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41200 Klang, Selangor Darul Ehsan

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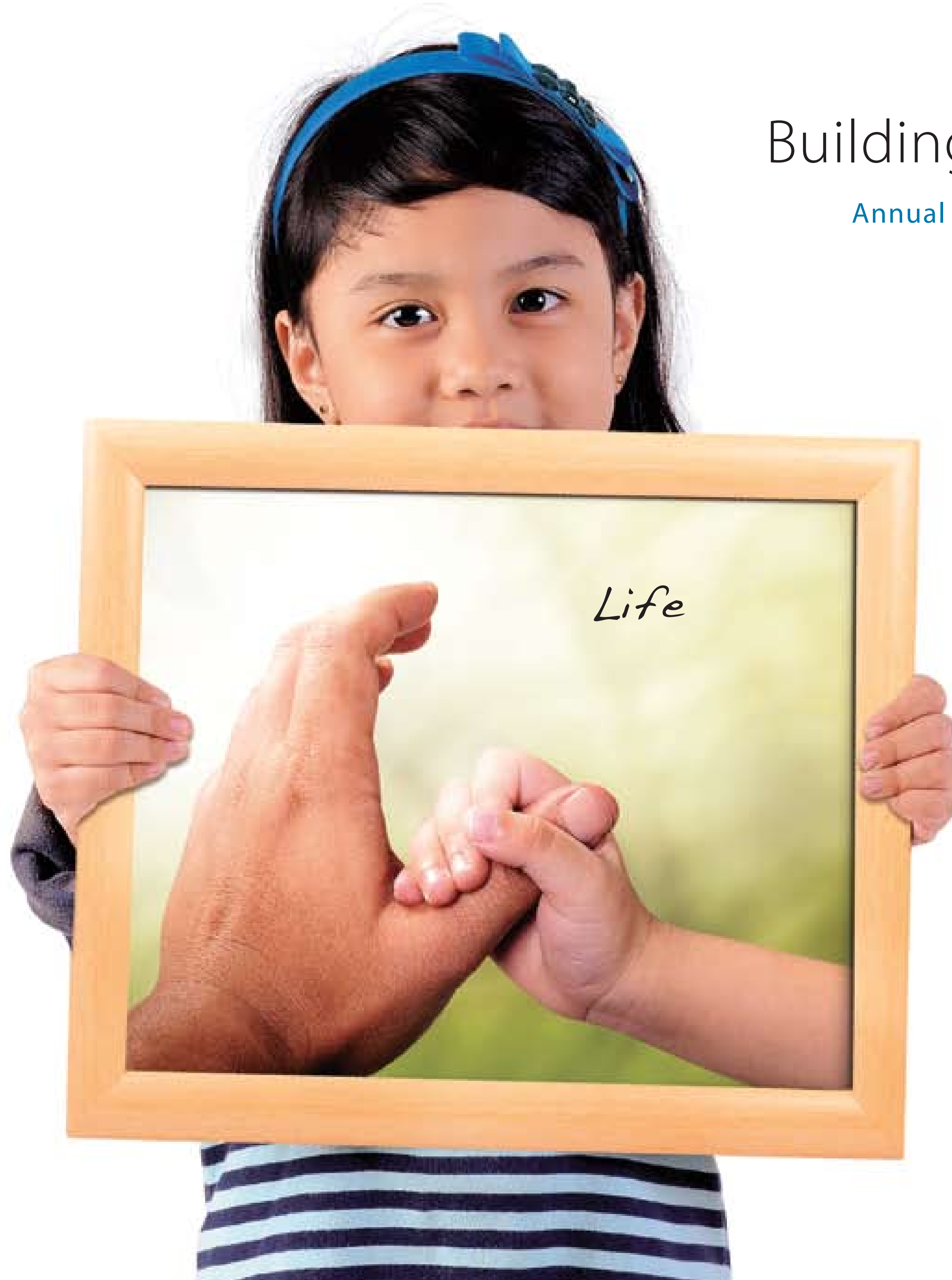
cs@duopharma.com.my

CCM DUOPHARMA BIOTECH BERHAD (524271-W) Annual Report 2011

CCM DUOPHARMA
BIOTECH BERHAD
(524271-W)

Building Trust

Annual Report 2011



Continuous Innovation and Growth

At CCMD, we are continuously innovating our products, services and processes to ensure a safe and healthy life for our consumers. With more than three decades of supporting the health and medical industry, we are well equipped to be the pharmaceutical supplier of choice in the regional market.

Table of Contents

Financial Calendar

Financial year end	**31 December 2011**
Annual General Meeting	**24 May 2012**

Dividend

(i) Interim Dividend

Entitlement date	7 October 2011
Payment date	28 October 2011

(ii) Proposed Final Dividend

Entitlement date	8 June 2012
Payment date	29 June 2012

Announcement of 2011 Trading Results

Three months (1st Quarter)	25 May 2011
Six months (2nd Quarter)	18 August 2011
Nine months (3rd Quarter)	21 November 2011
Full year (4th Quarter)	22 February 2012

Financial Highlights

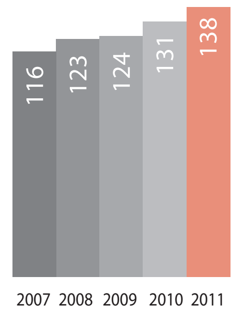
as at 31 December

Consolidated Balance Sheet

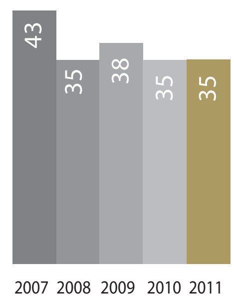
	2011 (RM'000)	2010 (RM'000)
Property, Plant and Equipment	101,697	100,249
Current assets	95,823	96,230
Total assets	197,520	196,479
Current liabilities	25,409	24,373
Financed by:		
Share capital	69,739	69,739
Treasury shares	(1,578)	(1,578)
Non-distributable reserves	21,115	21,115
Retained profits	75,169	68,593
Shareholders' funds	164,445	157,869
Deferred tax liabilities	5,584	3,821
Loan and borrowing	2,082	10,416

