENT PROCESS

The Company's risk management process involves establishing the context of risk in relation to the Company and thereon risk identification, analysis, evaluation and treatment. Throughout this process, there is continuous monitoring and review; and communication and consultation. The process is illustrated as follows:-



The Company's risk management process is described further in the "Statement on Internal Control" on page 41 of this Annual Report.

report on risk management (cont'd)

RISK ANALYSIS AND MITIGATION

The identified risks are analysed according to their likelihood of occurrence and significance of their consequences. Based on the risk analyses and subsequent evaluation for treatment priority, the appropriate risk mitigation strategies are devised to treat the risks accordingly.

The following illustrates risk profiles in general and describes generally the respective risk mitigation strategies of the Company.

RISK A

The risk must be managed by senior management with a detailed action plan or significant senior management attention is required. Extensive management of the risk is essential with focus on both reducing the likelihood of the risk and mitigating its consequence.

RISK B

Considerable management attention is required including specifying management responsibility. Given the significant consequence of the risk, preventive control measures must be maintained effectively with regular assessment thereof in order to maintain the likelihood of the risk occurring at a low level. Ideally, contingency measures should also be maintained to mitigate the consequence of the risk should it eventuate.

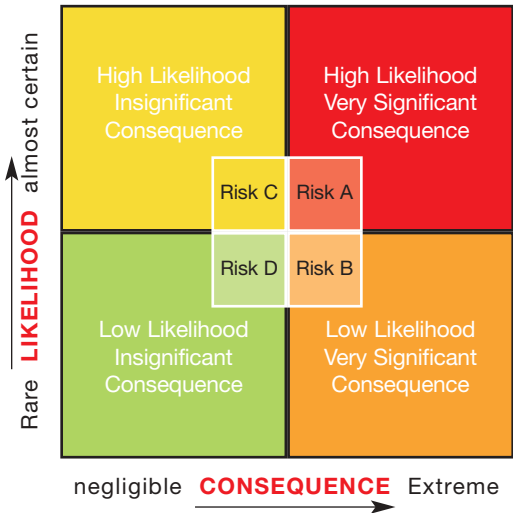
RISK C

While the consequence of the risk is insignificant, its high likelihood of occurrence should be reduced. Management should monitor the risk; identify its root causes; and design and implement corrective measures to reduce its likelihood of occurrence.

RISK D

The risk may be managed by routine procedures or may be worth accepting with monitoring by Management. The risk may also not need specific application of resources in which case the risk is accepted by Management.

RISK ANALYSIS



## statement on internal control

**The Board is responsible for the Company's system of internal control and for reviewing its adequacy and integrity. The system includes financial, operational and compliance controls and risk management.**

The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and accordingly, it can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board confirms that as an integral part of the system of internal control, there is an ongoing risk management process for identifying, evaluating and managing the significant risks faced by the Company. Management has operated this process during the year under review up to the date of approval of the annual report; and the process is subjected to regular review by the Board. The Company has a Risk Management Committee which is chaired by the Managing Director and comprises Senior Management of the Company, to provide oversight and added impetus to the risk management process.

Management from each operations area apply a risk/control self-assessment approach to identify the risks relating to their area; the likelihood of these risks occurring; the consequences if they do

occur; and the actions being and/or to be taken to manage these risks to the desired level. The risk profiles and risk treatment measures determined from this process are documented in risk registers with each operation having its respective risk register. The overall process is facilitated by the Risk Management Facilitators who are dedicated to the role.

The Risk Management Facilitators communicate and consult with management and also facilitate risk analysis of business or operational initiatives/issues emerging in the Company; conduct follow-up of the updating of risk profiles and the implementation of risk treatment measures by management; facilitate analysis of "just-in-case" risk scenarios; and organize a risk management training workshop during the financial year ended 31 December 2006.

The key risks which are identified through the risk management process are reported to the Risk Management Committee and also Audit Committee of the Board. This enables the Audit Committee to focus on the key risks

inherent in the Company's business and operations and the system of internal control necessary to manage such risks.

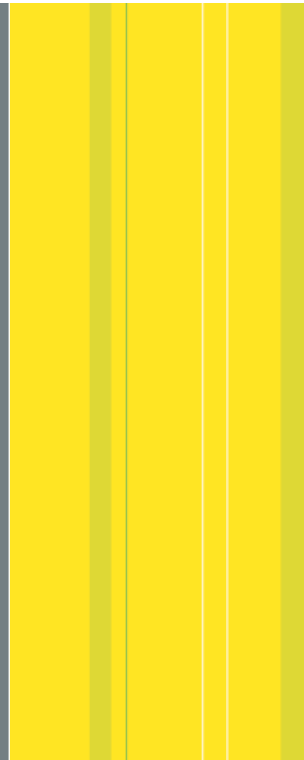
Internal Audit independently reviews the adequacy and integrity of the system of internal control in managing the key risks and report accordingly to the Audit Committee on a quarterly basis. Where significant weaknesses have been identified as a result of the reviews, improvement measures are recommended to strengthen controls; and follow-up audits are conducted by Internal Audit to assess the status of implementation thereof by management. In carrying out its work, Internal Audit focuses on areas of priority as determined by risk analysis which are incorporated in the annual audit plan approved each year by the Audit Committee.

There were no material weaknesses in the system of internal control that would require separate disclosure in this Annual Report.



## growth

...so that we are able to better explore and expand  
into new markets while further enhancing our  
existing ones as we improve the quality for all.





# financial statements

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## DIRECTORS' REPORT

for the year ended 31 December 2006

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2006.

### PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding, whilst the principal activities of the subsidiary are as stated in note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

### CHANGE OF NAME

During the year, the Company changed its name from Duopharma Biotech Bhd to CCM Duopharma Biotech Berhad.

### RESULTS

	Group	Company
	RM'000	RM'000
Profit for the year	28,979	18,338

### RESERVES AND PROVISIONS

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

### DIVIDENDS

Since the end of the previous financial year, the Company paid:

- i) a final dividend of 35% (17.5 sen) per share less tax at 28% totalling approximately RM17.48 million in respect of the year ended 31 December 2005 on 8 June 2006 based on the paid-up share capital of 139,425,000 ordinary shares of RM0.50 each less treasury shares amounting to 658,000 ordinary shares of RM0.50 each; and
- ii) an interim dividend of 14% (7 sen) per share less tax at 28% totalling approximately RM6.99 million in respect of the year ended 31 December 2006 on 22 September 2006 based on the paid-up share capital of 139,432,000 ordinary shares of RM0.50 each less treasury shares amounting to 658,000 ordinary shares of RM0.50 each.

The final dividend recommended by the Directors in respect of the year ended 31 December 2006 is 29% (14.5 sen) per share less tax at 27% totalling to approximately RM14.69 million based on the paid up share capital of 139,432,000 ordinary shares of RM0.50 each less treasury shares amounting to 658,000 ordinary shares of RM0.50 each.

## DIRECTORS' REPORT (cont'd)

for the year ended 31 December 2006

### DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

Tan Sri Dato' Dr. Abu Bakar bin Suleiman  
Dato' Haji Mizanur Rahman bin S M Abdul Ghani  
Dr. Mohamad Hashim bin Ahmad Tajudin  
Datuk Alias bin Ali  
Datuk Dr Jegathesan a/l N M Vasagam @ Manikavasagam  
Tuan Haji Ghazali bin Awang  
Dr. Mohd Nasir bin Hassan

### DIRECTORS' INTERESTS

The holdings and deemed holdings in the ordinary shares of the Company and of its related corporations of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

Number of ordinary shares of RM0.50 each				
	At 1.1.2006	Bought	Sold	At 31.12.2006
<b>Direct interest in the Company</b>				
Tan Sri Dato' Dr. Abu Bakar bin Suleiman	26,400	260,000	—	286,400
Datuk Dr. Jegathesan a/l N M Vasagam @ Manikavasagam	—	34,160	—	34,160
<b>Indirect interest in the Company</b>				
Tan Sri Dato' Dr. Abu Bakar bin Suleiman #	11,000	—	—	11,000
<b>Shares in the intermediate holding company, Chemical Company of Malaysia Berhad</b>				
Dato' Haji Mizanur Rahman bin S M Abdul Ghani				
– direct interest	209,300	33,500	—	242,800
– indirect interest*	2,000	500	—	2,500

# Deemed interested via shareholdings held by his son, Zufar Suleiman Abu Bakar.

\* Deemed interested via shareholdings held by his sons, Shazli Ghani bin Mizanur Rahman and Shahreza Ghani bin Mizanur Rahman.