Consolidated Income Statement

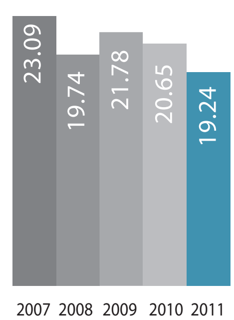
	2011 (RM'000)	2010 (RM'000)
Turnover	138,132	131,437
Profit before taxation	34,728	35,409
Taxation	(8,023)	(6,740)
Profit after taxation	26,705	28,669
Profit attributable to shareholders	26,705	28,669
Dividends	(20,129)	(20,476)
Transfer to retained profits	6,576	8,193



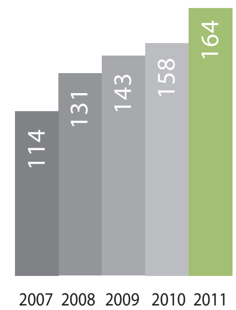
Turnover (RM million)



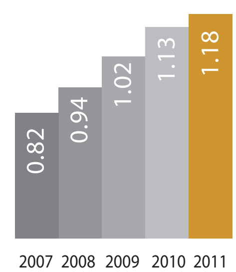
Profit Before Tax (RM million)



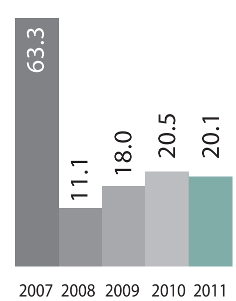
Earnings per Share (Sen)



Shareholder's Funds (RM million)



Net Assets per Share (RM)



Dividend Paid (RM million)

Teamwork

CCMD believes in synergy to move forward. We rely upon the capabilities and collective strength of our employees to gain a sustainable competitive advantage in the global market.

Chairman's Statement

TAN SRI DATO' DR. ABU BAKAR BIN SULEIMAN
Chairman

Dear Shareholders

It is with pleasure that I present you the annual report and financial statements of the Company for the financial year ended 31 December 2011. Overall, the Company performed well and it leaves the year with a lot of positives, aided no doubt by the fact that the Malaysian economy performed admirably despite the global economy uncertainties, driven by the European financial crisis.

INDUSTRY TRENDS & DEVELOPMENT

Global spending on medicines is projected to hit US$1.1 trillion (RM3.07 trillion) by 2015, and this is an indication of the vast potential opportunities that awaits the Company. The Healthcare sector is a powerful engine for economic growth due to demographic shifts as well as greater affluence and changing lifestyles.

Another phenomena which will change the industry landscape will be the 'Patent Cliff'. Over the next 10 years, innovator blockbuster medicines, worth about RM435 billion in annual sales are set to go off patent. This presents a huge opportunity for generic manufacturing companies like ours to expand our business. This phenomena has seen innovator companies to collaborate with generic players to participate in the generic space.

The Malaysian pharmaceutical industry was estimated to be worth about RM4.83 billion as at end 2011, growing at 6.85 per cent from RM4.52 billion in 2010. I am pleased to inform Shareholders that our Company enjoyed a sizeable portion of this business as it continues to be one of the leading manufacturers in the industry.

Under the 10th Malaysian Plan, the Government aims to grow the pharmaceutical industry which has been identified as one of the 12 National Key Economic Areas (NKEAs). The 2010 Healthcare NKEA Lab resulted in six Entry Point Projects (EPPs) and two business opportunities, which combined, are expected to generate RM35.3 billion incremental Gross National Impact (GNI) and 181,000 new jobs by the year 2020.

Safety, Efficacy and Quality of medicines produced in Malaysia is among the best in the region. The Ministry of Health continues to enhance the regulatory standards in Malaysia which requires industry players to further invest in technology and human capital as well as upgrading of facilities. This forces the industry to rationalise and consolidate, as remaining in the industry will require major capital expenditure.

The Company continues to penetrate the halal market both locally and internationally. The 1.6 billion Muslims are a huge potential market for halal pharmaceutical products. The global market value for halal products is estimated at US$2.1 trillion a year. The move would also open doors for the Company to the lucrative Middle East and North Africa market.

GROUP'S PERFORMANCE

The Malaysian Standard : MS2424:2010 Halal Pharmaceuticals – General Guidelines has already been established by the authorities which provides an opportunity for the Company in the halal pharmaceutical market as we have been in the forefront of producing halal pharmaceutical products for many years.

In 2011, the Company recorded a 5.1 per cent increase in revenue to RM138.13 million for its financial year ended 31 December 2011 from RM131.44 million in the previous financial year. The improved sales performance was mainly attributed to the private sector.

However, there was a two per cent drop in the profit before tax from RM35.41 million in 2010 to RM34.73 million. This was mainly due to additional depreciation due to the construction of the new warehouse, consultancy costs which was incurred in reviewing future business strategies as well as unfavourable foreign exchange differences.

PROSPECTS

During the year under review we have identified key markets for the company to expand its international business, strengthened our R&D capabilities to address future product pipelines and commissioned the new state-of-the-art warehouse to improve good storage practice as well as supply efficiency.

In 2011, the Company also laid the groundwork for growing its presence in the Asean region to effectively tap its market of 600 million people. Besides exports to several countries within Asean, the Company successfully completed in 2011 its 10-year strategic plan for growth in the export business and expansion into Indonesia, Philippines and Vietnam.

In line with the financial performance, the Board of Directors has recommended a final dividend of 29 per cent (14.5 sen) per share less 25 per cent income tax resulting to a total dividend payout of 36 per cent (18 sen) per share for 2011. This amounts to approximately RM19.96 million. In contrast, 2010 saw a total dividend of 31 per cent (15.5 sen) per share, totalling approximately RM21.5 million. The basic earnings per ordinary share eased to 19.24 sen in 2011 from 20.65 sen in 2010.

The Company is also mindful of the host of opportunities that arise as Malaysia's population ages – with more elder people than younger ones. Among the opportunities that the Company seeks to tap will be the greater demand for wellness and therapeutic products both to keep disease at bay and to treat those that arise. All of these including the various initiatives planned by the Management will lead the Company towards strengthening our position in the market.

APPRECIATION

The Company's Board of Directors joins me in expressing our sincere gratitude and appreciation to our dedicated management and employees for demonstrating an excellent spirit of teamwork in striving towards realising the Company's objectives and expectations.

On behalf of the Board of Directors, I would also like to express our thanks and appreciation for the invaluable contributions of Dato' Dr. Mohamad. Hashim Ahmad Tajudin, who has left the Board during the course of the year. I am also pleased to welcome Encik Amirul Feisal Wan Zahir to the Board of the Company.

My thanks also go to my fellow Directors for their guidance and wisdom in the interests of the betterment of the Company. Our deepest gratitude is extended to our stakeholders, i.e. shareholders, customers, business associates, partners and employees for their unwavering support for the Company.

TAN SRI DATO' DR. ABU BAKAR BIN SULEIMAN
Chairman

Chief Executive Officer's Operations Review

LEONARD ARIFF BIN ABDUL SHATAR
Chief Executive Officer

Despite an increasingly competitive environment, CCM Duopharma Biotech Berhad (CCMD) remains among the leading pharmaceutical manufacturing companies in Malaysia, with a share of approximately 11 per cent in the country's generic pharmaceutical market.

The Group performed well in 2011, with an increase of 5.1 per cent in revenue to RM138.13 million for its financial year ended December 31, 2011 from RM131.44 million in 2010. However, there was a slight drop in profit before tax (PBT) of two per cent to RM34.73 million from RM35.41 million in 2010 due primarily to expenses from the new warehouse construction, strategic consultancy and some foreign exchange differentials.

Barring any other unforeseen circumstances, the Group expects to remain profitable in 2012 with demand for pharmaceutical products remaining fairly stable despite the uncertainty of the global economy and the fact that supply to government hospitals via tenders may fluctuate.

CCMD has established its mark as an industry leader in driving innovation and pioneering technology driven processes through initiatives such as the SVI (Small Volume Injectables) plant and as a dental cartridge producer. The Group has continued this trend by having the first approved Fill and Finish facility for biosimilar products in Malaysia.

In 2011, sales of the pharmaceutical products to the private sector, Government hospitals and export contributed 46%, 46% and 8% respectively to CCMD's total sales.

In last year's annual report, we highlighted the issue on reduced import permits for psychotropics and precursors raw materials which had impacted our profits. However, we have overcome this impact by introducing four (4) new products i.e. *Aseptone Red, CCM Eye HA, CCM Joint HA* and *Acipan* and made improvement in penetrating the local market.

On the international front, our focus is on Indonesia, Vietnam and Philippines. We are expanding the market through local collaborations and investment. However, by doing so, the company faces many challenges. For example, due to changes in the local regulations in Indonesia, we were unable to operate as a local company and hence, this affected our operations there. However, the Company managed to resolve the matter by setting up a representative office via a related company.

Our business in Vietnam continues to grow with the supply of haemodialysis solution to the country. Moving forward, the plan is to launch more products into these focused countries and to develop other new markets in the Middle East and North Africa.

CCMD's participation in CPhI in Frankfurt, Germany in 2011 proved to be beneficial to the Company as it has established contacts with key global suppliers for raw materials and finished products which the Company is pursuing for future growth and efficiency improvement. At the same time, we were also able to establish contacts to market our products in Europe.

The sales and marketing function is important to the growth of the Company. We have strengthened our sales and marketing team by appointing a Chief Commercial Officer who oversees the marketing and sales of our products into the Malaysian and international markets.

We have also invested in information technology (IT) to boost business operations, operational efficiency and growth in all CCMD activities and processes. A new Enterprise Resource & Planning software system (SAP) was installed beginning in Quarter 3, 2011 to assist in the management of the business but, more importantly, to provide a system platform for potential growth into the future.

The challenges faced in 2011 came in several different forms. We faced stiff competition in the government tender business which led to lower bid prices and reduced margin. The Company mitigated the issue by improving the margin through cost management and initiatives in manufacturing efficiencies.

Another challenge was the ever stringent regulatory requirement that has been introduced for product registration such as requirement for bioequivalence (BE) studies. This will increase expenditure involved in having to conduct BE studies both locally and outsourcing them abroad and hence, lead to increase operational cost and capital expenditure to upgrade manufacturing facilities.

Our future strategy is to address the changing pharmaceutical industry landscape. The expiry of Innovator Patents in these few years (also known as the "Patent Cliff") provides opportunities for generic blockbusters. Generic blockbuster products soon available from the "Patent Cliff" are for us to tap aggressively before other players occupy the space. In the past, multinational companies have had a rich pipeline and do not compete in the generic market. However, with the emergence of the "Patent Cliff", the multinationals are compelled to take part in the generic segments as well. One way for the multinationals to achieve this is by collaborating with existing generic players. Therefore, CCMD must actively pursue to partner with the multinationals. We see this as an advantage because we have a rich generic portfolio and an already established distribution channel. Furthermore, partnering with the multinationals will improve plant capacity utilisation.

Biosimilars are generic version of biotechnologically produced pharmaceuticals i.e. insulin, erythropoietin, etc. The general trend in the pharmaceutical industry is moving towards biosimilars. These products have high value and are considered as niche and specialised products. CCMD is currently leading the local industry to move into the biosimilar segment. We have already installed a Fill and Finish facility dedicated for biotechnology product and currently we are actively negotiating with established technology partners to bring various products to Malaysia. We are also preparing ourselves to be technologically competent to handle this product. Our plan is to launch one product into the Malaysian market by 2014.