**DIRECTORS' REPORT** (cont'd)

for the year ended 31 December 2006

**DIRECTORS' INTERESTS (CONT'D)**

	Number of Warrant B			
	Balance at 1.1.2006	Bought	Sold	Balance at 31.12.2006
<i>Warrants in the intermediate holding company, Chemical Company of Malaysia Berhad</i>				
Dato' Haji Mizanur Rahman bin S M Abdul Ghani				
– direct interest	33,500	—	33,500	—
– indirect interest*	500	—	500	—

\* Deemed interested via shareholdings held by his sons, Shazli Ghani bin Mizanur Rahman and Shahreza Ghani bin Mizanur Rahman.

The other Directors did not hold or deal in any shares of the Company or its related corporations during the financial year.

**DIRECTORS' BENEFITS**

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the subsidiary) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object 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.

**ISSUE OF SHARES AND DEBENTURES**

During the financial year, the Company issued 75,500 new ordinary shares of RM0.50 each for cash arising from the exercise of employees' share options at an issue price of RM2.32 per ordinary share.

There were no other changes in the authorised, issued and paid-up capital of the Company during the financial year. There were no debentures issued during the financial year.



## DIRECTORS' REPORT (cont'd)

for the year ended 31 December 2006

### OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the year apart from the issue of options pursuant to the Employees' Share Option Scheme ("ESOS") of the Company.

At an extraordinary general meeting held on 25 June 2004, the Company's shareholders approved the establishment of an ESOS for the eligible employees and Directors of the Group to subscribe for new ordinary shares of RM0.50 each in the Company up to 15% of the issued and paid-up share capital of the Company at any point of time during the duration of the ESOS.

The salient features of the ESOS are as follows:

- i) Eligible employees are those who have attained the age of eighteen years and have been confirmed in writing as employees of the Group for at least one year prior to the date of offer.
- ii) The option is personal to the grantee and is non-assignable.
- iii) The option price shall be determined by the weighted average of the market quotation of the Company's ordinary shares as shown in the daily official list issued by the Bursa Malaysia Securities Berhad for the five trading days prior to the Date of Offer with a discount of not more than 10% or at the par value of the ordinary shares of the Company, whichever is higher.
- iv) The options granted may be exercised at any time within a period of five years from the date of offer of the option or such shorter period as may be specifically stated in the offer upon giving notice in writing.
- v) The options granted may be exercised in full or in lesser number of ordinary shares provided that the number shall be in multiple of 100 shares.

The options offered to take up unissued ordinary shares of RM0.50 each and the option price are as follows:

Number of options over ordinary shares of RM0.50 each					
Date of offer	Exercise price	Balance at 1.1.2006	Exercised	Forfeited	Balance at 31.12.2006
26.1.2005	RM2.32	254,500	75,500	9,000	170,000

## DIRECTORS' REPORT (cont'd)

for the year ended 31 December 2006

### OPTIONS GRANTED OVER UNISSUED SHARES (CONT'D)

In respect of the offer of ESOS on 26 January 2005, the Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the name of option holders who have been granted options of less than 110,000 options. The name of option holders and the number of options granted which are 110,000 and above are set out below:

Number of options over ordinary shares of RM0.50 each						
Name of option holders	Option price RM	Date of expiry	Granted	Balance at 1.1.2006	Exercised	Balance at 31.12.2006
Ng Chee Leong	2.32	25.1.2010	217,500	20,000	20,000	—
Krisnakumara-Reddi a/l Kesava-Reddi	2.32	25.1.2010	118,500	18,500	—	18,500

### OTHER STATUTORY INFORMATION

Before the balance sheets and income statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) all current assets have been stated at the lower of cost and net realisable value.

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

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

**DIRECTORS' REPORT** (cont'd)

for the year ended 31 December 2006

**OTHER STATUTORY INFORMATION (CONT'D)**

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

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group 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 substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2006 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

**AUDITORS**

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors

**Dato' Haji Mizanur Rahman bin SM Abdul Ghani**

**Dr. Mohamad Hashim bin Ahmad Tajudin**

Klang,

Date: 5 April 2007

## STATEMENT BY DIRECTORS

pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 53 to 94 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2006 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:

**Dato' Haji Mizanur Rahman bin SM Abdul Ghani**

**Dr. Mohamad Hashim bin Ahmad Tajudin**

Klang,

Date: 5 April 2007

## STATUTORY DECLARATION

pursuant to Section 169(16) of the Companies Act, 1965

I, **Chek Wu Kong**, the officer primarily responsible for the financial management of **CCM Duopharma Biotech Berhad (formerly known as Duopharma Biotech Bhd)**, do solemnly and sincerely declare that the financial statements set out on pages 53 to 94 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Klang in the State of Selangor Darul Ehsan on 5 April 2007.

**Chek Wu Kong**

Before me:

Date: 5 April 2007

## REPORT OF THE AUDITORS

to the members of CCM Duopharma Biotech Berhad (formerly known as Duopharma Biotech Bhd)

We have audited the financial statements set out on pages 53 to 94. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the 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 Standards on Auditing 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 statements presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of:
  - i) the state of affairs of the Group and of the Company at 31 December 2006 and the results of their operations and cash flows for the year ended on that date; and
  - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiary have been properly kept in accordance with the provisions of the said Act.

We are satisfied that the financial statements of the subsidiary 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 audit report on the financial statements of the subsidiary was not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

### KPMG

Firm Number: AF 0758  
Chartered Accountants

### Hasman Yusri Yusoff

Partner  
Approval Number: 2583/08/08(J)

Kuala Lumpur,  
Date: 5 April 2007

## BALANCE SHEETS

at 31 December 2006

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Assets</b>					
Property, plant and equipment	3	49,656	56,792	—	—
Investment properties	4	6,087	—	—	—
Investment in a subsidiary	5	—	—	40,187	40,187
Investment in an associate	6	—	1,342	—	1,000
<b>Total non-current assets</b>		<b>55,743</b>	<b>58,134</b>	<b>40,187</b>	<b>41,187</b>
Receivables, deposits and prepayments	7	26,744	25,193	47,838	53,907
Inventories	8	20,771	15,840	—	—
Current tax assets		1,387	—	—	—
Cash and cash equivalents	9	54,363	52,406	10,677	9,338
<b>Total current assets</b>		<b>103,265</b>	<b>93,439</b>	<b>58,515</b>	<b>63,245</b>
<b>Total assets</b>		<b>159,008</b>	<b>151,573</b>	<b>98,702</b>	<b>104,432</b>
<b>Equity</b>					
Share capital		69,716	69,679	69,716	69,679
Reserves		12,506	13,581	12,057	11,919
Retained earnings		63,208	54,610	16,570	22,711
<b>Total equity attributable to shareholders</b>	10	<b>145,430</b>	<b>137,870</b>	<b>98,343</b>	<b>104,309</b>
<b>Negative goodwill</b>	11	<b>—</b>	<b>2,885</b>	<b>—</b>	<b>—</b>
<b>Liabilities</b>					
Deferred tax liabilities	12	2,838	2,838	—	—
<b>Total non-current liabilities</b>		<b>2,838</b>	<b>2,838</b>	<b>—</b>	<b>—</b>
Payables and accruals	13	10,695	6,711	314	92
Current tax liabilities		45	1,269	45	31
<b>Total current liabilities</b>		<b>10,740</b>	<b>7,980</b>	<b>359</b>	<b>123</b>
<b>Total liabilities</b>		<b>13,578</b>	<b>10,818</b>	<b>359</b>	<b>123</b>
<b>Total equity and liabilities</b>		<b>159,008</b>	<b>151,573</b>	<b>98,702</b>	<b>104,432</b>

The notes on pages 59 to 94 are an integral part of these financial statements.



## INCOME STATEMENTS

for the year ended 31 December 2006

	Note	Group		Company	
		2006 RM'000	2005 RM'000 Restated	2006 RM'000	2005 RM'000
Revenue	14	105,100	94,298	25,500	34,000
Cost of sales		(48,150)	(45,651)	—	—
<b>Gross profit</b>		<b>56,950</b>	48,647	<b>25,500</b>	34,000
Other income		523	1,749	325	—
Distribution and marketing expenses		(9,672)	(7,860)	—	—
Administrative expenses		(9,088)	(7,791)	(546)	(673)
Other expenses		(2,070)	(2,352)	—	—
<b>Results from operating activities</b>		<b>36,643</b>	32,393	<b>25,279</b>	33,327
Interest income		1,451	684	274	202
<b>Operating profit</b>	15	<b>38,094</b>	33,077	<b>25,553</b>	33,529
Share of profit after tax and minority interest of an equity accounted associate		—	339	—	—
<b>Profit before tax</b>		<b>38,094</b>	33,416	<b>25,553</b>	33,529
Tax expense	17	(9,115)	(9,903)	(7,215)	(9,595)
<b>Profit for the year attributable to shareholders</b>		<b>28,979</b>	23,513	<b>18,338</b>	23,934
<b>Basic earnings per ordinary share (sen)</b>	18	<b>20.89</b>	17.54		
<b>Diluted earnings per ordinary share (sen)</b>	18	<b>20.88</b>	17.53		