In line with our tradition of charting new fields for pharmaceutical dosage form in Malaysia, CCMD aspires to be the first facility in Malaysia to conduct Fill and Finish operations for vaccines. We have installed a facility designed for the Fill and Finish vaccine product and have secured approval from our national regulatory authority. This is the first of such facility to be approved in Malaysia.

Another attractive area we would like to participate in is the oncology segment. Oncology is a high value and niche pharmaceutical product that requires high technical expertise in producing and handling of the product. CCMD has been reviewing opportunities in this therapeutic area and have been in discussions with various parties with a view towards expanding our product portfolio in this fast growing area.

RESEARCH & DEVELOPMENT

Research and Development (R&D) is important to CCMD. We spent more than RM2 million during the year under review on R&D.

In line with our strategy, we are currently preparing our technical & R&D personnel to be equipped with technical expertise and all the necessary support services such as engineering, quality control, laboratory testing and product formulation.

In order for us to strengthen our R&D capabilities, we have appointed an expatriate as our Chief Scientific Officer who is tasked to strategise the continuous stream of product pipeline for the Company as well as looking into new technology to differentiate ourselves from the rest of our competitors. He will also look into enhancing our local R&D talents.

HUMAN CAPITAL

Our employees are our greatest asset and we continuously provide training and development opportunities to upgrade their skills, boost their morale and productivity and improve working conditions. These efforts enable us to enhance employees' job satisfaction and develop a highly skilled workforce, hence increasing staff loyalty and improving CCMD's overall corporate performance.

In line with the Company's growth strategies, we recently restructured the management structure in order to make it more effective. We aligned our resources to meet our strategic as well as operational efficiency requirements. Three (3) new positions were introduced, which are Chief Commercial Officer, Chief Scientific Officer and Chief Manufacturing and Technology Officer. The Chief Commercial Officer and Chief Scientific Officer roles are explained in page 10 and 12 of this annual report respectively. The Chief Manufacturing and Technology Officer is tasked to oversee the operations of the plant.

We also conducted an Employee Engagement survey which measured employees' level of engagement with the Company. Results from the survey were used to roll out Employee Engagement Action Planning as part of control tools in driving employee engagement activities.

We have developed and established a Talent Management Framework as a core initiative to retain talents. Along that, we have also established the Talent Review Process, Succession Planning Mapping and Leadership Pipeline Processes.

In July 2011, we introduced the Company's core values to our workforce via the Core Values in Action education programme. This programme is aimed at instilling awareness and understanding of the new CCM Core Values among employees.

We also introduced new learning resources in the form of Learning podcasts (audio and video digital media). The podcasts are easy to use learning materials that enable the employees to learn anywhere, anytime.

CORPORATE RESPONSIBILITY

Throughout the year under review, CCMD organised numerous programmes as part of the Company's corporate responsibility effort. Being a player in the pharmaceutical industry, CCMD actively supports the growth of the industry in Malaysia. There are two (2) bodies that are related to the Malaysian pharmaceutical industry, i.e. Malaysian Organisation of Pharmaceutical Industries (MOPI) and the International Society of Pharmaceutical Engineering (ISPE). I am currently the President of MOPI whilst our Chief Operating Officer/ Chief Strategy Officer, En. Ibrahim Zainudin is the 1st President for ISPE.

MOPI looks into the general welfare of the local manufacturing industry and acts as a representative body for dialogue with the Government to enhance the local pharmaceutical manufacturing industry. ISPE's role is to upgrade local pharmaceutical individuals to keeping abreast with new technologies and has training resources that can be tapped into. By playing an active role in these two organisations, we are able to take a leadership role within the Malaysian pharmaceutical industry and hopefully to shape the future of the industry.

Last year, we contributed 37,000 sets of personal health kits to pilgrims performing the Haj through the Sahabat Korporat Tabung Haji programme that exemplifies our continuous commitment to assist pilgrims to manage their health and well-being during this sacred journey. The personal health kits are used to treat minor ailments.

CCMD also participated in Minggu Saham Amanah Malaysia in Ipoh, Perak in 2011. This event is used as an avenue to generate awareness amongst consumers about our halal certified products that embody the highest level of quality, safety, hygiene and efficacy.

In conclusion, CCMD's long and established experience in the pharmaceutical industry as well as our commitment for future growth have fortified us to meet all the challenges that lie ahead. I would like to take this opportunity to thank the Board of Directors of CCMD for their continued support and guidance, the CCMD Management Committee for their commitment and dedication and to all staff of CCMD who collectively contributed to the success of the Company in 2011.

LEONARD ARIFF BIN ABDUL SHATAR
Chief Executive Officer

Passion

Our passion for excellence is conveyed in our mission to be a leading regional manufacturer and distributor of quality pharmaceutical products and ensuring stakeholders' satisfaction.

Corporate Information

Board of Directors

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

Tan Sri Dato' Dr. Jegathesan
a/l N.M. Vasagam @ Manikavasagam
Independent Non-Executive Director

Datuk Alias bin Ali
Non-Independent Non-Executive Director

Haji Ghazali bin Awang
Independent Non-Executive Director

Amirul Feisal bin Wan Zahir
Non-Independent Non-Executive Director
(Appointed w.e.f. 13 June 2011)

Dato' Dr. Mohamad Hashim bin Ahmad Tajudin
Non-Independent Non-Executive Director
(Resigned w.e.f. 10 June 2011)

Chief Executive Officer

Leonard Ariff bin Abdul Shatar

Company Secretary

Noor Azwah binti Samsudin (LS0006071)

Stock Exchange Listing

Main Market of Bursa Malaysia Securities Berhad

Registered Office

13th Floor, Menara PNB, 201-A, Jalan Tun Razak
50400 Kuala Lumpur

Tel : 03-2612 3888

Fax : 03-2612 3999

Business Address

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

Tel : 03-3323 2759

Fax : 03-3323 3923

Homepage : www.duopharma.com.my

E-mail : cs@duopharma.com.my

Auditors

Messrs. KPMG
Chartered Accountants
Level 10, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan

Principal Bankers

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

CIMB Bank Berhad
G9, Ground Floor
Plaza Metro, Jalan Meru
41050 Klang, Selangor Darul Ehsan

Share Registrar

Tricor Investor Services Sdn. Bhd.
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur

Tel : 03-2264 3883

Fax : 03-2282 1886

Board Structure

Board of Directors

Audit and Risk Management Committee

Nomination and Remuneration Committee

Corporate Structure

CCM Duopharma Biotech Berhad (524271-W)

100%
Duopharma (M) Sdn. Bhd. (42491-M)

TAN SRI DATO' DR. ABU BAKAR BIN SULEIMAN

Age: 68 years

Nationality: Malaysian

Position on the Board
Non-Independent Non-Executive Chairman

Date Appointed to the Board
25 May 2002

Membership of Board Committees
Chairman, Nomination and Remuneration Committee

Directorships of Other Public Companies
Medical Defence Malaysia Berhad
Integrated Healthcare Holdings Berhad

Securities Holdings in the Company and its Subsidiaries
286,400 ordinary shares directly (as at 30 March 2012)
22,000 ordinary shares indirectly (as at 30 March 2012)

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

Qualifications

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

Working Experience and Occupation

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

TAN SRI DATO' DR. JEGATHESAN A/L N.M. VASAGAM @ MANIKAVASAGAM

Age: 68 years

Nationality: Malaysian

Position on the Board
Independent Non-Executive Director

Date Appointed to the Board
30 March 2006

Membership of Board Committees
Member, Nomination and Remuneration Committee
Member, Audit and Risk Management Committee

Directorships of Other Public Companies
None

Securities Holdings in the Company and its Subsidiaries
34,120 ordinary shares directly (as at 30 March 2012)

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

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
- Fellow, Royal College of Pathologists, United Kingdom
- Fellow, College of American Pathologists, America
- Fellow, Royal College of Pathologists of Australia
- Fellow, Academy of Medicine, Malaysia
- Senior Fellow (Academician), Academy of Sciences, Malaysia

Working Experience and Occupation

Tan Sri Dato' Dr. Jegathesan began his career serving in numerous government departments in the Ministry of Health, culminating in the position of Deputy Director General (Research and Technical Support) from 1994 until 1998. After a full term career in the Ministry of Health, he served as Medical Advisor to the UNDP affiliated Council for Health Research for Development in Geneva from 1998 to 2000, thereafter as CEO of Sistem Hospital Awasan Taraf until 2003. He currently holds positions as Consultant Pathologist, BP Healthcare Group, Consultant Microbiologist and Head, Laboratory, Sunway Hospital, Pro-Chancellor, University Sains Malaysia and Deputy Vice-Chancellor (Research) of MAHSA University College. His 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 at an Asian Games, repeating the feat at the next Games in 1966 and was dubbed the "fastest man in Asia." He was also Malaysia's first Sportsman of the Year in 1966. On the medical front, he was the joint winner of the National Science Award in 1995.

DATUK ALIAS BIN ALI

Age: 64 years

Nationality: Malaysian

Position on the Board
Non-Independent Non-Executive Director

Date Appointed to the Board
14 March 2006

Membership of Board Committees
Member, Audit and Risk Management Committee

Directorships of Other Public Companies
Fima Corporation Berhad
Melati Ehsan Holdings Berhad

Securities Holdings in the Company and its Subsidiaries
None (as at 30 March 2012)

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

Qualifications

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

Working Experience and Occupation

Datuk Alias began his career serving in government departments and Ministries since 1970. He was appointed as Director of Industrial Development 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.

HAJI GHAZALI BIN AWANG

Age: 65 years

Nationality: Malaysian

Position on the Board
Independent Non-Executive Director

Date Appointed to the Board
14 March 2006

Membership of Board Committees
Chairman, Audit and Risk Management Committee
Member, Nomination and Remuneration Committee

Directorships of Other Public Companies
HeiTech Padu Berhad
BIMB Investment Management Berhad
Bank Simpanan Nasional
Prudential BSN Takaful Berhad
Lembaga Tabung Haji

Securities Holdings in the Company and its Subsidiaries
77,000 ordinary shares directly (as at 30 March 2012)

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

Qualifications
- Bachelor of Commerce, University of Newcastle (N.S.W.), Australia
- Chartered Accountant, Institute of Chartered Accountants, Australia
- Chartered Accountant, Malaysian Institute of Accountants
- Diploma in Islamic Studies, International Islamic University
- Magister Agama (MA), Institut Agama Islam Negeri, Imam Bonjol, Padang

Working Experience and Occupation
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.

AMIRUL FEISAL BIN WAN ZAHIR

Age: 42 years

Nationality: Malaysian

Position on the Board
Non-Independent Non-Executive Director

Date Appointed to the Board
13 June 2011

Membership of Board Committees
None

Directorships of Other Public Companies
Chemical Company of Malaysia Berhad

Securities Holdings in the Company and its Subsidiaries
None (as at 30 March 2012)

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

Qualifications

- Bachelor of Science Economics (Accounting and Finance), London School of Economics, University of London
- Fellow of the Institute of Chartered Accountants England and Wales

Working Experience and Occupation

Prior to Amirul Feisal's appointment to CCM as Group Managing Director in 2011, he was the Executive Vice President for Special Projects in Permodalan Nasional Berhad. Amirul Feisal started his career in KPMG Plc. in the Audit Division based in London and left as an Assistant Manager to join Schroders Investment Banking in Kuala Lumpur in 1997. He remained at Schroders (later acquired by Salomon Smith Barney and subsequently renamed Citigroup Global Markets) until 2004. During that period, he worked in various departments within the Investment Banking Division including the Project Finance and Privatisation Department, Corporate Finance Group, Mergers & Acquisition Group and the Industrial/ Large Cap Group based in Kuala Lumpur, Singapore and Hong Kong. In 2004, Amirul Feisal joined BinaFikir Sdn. Bhd., a Malaysian-based boutique advisory firm as a shareholder and Executive Director. He was also the Managing Director, Investment Banking for Maybank Investment Bank from 2008 until September 2010. Amirul Feisal is also a member of the Advisory Panel for Malaysia-Japan International Institute of Technology (MJIIT), Universiti Teknologi Malaysia, International Campus.