The notes on pages 59 to 94 are an integral part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2006

Attributable to shareholders of the Company							
Group	Note	Non-distributable				Distributable	Total RM'000
		Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Treasury shares RM'000	Retained profits RM'000	
<b>At 1 January 2005</b>		66,000	106	—	—	36,862	102,968
Net gain recognised directly in equity							
– Revaluation of property, plant and equipment, net of tax		—	—	1,662	—	—	1,662
Profit for the year		—	—	—	—	23,513	23,513
Total recognised income for the year		—	—	1,662	—	23,513	25,175
ESOS exercised	10	3,679	13,391	—	—	—	17,070
Treasury shares acquired		—	—	—	(1,578)	—	(1,578)
Dividends to shareholders	19	—	—	—	—	(5,765)	(5,765)
<b>At 31 December 2005</b>		69,679	13,497	1,662	(1,578)	54,610	137,870
<b>At 31 December 2005</b>							
– As previously reported		69,679	13,497	1,662	(1,578)	54,610	137,870
– Effect of adopting FRS 140	23	—	—	(1,213)	—	1,213	—
– Effect of adopting FRS 3	23	—	—	—	—	2,885	2,885
<b>At 1 January 2006, restated</b>		69,679	13,497	449	(1,578)	58,708	140,755
Total recognised income for the year							
– Profit for the year		—	—	—	—	28,979	28,979
ESOS exercised	10	37	138	—	—	—	175
Dividends to shareholders	19	—	—	—	—	(24,479)	(24,479)
<b>At 31 December 2006</b>		69,716	13,635	449	(1,578)	63,208	145,430

The notes on pages 59 to 94 are an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2006

Company	Note	Non-distributable			Distributable	Total RM'000
		Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Retained profits RM'000	
<b>At 1 January 2005</b>		66,000	106	—	4,542	70,648
Total recognised income for the year						
– Profit for the year		—	—	—	23,934	23,934
Treasury shares acquired		—	—	(1,578)	—	(1,578)
ESOS exercised	10	3,679	13,391	—	—	17,070
Dividends to shareholders	19	—	—	—	(5,765)	(5,765)
<b>At 31 December 2005/1 January 2006</b>		69,679	13,497	(1,578)	22,711	104,309
Total recognised income for the year						
– Profit for the year		—	—	—	18,338	18,338
ESOS exercised	10	37	138	—	—	175
Dividends to shareholders	19	—	—	—	(24,479)	(24,479)
<b>At 31 December 2006</b>		69,716	13,635	(1,578)	16,570	98,343

The notes on pages 59 to 94 are an integral part of these financial statements.

## CASH FLOW STATEMENTS

for the year ended 31 December 2006

	Group		Company	
	2006 RM'000	2005 RM'000 Restated	2006 RM'000	2005 RM'000
<b>Cash flows from operating activities</b>				
Profit before tax	38,094	33,416	25,553	33,529
Adjustments for:				
Amortisation of negative goodwill	—	(481)	—	—
Depreciation of property, plant and equipment	4,656	4,205	—	—
Dividend income	—	—	(25,500)	(34,000)
Gain on disposal of property, plant and equipment	(48)	(49)	—	—
Loss/(Gain) on disposal of an associate	17	—	(325)	—
Interest income	(1,451)	(684)	(274)	(202)
Share of profit of an equity accounted associate	—	(339)	—	—
<b>Operating profit/(loss) before changes in working capital</b>	<b>41,268</b>	<b>36,068</b>	<b>(546)</b>	<b>(673)</b>
Inventories	(4,931)	(2,078)	—	—
Payables and accruals	3,984	(1,857)	222	(22)
Receivables, deposits and prepayments	(1,551)	(2,743)	6,069	(31,108)
<b>Cash generated from/(used in) operations</b>	<b>38,770</b>	<b>29,390</b>	<b>5,745</b>	<b>(31,803)</b>
Tax paid	(11,726)	(6,321)	(61)	(50)
<b>Net cash from/(used in) operating activities</b>	<b>27,044</b>	<b>23,069</b>	<b>5,684</b>	<b>(31,853)</b>
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment	(4,601)	(7,115)	—	—
Dividends received	—	—	18,360	24,480
Interest received	1,451	684	274	202
Proceeds from disposal an associate	1,325	—	1,325	—
Proceeds from disposal of property, plant and equipment	1,042	49	—	—
<b>Net cash (used in)/from investing activities</b>	<b>(783)</b>	<b>(6,382)</b>	<b>19,959</b>	<b>24,682</b>

**CASH FLOW STATEMENTS** (cont'd)

for the year ended 31 December 2006

	Group		Company	
	2006 RM'000	2005 RM'000 Restated	2006 RM'000	2005 RM'000
<b>Cash flows from financing activities</b>				
Dividends paid to shareholders of the Company	(24,479)	(5,765)	(24,479)	(5,765)
Proceeds from the exercise of ESOS	175	17,070	175	17,070
Repurchase of treasury shares	—	(1,578)	—	(1,578)
<b>Net cash (used in)/from financing activities</b>	<b>(24,304)</b>	<b>9,727</b>	<b>(24,304)</b>	<b>9,727</b>
Net increase in cash and cash equivalents	1,957	26,414	1,339	2,556
Cash and cash equivalents at 1 January (i)	52,406	25,992	9,338	6,782
<b>Cash and cash equivalents at 31 December (i)</b>	<b>54,363</b>	<b>52,406</b>	<b>10,677</b>	<b>9,338</b>

**i) Cash and cash equivalents**

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

		Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
	<b>Note</b>				
Cash and bank balances	9	9,402	11,282	1,005	722
Deposits with licensed banks	9	44,961	41,124	9,672	8,616
		<b>54,363</b>	<b>52,406</b>	<b>10,677</b>	<b>9,338</b>

The notes on pages 59 to 94 are an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

CCM Duopharma Biotech Berhad (formerly known as Duopharma Biotech Bhd) is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board of the Bursa Malaysia Securities Berhad. The addresses of its registered office and principal place of business are as follows:

### Registered office

No. 10A Lebuhraya Gopeng  
41400 Klang  
Selangor Darul Ehsan  
Malaysia

### Principal place of business

Lot 2599, Jalan Seruling 59  
Kawasan 3, Taman Klang Jaya  
41200 Klang  
Selangor Darul Ehsan  
Malaysia

The consolidated financial statements as at and for the year ended 31 December 2006 comprise the Company and its subsidiary (together referred to as the Group) and the Group's interest in an associate. The financial statements of the Company as at and for the year ended 31 December 2006 do not include other entities.

The Company is principally engaged in investment holding while the subsidiary is primarily involved in carrying on business as manufacturer, distributor, importer and exporter of pharmaceutical products and medicines.

The immediate and intermediate holding companies during the financial year were CCM Marketing Sdn. Bhd. (formerly known as Tekan Maju Sdn. Bhd.) and Chemical Company of Malaysia Berhad respectively. The ultimate holding company is Permodalan Nasional Berhad. All the holding companies were incorporated in Malaysia.



**NOTES TO THE FINANCIAL STATEMENTS** (cont'd)**1. BASIS OF PREPARATION****(a) Statement of compliance**

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board (MASB), accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The MASB has issued the following new and revised Financial Reporting Standards (FRSs) and Interpretations that are effective for annual periods beginning after 1 January 2006, and that have not been applied in preparing these financial statements:

<b>Standard / Interpretation</b>	<b>Effective date</b>
FRS 117, <i>Leases</i>	1 October 2006
FRS 124, <i>Related Party Disclosures</i>	1 October 2006
FRS 139, <i>Financial Instruments: Recognition and Measurement</i>	To be announced
Amendment to FRS 119 <sub>2004</sub> , <i>Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures</i>	1 January 2007
FRS 6, <i>Exploration for and Evaluation of Mineral Resources</i>	1 January 2007
Amendment to FRS 121, <i>The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation</i>	1 July 2007
IC Interpretation 1, <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>	1 July 2007
IC Interpretation 2, <i>Members' Shares in Co-operative Entities and Similar Instruments</i>	1 July 2007
IC Interpretation 5, <i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	1 July 2007

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 1. BASIS OF PREPARATION (CONT'D)

#### (a) Statement of compliance (Cont'd)

Standard / Interpretation	Effective date
IC Interpretation 6, <i>Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment</i>	1 July 2007
IC Interpretation 7, <i>Applying the Restatement Approach under FRS 129<sub>2004</sub> Financial Reporting in Hyperinflationary Economies</i>	1 July 2007
IC Interpretation 8, <i>Scope of FRS 2</i>	1 July 2007

The Group and the Company plan to apply FRS 117, FRS 124 and the Amendment to FRS 119<sub>2004</sub> initially for the annual period beginning 1 January 2007 and to apply the rest of the above-mentioned FRSs (except for FRS 6, IC Interpretation 2, IC Interpretation 5, IC Interpretation 6 and IC Interpretation 7 as explained below and FRS 139 which its effective date has yet to be announced) and Interpretations for the annual period beginning 1 January 2008.

The impact of applying FRS 117, FRS 124 and FRS 139 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* is not disclosed by virtue of the exemptions given in the respective standards.

FRS 6 IC Interpretation 2, IC Interpretation 5, IC Interpretation 6 and IC Interpretation 7 are not applicable to the Group and the Company. Hence, no further disclosure is warranted.

The initial application of the other standards and interpretations are not expected to have any material impact on the financial statements of the Group and the Company.

The financial statements were approved by the Board of Directors on 5 April 2007.

#### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following assets as explained in their respective accounting policy notes:

- Property, plant and equipment
- Investment property

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd)**1. BASIS OF PREPARATION (CONT'D)****(c) Functional and presentation currency**

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

**(d) Use of estimates and judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, unless otherwise stated.

Certain comparative amounts have been reclassified to conform to the current year's presentation (see note 24).

**(a) Basis of consolidation****(i) Subsidiaries**

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (a) Basis of consolidation (Cont'd)

##### (ii) *Associates*

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Associates are accounted for in the consolidated financial statements using the equity method unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated financial statements include the Group's share of the income and expenses of the equity accounted associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Investments in associates are stated in the Company's balance sheet at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

##### (iii) *Transactions eliminated on consolidation*

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### (b) *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transaction.

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd)**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(b) Foreign currency transactions (Cont'd)**

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement.

**(c) Property, plant and equipment****(i) Recognition and measurement**

Items of property, plant and equipment are stated at cost / valuation less accumulated depreciation and impairment losses.

The Group revalues its property comprising land and building every 5 years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to the income statement.

Cost includes expenditure that are directly attributable to the acquisition of the asset, any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (c) Property, plant and equipment (Cont'd)

##### (ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of those parts that are replaced are derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

##### (iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

• buildings	50 years
• plant and machineries	5 - 10 years
• office equipment, furniture and fittings	10 - 20 years
• motor vehicles	4 - 10 years
• renovation	10 years

The depreciation amount is determined after deducting the residual value. Depreciation methods, useful lives and residual values are reassessed at the reporting date.

#### (d) Intangible assets

##### (i) Negative Goodwill

Negative goodwill arises on the acquisition of subsidiaries.

For acquisitions prior to 1 January 2006, negative goodwill represents the excess of the Group's interest in the fair values of the net identifiable assets and liabilities over the cost of the acquisition.



**NOTES TO THE FINANCIAL STATEMENTS** (cont'd)**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(d) Intangible assets (Cont'd)****(i) Negative Goodwill (Cont'd)**

In the previous years, negative goodwill was amortised on a straight line basis over a maximum of 10 years from the date of acquisition.

Following the adoption of FRS 3 on 1 January 2006, excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquirer over the cost of the acquisition is recognised immediately in the income statement. The carrying amount of negative goodwill at 1 January 2006 is derecognised with a corresponding adjustment to the opening balance of retained earnings. The effects of adopting FRS 3 are set out in Note 23.

**(ii) Research and development**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

**(e) Investment properties**

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both. These include land held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

In the previous years, all investment properties were stated at revalued amount less accumulated depreciation and impairment loss and are classified in property, plant and equipment. Following the adoption of FRS 140, *Investment Property*, all investment property are measured initially at cost and subsequently at fair value with any change therein recognised in the income statement.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (e) Investment properties (Cont'd)

This change in accounting policy has been applied prospectively as allowed by the transitional provisions in FRS 140.80 as an adjustment to the opening balance of retained earnings and comparatives are not restated. The effects of adopting FRS 140 are set out in note 23.

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement. Upon disposal of the investment property, any surplus previously recorded in equity is transferred to retained earnings, the transfer is not made through the income statement.

The Directors of The Company value the Group's investment property portfolio every year. An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, will be used whenever there is indication of significant changes in fair values of the investment properties. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

#### (f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work-in-progress and manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

#### (g) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (h) Non-current assets that are held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale.

Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell.

Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss.

In the previous years, non-current assets held for sale (or disposal group) were not classified separately on the balance sheet and were measured in accordance with the respective accounting policy. Following the adoption of FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, non-current assets held for sale (or disposal group) are classified separately as current assets / liabilities. This change in accounting policy is applied prospectively from 1 January 2006.

#### (i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

#### (j) Impairment of assets

The carrying amounts of assets except for inventories, investment properties and financial assets (other than investments in subsidiary and associate) and non-current assets (or disposal groups) classified as held for sale are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (j) Impairment of assets (Cont'd)

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a *pro rata* basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation surplus. Where an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment loss is also recognised in the income statement.

#### (k) Share capital

##### (i) Shares issue expenses

Incremental costs directly attributable to issue at shares are recognised as a deduction from equity.

##### (ii) Repurchases of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity.

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd)**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(l) Employee benefits****(i) Short term employee benefits**

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. The Group's contribution to the Employees Provident Fund are charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

**(ii) Share-based payment transactions**

The share option programme allows Group employees to acquire shares of the Company. In the previous year, share options granted to employees is not recognised as an employee cost. Following the adoption of FRS 2, *Share-based Payment*, the grant date fair value of share options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The change in accounting policy is applied retrospectively only for those shares options granted after 31 December 2004 and have not vested as of 1 January 2006 as provided in the transitional provision of FRS 2. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

**(m) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (n) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

#### (o) Revenue

##### (i) Goods sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

##### (ii) Dividend income

Dividend income is recognised when the right to receive payment is established.

#### (p) Interest income

Interest income is recognised as it accrues, using the effective interest method.

#### (q) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd)**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(q) Tax expense (Cont'd)**

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

**(r) Earnings per share**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

**(s) Segment reporting**

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segmental information is not provided as the Group is primarily engaged in the pharmaceutical industry and its operations are carried out primarily in Malaysia.



## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 3. PROPERTY, PLANT AND EQUIPMENT

Group	Note	Freehold land RM'000	Buildings RM'000	Plant and machineries RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Renovations RM'000	Capital work-in- progress RM'000	Total RM'000
<b>Cost /Valuation</b>									
At 1 January 2005		11,357	22,523	31,733	1,576	2,578	258	1,830	71,855
Additions		—	682	2,256	203	182	—	3,792	7,115
Disposals		—	—	—	—	(209)	—	—	(209)
Transfer		—	—	3,735	—	—	—	(3,735)	—
Elimination of accumulated depreciation with cost on revaluation		—	(1,496)	—	—	—	—	—	(1,496)
Revaluation surplus		1,517	307	—	—	—	—	—	1,824
At 31 December 2005/ 1 January 2006		12,874	22,016	37,724	1,779	2,551	258	1,887	79,089
Effect of adopting FRS 140	23	(6,087)	—	—	—	—	—	—	(6,087)
At 1 January 2006, restated		6,787	22,016	37,724	1,779	2,551	258	1,887	73,002
Additions		—	34	1,529	1,130	464	—	1,444	4,601
Transfer		30	273	1,700	—	—	—	(2,003)	—
Disposals		(193)	—	—	—	(1,662)	—	—	(1,855)
At 31 December 2006		6,624	22,323	40,953	2,909	1,353	258	1,328	75,748

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Note	Freehold land RM'000	Buildings RM'000	Plant and machineries RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Renovations RM'000	Capital work-in- progress RM'000	Total RM'000
<b>Accumulated depreciation</b>								
At 1 January 2005	—	1,150	16,134	1,003	1,272	238	—	19,797
Depreciation for the year 15	—	462	3,327	139	269	8	—	4,205
Disposal	—	—	—	—	(209)	—	—	(209)
Elimination of accumulated depreciation with cost on revaluation	—	(1,496)	—	—	—	—	—	(1,496)
At 31 December 2005/ 1 January 2006	—	116	19,461	1,142	1,332	246	—	22,297
Depreciation for the year 15	—	471	3,739	279	161	6	—	4,656
Disposals	—	—	—	—	(861)	—	—	(861)
At 31 December 2006	—	587	23,200	1,421	632	252	—	26,092
<b>Carrying amounts</b>								
At 1 January 2005	11,357	21,373	15,599	573	1,306	20	1,830	52,058
At 31 December 2005	12,874	21,900	18,263	637	1,219	12	1,887	56,792
At 1 January 2006, restated	6,787	21,900	18,263	637	1,219	12	1,887	50,705
At 31 December 2006	6,624	21,736	17,753	1,488	721	6	1,328	49,656

The Group's freehold land and buildings were revalued in November 2005 by independent professional qualified valuers using an open market value method.