LEONARD ARIFF BIN ABDUL SHATAR

Chief Executive Officer

Age: 47 years

Nationality: Malaysian

Membership of Board Committees
None

Directorships of Other Public Companies
None

Securities Holdings in the Company and its Subsidiaries
None (as at 30 March 2012)

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

Qualifications

- LLB, Monash University, Melbourne, Australia
- Bachelor of Economics, Monash University, Melbourne, Australia

Working Experience and Occupation

Leonard Ariff was appointed the Chief Executive Officer of CCM Duopharma Biotech Berhad and Director of CCM Pharmaceuticals Division on 1 January 2008. Since 1988, he had worked in various capacities in the legal profession before joining the CCM Group in 1990 where his main responsibilities were in business development at CCM Chemicals Sdn. Bhd. In 2000, he assumed the position of Managing Director of Usaha Pharma (M) Sdn. Bhd. (formerly known as Prima Health Pharmacy (Retail) Sdn. Bhd.), CCM's pharmaceuticals retail arm. He then became General Manager of ICI Paints Malaysia Sdn. Bhd. in 2003 and subsequently as Managing Director before taking on his current appointment. He also holds directorship on the boards of several companies within the CCM Group. He also acts in an advisory capacity at Monash University Business School, University Science Malaysia, International Medical University, University Malaya (Pahang/Penang) and as Committee Member of Good Governance for Medicines in the Ministry of Health, Malaysia. He is currently the President of the Malaysian Organisation of Pharmaceutical Industries (MOPI).

IBRAHIM BIN ZAINUDIN

Chief Operating Officer/Chief Strategy Officer

Age: 54 years

Nationality: Malaysian

Qualifications

- Bachelor of Science (Hons) Applied Biology, Liverpool, UK (Major in Microbiology & Biochemistry)
- Harvard Business School – Alumni Club Malaysia

Working Experience and Occupation

Ibrahim commenced his career at Glaxo Malaysia (now GSK) in 1983, gaining experience in production, quality control, quality assurance and materials planning of pharmaceuticals manufacturing. He then joined Baxter Malaysia (now Unomedical) in 1992, in the areas of regulatory affairs, quality assurance, R&D, human resource and operations of medical devices manufacturing. Ibrahim later moved to Pharmaniaga Manufacturing Berhad in 2001 as the plant's Director and Senior General Manager responsible for the overall operations of pharmaceuticals manufacturing and later became Head of International Manufacturing Development. In January 2008, he joined CCM Duopharma as General Manager, Operations, overseeing supply chain management, purchasing, manufacturing, engineering, safety and risk management. Ibrahim was appointed to his present capacity as Chief Operating Officer/ Chief Strategy Officer on 1 January 2012.

BILLY URUDRA

Chief Commercial Officer

Age: 51 years

Nationality: Malaysian

Qualifications

- Bachelor of Science (Hons) in Mechanical Engineering, Middlesex University, United Kingdom
- Senior Management Development Programme, Harvard Business School

Working Experience and Occupation

Billy Urudra joined the ICI/CCM Group on 2 June 1983 as Plant Engineer for CCM Fertilizers Sdn. Bhd. On 1 July 1989, he was transferred to CCM Chemicals Sdn. Bhd. as Product Manager. Subsequently on 1 October 1990, he was appointed Human Resource Planning Manager for CCM Group. He was transferred back to CCM Chemicals on 1 April 1992 and appointed Business Manager, Chlor-Alkali and Watercare. On 7 March 1996, he was appointed Director of CCM Chemicals Sdn. Bhd. On 1 February 2003, he was transferred to CCM Pharmaceuticals Sdn. Bhd. as Director and General Manager, Marketing. On 1 July 2004, he was transferred to CCM Berhad as Group Business Development Manager. Subsequently on 1 July 2007, he was appointed as Director, Group Strategic Planning & Business Development. Billy Urudra was appointed as Director, International Business Division, on 1 January 2009. He was appointed Director, Group Transformation Office on 1 July 2011 and subsequently on 1 January 2012, he was appointed as Chief Commercial Officer, the position he currently holds.

CHEK WU KONG

Chief Financial Officer

Age: 46 years

Nationality: Malaysian

Qualifications

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

Working Experience and Occupation

Chek commenced his career in an international firm of public accountants in 1990, gaining experience in taxation, auditing and accounting. He joined Komarkcorp Berhad in 1994 as Accountant and was responsible for corporate restructuring, group accounting and finance. He was later promoted to Group Finance Manager in 1995 and thereafter to Group Financial Controller in 1996 before starting his own business in January 2000. He joined CCM Duopharma in August 2000 as Financial Controller and was promoted to his current position in 2012 and responsible for finance, secretarial, IT and human resources portfolios.

NG SU YEE

Chief Manufacturing & Technical Officer

Age: 44 years

Nationality: Malaysian

Qualifications

- Bachelor of Pharmacy (Hons), University of London, United Kingdom

Working Experience and Occupation

Su Yee did her pre-registration pharmacy training in CE Harrod Chemist, an independent retail pharmacy in London from 1990 to 1991. Upon her return to Malaysia, she joined Ekim Trading, a Bumiputra tendering agent in Kuala Lumpur as Pharmacist in 1992. She commenced her industrial career in Glaxo Malaysia (now GSK) in 1993 as Production Pharmacist and was later promoted to Section Manager overseeing pharmaceuticals manufacturing.

Su Yee joined the CCM Group in June 1997. Over the years, she has led various disciplines of plant operations including Production, Quality Assurance, Quality Control, Regulatory Affairs, Technical Support, Process Improvement, Business Excellence, Engineering and Plant Maintenance. Su Yee is appointed as the Chief Manufacturing and Technical Officer since 1 Jan 2012.