Had the freehold land and buildings been carried under the cost model, their carrying amounts would have been RM6,354,000 (2005 – RM11,357,000) and RM21,673,000 (2005 – RM21,801,000) respectively.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 4. INVESTMENT PROPERTIES

	Note	Group	
		2006 RM'000	2005 RM'000
Freehold land			
At 1 January		—	—
Arising from adoption of FRS 140	23	6,087	—
At 1 January, restated/At 31 December		6,087	—

### 5. INVESTMENT IN A SUBSIDIARY

	Company	
	2006 RM'000	2005 RM'000
Unquoted share, at cost	40,187	40,187

Details of the subsidiary are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest	
			2006 %	2005 %
Duopharma (M) Sdn Berhad	Malaysia	Manufacturing, distributing, importing and exporting of pharmaceutical products and medicines	100	100

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

6. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
At cost:				
Unquoted shares	—	1,000	—	1,000
Share of post-acquisition reserves	—	342	—	—
	—	1,342	—	1,000

During the year, the Group disposed of its investment in Altratec Sdn. Bhd. The summary financial information of the associate for previous year is as follows:

	Country of incorporation	Effective ownership interest	Revenue	Net profit	Net assets
		%	(100%) RM'000	(100%) RM'000	(100%) RM'000
2005					
Altratec Sdn. Bhd.	Malaysia	40	26,530	848	3,355

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 7. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Trade</b>				
Trade receivables	26,077	26,009	—	—
Less: Allowance for doubtful debts	(781)	(931)	—	—
	25,296	25,078	—	—
Amount due from related corporations	1,206	25	—	—
	26,502	25,103	—	—
<b>Non-trade</b>				
Amount due from a subsidiary	—	—	47,820	53,893
Other receivables	177	37	18	14
Deposits	65	53	—	—
	242	90	47,838	53,907
	26,744	25,193	47,838	53,907

The trade receivables due from related corporations are subject to the normal trade terms. The amount due from a subsidiary is unsecured, interest free and repayable on demand.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 8. INVENTORIES

	Group	
	2006 RM'000	2005 RM'000
Raw materials and consumables	10,082	6,942
Work-in-progress	1,733	906
Packing materials	2,003	1,301
Finished goods	6,953	6,691
	20,771	15,840

In 2006, inventories recognised as cost of sales (excluding inventories written off) amounted to RM46,583,000 (2005: RM44,712,000).

In 2006, inventories amounting to RM1,567,000 (2005: RM939,000) were written off. The write-off is included in cost of sales.

### 9. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Deposits with licensed banks	44,961	41,124	9,672	8,616
Cash and bank balances	9,402	11,282	1,005	722
	54,363	52,406	10,677	9,338

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 10. CAPITAL AND RESERVES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Share capital	69,716	69,679	69,716	69,679
Non-distributable reserves				
Share premium	13,635	13,497	13,635	13,497
Revaluation reserve	449	1,662	—	—
Treasury shares	(1,578)	(1,578)	(1,578)	(1,578)
Retained earnings (distributable)	63,208	54,610	16,570	22,711
	145,430	137,870	98,343	104,309

#### Share capital

	Group and Company	
	2006 '000	2005 '000
<b>Number of ordinary shares of RM0.50 each</b>		
Authorised	200,000	200,000
Issued and fully paid:		
On issue at 1 January	139,357	132,000
Issue of shares under the Employee Share Option Scheme	75	7,357
On issue at 31 December	139,432	139,357

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. In respect of the Company's treasury shares that are held by the Company (see below), all rights are suspended until those shares are reissued.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

10. CAPITAL AND RESERVES (CONT'D)

Revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment.

Treasury shares

The shareholders of the Company, by a special resolution passed at the Extraordinary General Meeting held on 25 June 2004, approved the Company's plan to purchase its own shares and the authority was renewed at the Fourth Annual General Meeting of the Company held on 29 June 2005. The renewal of authority for purchase of its own shares lapsed at the conclusion of the Fifth Annual General Meeting held on 18 May 2006 and no further renewal was sought.

There was no purchase of its issued share capital during the year. For the year ended 31 December 2005, the Company purchased 658,000 of its issued share capital from the open market. The average price paid for the purchase of its own shares was RM2.40 per share. The purchase of its own shares transactions were financed by internally generated funds. The shares purchased were retained as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965 and carried at cost. The number of outstanding shares as at 31 December 2006 after deducting treasury shares held is 138,775,000 (2005: 138,699,000).

Retained profits

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all of its retained profits at 31 December 2006 if paid out as dividends.

Employees' Share Option Scheme ("ESOS")

On 25 June 2004, the Group established a share option scheme that entitles eligible employees and Directors of the Group to purchase shares in the Company. On 26 January 2005, the Company granted vested options to eligible employees and Directors at an exercise price of RM2.32 per ordinary share of RM0.50 each.

As allowed by the transitional provisions in FRS 2, the recognition and measurement principles in FRS 2 have not been applied to the options granted since it was granted and vested prior to 1 January 2006.

The terms and conditions of the grants are as follows:

Grant date	Number of instruments '000	Vesting conditions	Contractual life of options
26 January 2005	7,938	At least 1 year service on the Date of Offer on 26 January 2005	5 years



## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 10. CAPITAL AND RESERVES (CONT'D)

The number of share options is as follows:

	2006 '000	2005 '000
Outstanding at 1 January	254	—
Granted during the year	—	7,938
Forfeited during the year	(9)	(327)
Exercised during the year	(75)	(7,357)
Outstanding and exercisable at 31 December	170	254

The options outstanding at 31 December 2006 have a remaining contractual life of approximately 3 years.

During the year, 75,500 share options were exercised (2005 - 7,357,500). The weighted average share price for the year was RM2.61 (2005: RM2.62).

### 11. NEGATIVE GOODWILL

		Group	
	Note	2006 RM'000	2005 RM'000
<b>Cost</b>			
At 1 January		4,809	4,809
Effect of adopting FRS 3	23	(4,809)	—
At 1 January, restated/31 December		—	4,809
<b>Accumulated amortisation</b>			
At 1 January		1,924	1,443
Effect of adopting FRS 3	23	(1,924)	—
At 1 January, restated		—	1,443
Amortisation charge for the year		—	481
At 31 December		—	1,924
<b>Net carrying value</b>			
At 31 December		—	2,885

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 12. DEFERRED TAX LIABILITIES

Movement in taxable/(deductible) temporary differences during the year

Group	Property, plant and equipment RM'000	Allowance for doubtful debts RM'000	Others RM'000	Total RM'000
At 1 January 2005	2,849	(708)	(334)	1,807
Recognised in equity	162	—	—	162
Recognised in income statement	394	447	28	869
At 31 December 2005 / 1 January 2006	3,405	(261)	(306)	2,838
Recognised in income statement	(98)	58	40	—
At 31 December 2006	3,307	(203)	(266)	2,838

### 13. PAYABLES AND ACCRUALS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Trade</b>				
Trade payables	4,078	3,307	—	—
Amount due to a related company	75	—	—	—
	4,153	3,307	—	—
<b>Non-trade</b>				
Amount due to intermediate holding company	206	—	—	—
Other payables	277	185	179	92
Accrued expenses	5,035	2,127	135	—
Others	1,024	1,092	—	—
	6,542	3,404	314	92
	10,695	6,711	314	92

The trade payable due to a related company is subject to normal trade terms.

The amount due to the intermediate holding company is unsecured, interest free and repayable on demand.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 14. REVENUE

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Group</b>				
Sale of goods	105,100	94,298	—	—
Dividend income from unquoted subsidiary	—	—	25,500	34,000
	105,100	94,298	25,500	34,000

### 15. OPERATING PROFIT

Note	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Operating profit is arrived at after charging:</b>				
Auditors' remuneration				
– audit	59	55	15	11
– non-audit services	46	43	46	16
Depreciation on property, plant and equipment	3 4,656	4,205	—	—
Intermediate holding company management fees	1,500	—	—	—
Inventories written off	1,567	939	—	—
Loss on disposal of an associate	17	—	—	—
Net foreign exchange loss	—	62	—	—
Personnel expenses (including key management personnel):				
– Contributions to Employees Provident Fund	1,535	1,239	—	—
– Wages, salaries and others	14,146	14,618	—	—
Rental of premises	102	109	—	—
Research and development expensed as incurred	500	546	—	—
<b>and after crediting:</b>				
Allowance for doubtful debts written back	150	1,004	—	—
Gain on disposal of an associate	—	—	325	—
Gain on disposal of property, plant and equipment	48	49	—	—
Net foreign exchange gain	9	—	—	—
Amortisation of negative goodwill	—	481	—	—

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 16. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation is as follows:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Directors</b>				
– Fees	213	386	213	276
– Gratuity	—	835	—	—
– Remuneration	602	908	—	—
– Other short term employee benefits (including estimated monetary value of benefits-in-kind)	23	595	—	—
Total short-term employee benefits	838	2,724	213	276