NOOR AZWAH SAMSUDIN

Company Secretary, Group Company Secretarial

Age: 41 years

Nationality: Malaysian

Qualifications

- LLB, University of Sheffield, United Kingdom
- Certificate in Legal Practice, Legal Qualifying Board, Malaysia

Working Experience and Occupation

Noor Azwah joined the CCM Group in 2006 and was appointed the Company Secretary of CCM Duopharma Biotech Berhad in 2007. Prior to her appointment, Noor Azwah has served in a similar capacity in the automotive and insurance industries. She is also an affiliate member of the Malaysian Institute of Chartered Secretaries and Administrators.

The Malaysian Code on Corporate Governance ("the Code") sets out the principles and best practices on structures and processes used to direct and manage the business and affairs for listed companies towards enhancing corporate accountability with the objective of realising long-term shareholder value, whilst taking into account the interest of other stakeholders.

The Board of Directors ("the Board") of the CCM Duopharma Biotech Berhad ("CCMD" or "the Company") remains committed in its efforts to implement the principles and best practices set out in the Code. The adoption of good corporate governance is a fundamental part of the Board's responsibility to protect and enhance shareholders' value and to build sustainable business growth for the Company, in particular, and the Group as a whole.

Being a part of government linked companies, the Board is also supportive and committed to implement the guidelines recommended under the "Green Book on Enhancing Board Effectiveness" initiated by the Putrajaya Committee on Government-Linked Companies ("GLC") High Performance as part of the GLC Transformation Programme which further reinforces the recommendations contained in the Code as well as the Corporate Governance Guide issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia"). Furthermore, the Board will continuously support the initiatives taken by the Securities Commission to raise the standards of corporate governance in the country as recommended in the Securities Commission's five-year Corporate Governance Blueprint which was launched on 8 July 2011.

The following statement sets out how the Company has applied the principles and best practices of corporate governance as contained in the Code throughout the financial year from 1 January 2011 to 31 December 2011.

THE BOARD OF DIRECTORS

Composition, Size and Effectiveness of the Board

As at 31 December 2011, the Board consists of five (5) members comprising three (3) Non-Independent Non-Executive Directors and two (2) Independent Non-Executive Directors. The composition of the Board was maintained so that not less than one-third (⅓) were independent at all times, in line with the Main Market Listing Requirements. This balance enables the Board to provide clear and effective leadership to the Group and to bring informed and independent judgment to many aspects of the Company's strategies so as to ensure that the highest standards of conduct and integrity are maintained.

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 Group effectively. A brief description of the background of the Directors is presented in the Board of Directors' Profile section of this Annual Report.

There is a clear division of responsibility between the Chairman and the Chief Executive Officer to ensure a balance of power and authority. The Chairman is primarily responsible for ensuring Board effectiveness and conduct whilst the Chief Executive Officer oversees the day-to-day running of the businesses including implementation of the policies and strategies adopted by the Board and clarifying matters relating to the Group's business to the Board.

Duties and Responsibilities of the Board

The fundamental responsibility of the Directors is to exercise their judgment to act in what they reasonably believe to be in the best interest of the Company. The Board has the ultimate and overall responsibility for corporate governance and strategic direction. The Board reviews and approves the short term budgets and long term strategies, in line with the overall strategy of its major shareholders. In addition, all acquisitions, disposals and major capital expenditure are approved by the Board.

The Board members, in discharging their duties, are constantly mindful that the interests of the Group's customers, investors and all other stakeholders are well safeguarded. The Directors are required to make written declarations and it is their responsibility to declare whether they have a potential or actual conflict of interest in any transaction. This includes interest related to a contract or proposed contract of their spouse and children. Where issues involve conflict of interest, the interested Directors will abstain from discussing or voting on the matter.

At appropriate times, the Board also considers the principal risks affecting the business of the Group and the measures that could be taken to mitigate such risks. A yearly audit planning memorandum submitted by the External Auditors of the Group to the Audit and Risk Management Committee sets out the Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis for the Group which identifies and highlights the possible options that can be implemented to mitigate the impact of any business risks. The External Auditors also, on an annual basis, issue a Management Letter raising issues on risks affecting the operations of the Group.

The Board's function with regards to fulfilling this responsibility is supported and reinforced through the establishment of the Audit and Risk Management Committee and Nomination and Remuneration Committee at the Board level as well as other committees formed at the management level. The Board Committees have the authority to examine particular issues and report their findings/recommendations to the Board. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board. These committees provide a strong check and balance and reasonable assurance on the adequacy of the Company's internal controls.

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. The Board also ensures the sustenance of a dynamic and robust corporate climate focused on strong ethical values. This emphasises active participation and dialogues on a structured basis involving key people at all levels, as well as ensuring accessibility to information and transparency on all executive action. The corporate climate is also continuously nourished by value-centered programmes for team-building and active subscription to core values.

Relationship of Board to Management

The Board maintains a close and transparent relationship with the management. Many of the responsibilities of the Board are delegated to Management. There is an adequate degree of independence and process in place to allow directors to meet and actively exchange views with Management.

The Board is furnished with information relating to the running of the Group's operations through various financial and operational monthly and quarterly reports prepared by the management. This will allow them to understand the operations better and make decisions in steering the Company towards a profitable business.

Board Meetings and Supply of Information to the Board

Board Meetings are scheduled a year ahead in order to enable full attendance at Board meetings. The Board meets on a scheduled basis at least four (4) times a year. It is envisaged that the Board will convene additional meetings as necessary. All Board members bring an independent judgment to bear on issues of strategy, performance, resources, and standard of conduct.