### 17. TAX EXPENSE

Recognised in the income statement

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Tax expense	9,115	9,903	7,215	9,595
Share of tax of an equity accounted associate	—	43	—	—
Total tax expense	9,115	9,946	7,215	9,595
Major components of tax expense include:				
<b>Current tax expense</b>				
Malaysian				
– current year	9,710	7,703	7,215	9,595
– prior year	(595)	1,331	—	—
Total current tax	9,115	9,034	7,215	9,595
<b>Deferred tax expense</b>				
Origination and reversal of temporary differences	—	869	—	—
Share of tax of an equity accounted associate	—	43	—	—
Total tax expense	9,115	9,946	7,215	9,595

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 17. TAX EXPENSE (CONT'D)

#### Reconciliation of effective tax expense

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Profit for the year	28,979	23,513	18,338	23,934
Total tax expense	9,115	9,946	7,215	9,595
Profit excluding tax	38,094	33,459	25,553	33,529
Tax at Malaysian tax rate of 28%	10,666	9,368	7,155	9,388
Effect of change in tax rate*	(440)	—	—	—
Non-deductible expenses	236	515	34	162
Non taxable income	—	(135)	—	—
Tax incentives	(163)	(40)	—	—
Utilisation of reinvestment allowance	(598)	(1,004)	—	—
Other items	9	(89)	26	45
(Over)/Under provided in prior years	(595)	1,331	—	—
	9,115	9,946	7,215	9,595

\* With effect from year of assessment 2007, corporate tax rate is at 27%. The Malaysian Budget 2007 also announced the reduction of corporate tax rate to 26% in 2008. Consequently, deferred tax assets and liabilities are measured using these tax rates.

#### Tax recognised directly in equity

	Group	
	2006 RM'000	2005 RM'000
Revaluation of property, plant and equipment	—	162

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 18. EARNINGS PER ORDINARY SHARE

### Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2006 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	2006 RM'000	2005 RM'000
<b>Group</b>		
Profit for the year attributable to ordinary shareholders	28,979	23,513

Weighted average number of ordinary shares

	Group	
	2006 '000	2005 '000
Issued ordinary shares at 1 January	139,357	132,000
Effect of treasury shares held	(658)	(455)
Effect of exercise of share option under ESOS	49	2,532
Weighted average number of ordinary shares at 31 December	138,748	134,077

	Group	
	2006 Sen	2005 Sen
Basic earnings per ordinary share	20.89	17.54

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 18. EARNINGS PER ORDINARY SHARE (CONT'D)

#### Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2006 was based on profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	Group	
	2006 RM'000	2005 RM'000
Profit for the year attributable to ordinary shareholders	28,979	23,513

Weighted average number of ordinary shares (diluted)

	Group	
	2006 '000	2005 '000
Weighted average number of ordinary shares at 31 December	138,748	134,077
Effect of share options under ESOS on issue	22	29
Weighted average number of ordinary shares (diluted) at 31 December	138,770	134,106

	2006 Sen	2005 Sen
Diluted earnings per ordinary share	20.88	17.53

The average market value of the Company's shares for purpose of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 19. DIVIDENDS

Dividends recognised in the current year by the Company are:

	Sen per share (Net of tax)	Total amount RM'000	Date of payment
<b>2006</b>			
Interim 2006 ordinary	5.04	6,994	22 September 2006
Final 2005 ordinary	12.60	17,485	8 June 2006
		<u>24,479</u>	
<b>2005</b>			
Final 2005 ordinary	4.32	<u>5,765</u>	18 August 2005

After the balance sheet date the Directors proposed a final dividend of 10.58 sen per share (net of tax) totalling RM14,689,000. These dividends will be recognised in subsequent financial reports upon approval by the shareholders.

### 20. FINANCIAL INSTRUMENTS

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business.

#### Credit risk

The Group has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers who require credit facility. When the credit limit and/or credit period is exceeded, further transaction may not be allowed until the credit limit or credit period is regularised to appropriate levels. The Group does not require collateral.

At balance sheet date of the financial year 2005, a significant concentration of credit risk arises in respect of debts owing from 2 (2005 – 3) major customers amounting to RM9,124,000 (2005 – RM9,275,000). The management closely monitor the Group's credit risk exposure to these major customers and are confident in recovering these amounts. The maximum exposure to credit risk for the Group is represented by the carrying amounts of the financial assets.



## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 20. FINANCIAL INSTRUMENTS (CONT'D)

#### Interest rate risk

The Group places cash balances with reputable banks to generate interest income for the Group. The Group manages its interest risk by placing such balances on varying maturities and interest rate terms.

#### Effective interest rates and repricing analysis

In respect of interest-earning financial assets, the following table indicates their average effective interest rates at the balance sheet date and the periods in which they mature, or if earlier, reprice.

		2006			2005		
	Note	Average effective interest rate %	Total RM'000	Less than 1 year RM'000	Average effective interest rate %	Total RM'000	Less than 1 year RM'000
<b>Fixed rate instruments</b>							
<b>Group</b>							
Deposits with licensed banks	9	3.40-3.50	44,961	44,961	2.60	41,124	41,124
<b>Company</b>							
Deposits with licensed banks	9	3.40-3.50	9,672	9,672	2.66	8,616	8,616

#### Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily USD and EUR.

#### Fair values

The carrying amounts of cash and cash equivalents, receivables and payables, approximate fair values due to the relatively short term nature of these financial instruments.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 21. CAPITAL AND OTHER COMMITMENTS

	Group	
	2006 RM'000	2005 RM'000
<b>Plant and equipment</b>		
Contracted but not provided for	2,475	165

## 22. RELATED PARTIES

### Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group has a related party relationship with its subsidiary (see note 5), holding companies, associate (Note 6), related corporations, Directors and key management personnel.

### Transactions with key management personnel

Key management personnel compensation is disclosed in note 16.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

Group			Transaction value year ended 31 December		Balance outstanding as at 31 December	
			2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Former Directors	Transaction	Note				
Madam Ang Bee Lian and Mr. Chia Ting Poh @ Cheah Ting Poh	Sales	(a)	—	2,015	—	2,079

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 22. RELATED PARTIES (CONT'D)

#### Note (a)

This is related to sales to CCM Pharmaceuticals (S) Pte. Ltd. (formerly known as Duopharma Trading (S) Pte. Ltd.) in which the former directors had interest in the entity.

#### Other related party transactions

(other than disclosed elsewhere in the financial statements)

Group	Transaction value year ended 31 December		Balance outstanding as at 31 December	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Sale of goods with related corporations</b>				
CCM Pharmaceuticals (S) Pte. Ltd. (formerly known as Duopharma Trading (S) Pte. Ltd.)	2,409	2,015	1,181	2,079
CCM Fertilizers Sdn. Bhd.	2	—	2	—
Prima Health Pharmacy (Retail) Sdn. Bhd.	119	36	23	25
<b>Purchases with related corporations</b>				
CCM Chemicals Sdn. Bhd.	(688)	—	—	—
CCM Pharmaceuticals Sdn. Bhd.	(148)	—	(75)	—
<b>Management fees paid to holding company</b>				
Chemical Company of Malaysia Berhad	(1,500)	—	(206)	—
<b>Research and development expenditure paid to related corporation</b>				
Innovax Sdn. Bhd.	(500)	—	—	—

**NOTES TO THE FINANCIAL STATEMENTS** (cont'd)**23. CHANGES IN ACCOUNTING POLICIES**

The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended 31 December 2006.

The significant changes in accounting policies arising from the adoption FRS 3, Business Combinations and FRS 140, Investment Property are summarised below:

***FRS 3, Business Combinations***

The adoption of FRS 3 has resulted in a change in the accounting policy for negative goodwill. The change in accounting policy is made in accordance with its transitional provisions.

In the past, negative goodwill on consolidation which represents the excess of the fair values of the net identifiable assets acquired over the cost of acquisition, was amortised on a straight line basis over a maximum of 10 years from the date of acquisition. Following the adoption of FRS 3, the excess of the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree over the cost of acquisition is recognised immediately in income statement.

In accordance to the transitional provisions of FRS 3, the carrying value of negative goodwill at 1 January 2007 is derecognised with a corresponding adjustment to the opening balance of retained earnings.

Accordingly, the adoption of the new accounting policy has no effect on prior years.

The effects on the current year are as follows:

- (i) increase in the group's retained earnings and total equity at 1 January 2006 by RM2,885,000; and
- (ii) decrease in the group's net profit for the year by RM481,000.

This change in accounting policy has no significant impact on earnings per share for the current year.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 23. CHANGES IN ACCOUNTING POLICIES (CONT'D)

#### *FRS 140, Investment Property*

The Group now measures all investment properties at fair value with any change therein recognised in the income statement. In the previous years, all investment properties were stated at revalued amounts less accumulated depreciation and impairment loss and were classified in property, plant and equipment. Following the adoption of FRS 140, *Investment Property*, all investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in the income statement. This change in accounting policy has been applied prospectively as allowed by the transitional provisions in FRS 140.80 as an adjustment to the opening balance of retained earnings and comparatives are not restated.

The effects on the current year are as follows:

- (i) freehold land amounting to RM6,087,000 as at 1 January 2006 is reclassified from property, plant and equipment to investment properties; and
- (ii) related revaluation surplus on the freehold land amounting to RM1,213,000 as at 1 January 2006 is reclassified to retained earnings.

This change in accounting policy has no significant impact on income statement and earnings per share for the current year.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

24. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation requirements of FRS 101.

	Group		Company	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
Income statement				
Share of profit after tax and minority interest of an equity accounted associate	339	382	—	—
Profit before tax	33,416	33,459	—	—
Tax expense	(9,903)	(9,946)	—	—
Cash flow statements				
Profit before tax	33,416	33,459	—	—
Share of profit of an equity accounted associate	(339)	(382)	—	—

## ANALYSIS OF SHAREHOLDINGS

as at 30 March 2007

Authorised Share Capital	:	RM100,000,000.00
Issued and Fully Paid Share Capital	:	RM69,716,500.00
Class of Shares	:	Ordinary Shares of RM0.50 each
Voting Rights	:	One vote per Ordinary Share

### SHAREHOLDINGS DISTRIBUTION

Size of Holdings	No. of Shareholders/ Depositors	% of Shareholders/ Depositors	No. of Shares Held	% of Issued Capital
Less than 100	65	4.35	2,712	0.00
100 – 1,000	313	20.94	266,984	0.19
1,001 – 10,000	866	57.92	3,615,408	2.59
10,001 – 100,000	215	14.38	6,912,864	4.96
100,001 – less than 5% of issued shares	35	2.34	27,744,440	19.90
5% and above of issued shares	1	0.07	100,890,592	72.36
Total	1,495	100.00	139,433,000	100.00

### LIST OF TOP 30 SHAREHOLDERS/DEPOSITORS

Name	No. of Shares Held	*%
1. CCM Marketing Sdn Bhd (formerly known as Tekan Maju Sdn Bhd)	100,890,592	72.70
2. Employees Provident Fund Board	6,380,400	4.60
3. Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Skim Amanah Saham Bumiputera</i>	4,545,300	3.28
4. Asia Life (M) Berhad <i>as Beneficial Owner (PF)</i>	2,100,000	1.51
5. Universal Trustee (Malaysia) Berhad <i>SBB Dana Al-Azam</i>	1,469,000	1.06
6. CCM Marketing Sdn Bhd (formerly known as Tekan Maju Sdn Bhd)	1,442,300	1.04

**ANALYSIS OF SHAREHOLDINGS** (cont'd)

as at 30 March 2007

**LIST OF TOP 30 SHAREHOLDERS/DEPOSITORS (CONT'D)**

	<b>Name</b>	<b>No. of Shares Held</b>	<b>*%</b>
7.	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>PHEIM Asset Management Sdn Bhd for Employees Provident Fund</i>	1,222,400	0.88
8.	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Alliance Capital Asset Management Sdn Bhd for Employees Provident Fund</i>	1,019,200	0.73
9.	Jerneh Insurance Bhd	870,000	0.63
10.	CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB-Principal Asset Management Berhad for Employees Provident Fund Board</i>	691,800	0.50
11.	Bank Kerjasama Rakyat Malaysia Berhad	674,500	0.49
12.	Mayban Nominees (Tempatan) Sdn Bhd <i>Mayban Trustees Berhad for Balanced Returns Fund (N14011980060)</i>	579,600	0.42
13.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Maakl Al-Faid (4389)</i>	540,000	0.39
14.	Lembaga Tabung Angkatan Tentera	530,000	0.38
15.	Jerneh Insurance Bhd <i>Shareholders' Funds Account</i>	472,000	0.34
16.	UOBM Nominees (Tempatan) Sdn Bhd <i>BHLB Trustee Berhad for Prudential Capital Guaranteed Fund II</i>	471,400	0.34
17.	Universal Trustee (Malaysia) Berhad <i>KL City Smallcap Fund</i>	339,500	0.24
18.	Universal Trustee (Malaysia) Berhad <i>Alliance Optimal Income Fund</i>	321,200	0.23
19.	MCIS Zurich Insurance Berhad	315,980	0.23
20.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>CIMB-Principal Asset Mgmt Bhd for Globale Ruckversicherungs-Aktiengesellschaft</i>	309,900	0.22
21.	BHLB Trustee Berhad <i>Prusmall-Cap Fund</i>	306,900	0.22
22.	Abu Bakar bin Suleiman	286,400	0.21
23.	Liew Wai Kiat	237,600	0.17
24.	Ruby Technique Sdn Bhd	226,000	0.16



**ANALYSIS OF SHAREHOLDINGS** (cont'd)

as at 30 March 2007

**LIST OF TOP 30 SHAREHOLDERS/DEPOSITORS (CONT'D)**

	<b>Name</b>	<b>No. of Shares Held</b>	<b>*%</b>
25.	Am Nominees (Tempatan) Sdn Bhd <i>Tabung Amanah Warisan Negeri Johor (A/C1)</i>	223,160	0.16
26.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Maakl Al-Fauzan (5170)</i>	220,000	0.16
27.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Maakl Progress Fund (4082)</i>	199,000	0.14
28.	Cartaban Nominees (Tempatan) Sdn Bhd <i>Meridian Asset Management Sdn Bhd for Malaysian Assurance Alliance Bhd (A/C2 1/137 6)</i>	175,000	0.13
29.	CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Chew See Yow (MY0292)</i>	169,900	0.12
30.	Gan Tuan Boon	160,000	0.12

*Note:*

\* Excluding a total of 658,000 shares bought-back by the Company and retained as treasury shares.

## ANALYSIS OF SHAREHOLDINGS (cont'd)

as at 30 March 2007

### DIRECTORS' SHAREHOLDINGS AS PER REGISTER OF DIRECTORS AS AT 30 MARCH 2007

Name	No. of Shares Held			
	Direct	*%	Indirect	*%
Tan Sri Dato' Dr. Abu Bakar bin Suleiman	286,400	0.21	11,000	0.01
Dato' Haji Mizanur Rahman bin S M Abdul Ghani	—	—	—	—
Dr. Mohamad Hashim bin Ahmad Tajudin	—	—	—	—
Dr. Mohd Nasir bin Hassan	—	—	—	—
Datuk Alias bin Ali	—	—	—	—
Tuan Haji Ghazali bin Awang	—	—	—	—
Datuk Dr. Jegathesan a/l N M Vasagam @ Manikavasagam	34,160	0.02	—	—

### SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 30 MARCH 2007

Name	No. of Shares Held			
	Direct	*%	Indirect	*%
CCM Marketing Sdn Bhd (formerly known as Tekan Maju Sdn Bhd)	102,332,892	73.74	—	—
Employees Provident Fund Board	9,313,800	6.71	—	—

Note:

\* Excluding a total of 658,000 shares bought-back by the Company and retained as treasury shares.

## LIST OF PROPERTIES

Postal address / Location of the property	Land area (acre/sq. m.)	Description / Existing use (Build up area)	Tenure/ Approx. age of building	Open market valuation by independent valuer RM	Date of valuation/ Methods of valuation	Net Book Value As at 31.12.2006 RM
GM 1391 Lot No. 2599 Mukim and District of Klang, State of Selangor Darul Ehsan/ Lot No. 2599, Jalan Seruling 59, Kawasan 3, Taman Klang Jaya Selangor Darul Ehsan	2.88 acre	a) Industrial land built-upon with a double storey office block cum factory building, a single storey pump house cum boiler house, 3 parking shed, a guardhouse, a refilled chamber and a water tank. (gross built up area: approximately 94,000 sq. ft.) b) Four storey factory office building. (gross built up area: approximately 93,000 sq. ft.)	Freehold/ 13 years old  Freehold/ 4 years old	24,000,000	22 November 2005/ Comparison Method	23,778,778
H.S. (D) 52204 and 52205 PT Nos. 9570 and 9571, Mukim and District of Klang, State of Selangor Darul Ehsan/Nos. 29 and 27 Jalan Serunai 16, Taman Klang Jaya, 41200 Klang, Selangor Darul Ehsan	476.50 sq. m. each	Two units of 1½ storey semi-detached factories. (Built up : 3,588 sq. ft. each)	Freehold/ 21 years old	980,000	22 November 2005/ Comparison Method	969,572
H.S. (D) 14330 Lot No. 9575 Mukim and District of Klang, State of Selangor Darul Ehsan/No. 19 Jalan Serunai 16, Taman Klang Jaya, 41200 Klang, Selangor Darul Ehsan	431.44 sq. m.	1½ storey semi-detached factory. (Built up: 3,120 sq. ft.)	Freehold/ 21 years old	460,000	22 November 2005/ Comparison Method	455,398

## LIST OF PROPERTIES (cont'd)

Postal address / Location of the property	Land area (acre/sq. m.)	Description / Existing use (Build up area)	Tenure/ Approx. age of building	Open market valuation by independent valuer RM	Date of valuation/ Methods of valuation	Net Book Value As at 31.12.2006 RM
H.S. (M) 27455 and 27454 PT Nos. 48576 and 48575, Mukim and District of Klang, State of Selangor Darul Ehsan/No. 51 & 53, Jalan Rebana 3, off Jalan Seruling 59 Taman Klang Jaya 41200 Klang Selangor Darul Ehsan	191 sq. m. And 260 sq. m. respectively	Two units double storey terrace light industrial buildings. (Built-up: 4,108 sq. ft. and 5,588 sq. ft. respectively)	Freehold 9 years old	840,000	22 November 2005/ Comparison Method	826,049
GM 994 Lot No. 2555 Mukim and District of Klang State of Selangor Darul Ehsan	2.9 acres	Vacant industrial land.	Freehold	3,043,782	22 November 2005/ Comparison Method	3,043,782
GM 1649 Lot No. 2556 Mukim and District of Klang State of Selangor Darul Ehsan	2.9 acres	Vacant industrial land.	Freehold	3,043,007	22 November 2005/ Comparison Method	3,043,007
GM 549 Lot No. 2707 Mukim and District of Klang State of Selangor Darul Ehsan	4.38 acres	Vacant agricultural land for future expansion.	Freehold	2,330,000	22 November 2005/ Comparison Method	2,330,000

### Note:

1. DMSB is the registered and beneficial owner of all the above properties. The valuation was carried out on 22 November 2005 by an independent firm of professional valuer, M. Nawawi & Co. Sdn Bhd.
2. Part of Lot 2555 and 2556 were acquired by Government on 24 July 2006 for upgrading of road.

## notice of annual general meeting

NOTICE IS HEREBY GIVEN THAT the Sixth Annual General Meeting of the Company will be held at **Crystal Crown Hotel, No. 217, Persiaran Raja Muda Musa, 42000 Pelabuhan Klang, Selangor Darul Ehsan on Monday, 21 May 2007 at 2.30 p.m.** for the following purposes:-

### AGENDA

#### As Ordinary Business

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2006 together with the Reports of the Directors and Auditors thereon.

#### ORDINARY RESOLUTION 1

2. To declare a Final Dividend of 29% (14.5 sen) per share less 27% income tax for the financial year ended 31 December 2006.

#### ORDINARY RESOLUTION 2

3. To approve the payment of Directors' fees for the financial year ended 31 December 2006.

#### ORDINARY RESOLUTION 3

4. To re-elect the following Directors retiring under Article 93 of the Articles of Association of the Company:-

- i. Tan Sri Dato' Dr. Abu Bakar bin Suleiman

#### ORDINARY RESOLUTION 4

- ii. Dr. Mohamad Hashim bin Ahmad Tajudin

#### ORDINARY RESOLUTION 5

5. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration.

#### ORDINARY RESOLUTION 6

### AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Resolutions:-

6. **Proposed Amendments to the Articles of Association of the Company**

"That the deletions, alterations, modifications, variations and additions to the Articles of Association of the Company as set out in the Circular to Shareholders dated 27 April 2007 be and are hereby approved."

#### SPECIAL RESOLUTION 1

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

That subject to the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company and/or its subsidiary shall be mandated to enter into the recurrent related party transactions of a revenue or trading nature with the related party as specified in Sections 2.2.1 and 2.2.4 of the Circular to Shareholders dated 27 April 2007 which are necessary for the Company and/or its subsidiary's day-to-day operations subject further to the following:

- (i) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public, and the transactions are undertaken on arm's length basis and are not to the detriment of the minority shareholders;
  - (ii) the approval is subject to annual renewal and shall continue to be in force until:-
    - (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the forthcoming AGM at which such mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
    - (b) the expiration of the period within which the next AGM after the date it 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
    - (c) revoked or varied by resolution passed by the shareholders in a general meeting,

## notice of annual general meeting (cont'd)

whichever is the earlier; and

- (iii) the disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the Proposed Shareholders' Mandate during the financial year.

And that the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

### ORDINARY RESOLUTION 7

## NOTICE OF DIVIDEND PAYMENT

**NOTICE IS ALSO HEREBY GIVEN THAT**, subject to the approval of the shareholders at the Sixth Annual General Meeting, a Final Dividend of 29% (14.5 sen) per share less 27% income tax in respect of the year ended 31 December 2006 will be paid to shareholders on 8 June 2007. The entitlement date for the said dividend shall be 31 May 2007.

A Depositor shall qualify for entitlement to the Dividend only in respect of:-

- a. Shares transferred to the Depositor's securities account before 4.00 p.m. on 31 May 2007 in respect of ordinary transfers;
- b. Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

**SAW BEE LEAN (MAICSA 0793472)**  
**TONG MEI FONG (MAICSA 0826608)**  
**LIM LILY (LS 01066)**  
*Secretaries*

Klang, Selangor Darul Ehsan  
Date: 27 April 2007

### NOTES:-

1. A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.
2. Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 10A, Lebuhraya Gopeng, 41400 Klang, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting.
4. If the appointer is a corporation, the instrument appointing a proxy must be executed under its Common Seal or under the hand of its officer or its duly authorised attorney.

### Explanatory Notes on Special Business

- (i) Special Resolution 1 – Proposed amendments to the Articles of Association of the Company

The Special Resolution 1 proposed, if passed, will render the Articles of Association of the Company to be consistent with the new requirements under Chapter 7 of the Listing Requirements of Bursa Malaysia Securities Berhad pursuant to the letters dated 14 December 2006 and 9 April 2007 from Bursa Malaysia Berhad and any prevailing laws, rules, regulations, orders, guidelines or requirements of the relevant authorities.

- (ii) Ordinary Resolution 7 - Proposed Renewal of Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The explanatory notes on Ordinary Resolution 7 is set out in the Circular to Shareholders dated 27 April 2007.

## **statement accompanying notice of annual general meeting**

pursuant to paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad

Further details of directors standing for re-election

Details of directors standing for re-election are set out in directors' profiles appearing on pages 6 to 13 of the annual report.

FORM OF PROXY

CCM DUOPHARMA BIOTECH BERHAD (524271-W)  
(Formerly known as Duopharma Biotech Bhd) (Incorporated in Malaysia)

CDS account no. of authorised nominee

No. of shares held

I/We, 

(name of shareholder as per NRIC, in capital letters)

IC No./ID No./Company No. 

(new)

(old)

of 

(full address)

being a member/members of the above-named Company do hereby appoint 

(name of proxy as per NRIC, in capital letters)

IC No. 

(new)

(old)

or failing him/her, 

(full address)

or failing him/her, 

(name of proxy as per NRIC, in capital letters)

IC No. 

(new)

(old)

of 

(full address)

as my/our proxy to vote for me/us on my/our behalf at the Sixth Annual General Meeting of the Company to be held at Crystal Crown Hotel, No. 217, Persiaran Raja Muda Musa, 42000 Pelabuhan Klang, Selangor Darul Ehsan on Monday, 21 May 2007 at 2.30 p.m. and at any adjournment thereof.

My/our proxy is to vote as indicated below:

No.	Resolution	For	Against
Ordinary Resolution 1	Adoption of the Audited Financial Statements and Reports for the financial year ended 31 December 2006		
Ordinary Resolution 2	Declaration of a Final Dividend of 29% (14.5 sen) per share less 27% income tax for the financial year ended 31 December 2006		
Ordinary Resolution 3	Approval of Directors' Fees for the financial year ended 31 December 2006		
Ordinary Resolution 4	Re-election of Tan Sri Dato' Dr. Abu Bakar bin Suleiman		
Ordinary Resolution 5	Re-election of Dr. Mohamad Hashim bin Ahmad Tajudin		
Ordinary Resolution 6	Re-appointment of Messrs KPMG as Auditors		

No.	Resolution	For	Against
Special Resolution 1	Proposed Amendments to the Articles of Association of the Company		
Ordinary Resolution 7	Proposed Renewal of Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		

[Please indicate with an “X” in the spaces provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.]

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:		
	No. of shares	Percentage
Proxy 1		%
Proxy 2		%
		100%

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2007.

Signature:  
Shareholder or Common Seal

- Notes:

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AFFIX  
POSTAGE  
STAMP

The Company Secretary  
**CCM DUOPHARMA BIOTECH BERHAD** (524271-W)  
*(formerly known as Duopharma Biotech Bhd)*  
No. 10A, Lebuhraya Gopeng  
41400 Klang  
Selangor Darul Ehsan