Scheduled Board meetings are structured with a pre-set agenda. Prior to the Board meetings, all Directors are provided with board papers in a timely manner. The Board is always provided with not just quantitative information but also with those of qualitative in nature that is pertinent to the discussion and of a quality necessary to allow the Board to effectively deal with matters that are tabled in the meeting. These include current updates of the Group performances and external factors that may influence its business. In addition, Circular Resolutions were used for determination of urgent matters arising in between meetings.

The Chairman of the Audit and Risk Management Committee and the Nomination and Remuneration Committee would inform the Directors at Board meetings, of any salient matters noted by the Audit and Risk Management Committee and Nomination and Remuneration Committee arising from the findings of management and which require the Board's attention or direction.

The attendance of the members of the Board at Board meetings in 2011 are set out below:

Name of Directors	No. of Meetings Attended
Tan Sri Dato' Dr. Abu Bakar bin Suleiman Chairman, Non-Independent Non-Executive Director	6/6
Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam Independent Non-Executive Director	6/6
Datuk Alias bin Ali Non-Independent Non-Executive Director	6/6
Haji Ghazali bin Awang Independent Non-Executive Director	6/6
Amirul Feisal bin Wan Zahir Non-Independent Non-Executive Director (Appointed w.e.f. 13 June 2011)	3/3
Dato' Dr. Mohamad Hashim bin Ahmad Tajudin Non-Independent Non-Executive Director (Resigned w.e.f. 10 June 2011)	3/3

Minutes of proceedings and resolutions passed at each Board and Board Committees Meetings are kept in the statutory register at the registered office of the Company. All directors, whether as a Board or in their individual capacity have full access to information within the Group. They also have access to 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 services of the Company Secretary.

The Directors are also constantly updated on the latest development in the legislations as well as on statutory and regulatory requirements pertaining to their duties and responsibilities. They are also notified of any disclosure/ announcements made to Bursa Malaysia and where required, senior members of the Management are invited to attend and make presentations at each Board meeting.

A total of six (6) board meetings were held in 2011 and all Directors have complied with the minimum 50% attendance as required under Paragraph 15.05 of the Main Market Listing Requirements ("Listing Requirements").

BOARD COMMITTEES

The Board had delegated certain responsibilities to the Board Committees, namely the Audit and Risk Management Committee and Nomination and Remuneration Committee to assist in the execution of their responsibilities.

The Committees operate under clearly defined terms of reference. These Committees have the authority to examine particular issues and submit reports of their deliberations and major findings to the Board.

The composition, terms of reference and activities of the respective committees are stated in their respective reports.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Appointment

There is a formal and transparent procedure for the appointment of new members to the Board as well as re-election of Directors to the Board at the Annual General Meeting, with the Board Nomination and Remuneration Committee making recommendations to the Board. Following the appointment of new Directors to the Board, an induction programme including visits to the Group's businesses and meetings with senior management as appropriate will be arranged 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. This provides an opportunity for shareholders to renew their mandate. Directors over seventy years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965. To assist shareholders in their decision, sufficient information such as personal profile, meeting attendance and the shareholdings in the Group of each Director standing for re-election are furnished in the Annual Report as required in the Statement Accompanying the Notice of Annual General Meeting.

DIRECTORS' TRAINING

The Company complies with the requirements as set out in the Listing Requirements whereby it regularly assesses the training needs of its Directors to ensure that they are equipped with the requisite knowledge and competencies to make effective contribution to the Board's functioning.

All Directors have successfully completed the Mandatory Accreditation Programme prescribed by Bursa Malaysia. During the year, the Company organised a seminar on "Competition Act And What it Means to CCM" for the Directors of the Group which was facilitated by industry expert as part of the Continuing Education Programme. In addition, the Directors are also encouraged to attend other training programmes and seminars to further enhance their skills and knowledge and keep abreast with the development in the market place to ensure that they are able to discharge their responsibilities effectively.

DIRECTORS' REMUNERATION

The objective of the Group's policy on Directors' remuneration is to ensure that the Group attracts and retains Directors of the right calibre to run the Group successfully. In the case of Executive Directors, the component parts of remuneration are structured so as to link rewards to corporate and individual performance. The Nomination and Remuneration Committee will make recommendations to the Board on all elements of executive directors' remuneration, if any. In the case of Non-Executive Directors, the level of remuneration reflects the level of responsibilities and the market practice to which the remuneration is pegged. The shareholders at the annual general meeting approve the aggregate annual Directors' fees for Non-Executive Directors while the Board decides the determination of the fees for each Non-Executive Directors.

Details of Directors' remuneration paid by the Company for the financial year ended 31 December 2011 are as follows:-

Non-Executive Directors	**RM'000**
Fees	242

Note: * Fees include Board Committee fees

Number of Directors whose remuneration falls within the following bands:

	Executive Directors	Non-Executive Directors	Total
Below RM50,000	-	5	5
RM50,001 to RM100,000	-	1	1

INVESTORS RELATIONS 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's website (www.bursamalaysia.com) to ensure shareholders are appraised with up-to-date overview of the Group's performance and operations.

General Meetings

The Annual General Meeting ("AGM") is the principal forum for dialogue and interaction with shareholders of the Group. 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 Company's performance and business climate. All members of the Board as well as the external auditors of the Group and Management are available to respond to shareholders' queries raised at the meeting. Extraordinary General Meetings ("EGM") are held as and when required. In addition, a press conference is normally held after the AGM, at which members of the press are encouraged to ask the Chief Executive Officer questions on a range of topics relevant to the Group.

Investor Relations

Briefing for members of the media, fund managers, institutional 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, provides an avenue 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.

Annual Report

The Directors believe that an important channel to reach shareholders and investors is through the Annual Report. Besides including comprehensive financial performance and information on the business activities, the Group strives to improve the contents of the Annual Report in line with the development in corporate governance practices. The Company's Annual Report can be obtained by accessing the Group's website at www.duopharma.com.my.

Announcement of Quarterly Results for the Financial Year Ended 31 December 2011

The Directors view the timely announcement of the quarterly financial results as vital to the dissemination of information to the shareholders and investors community. The Group has consistently announced its quarterly results before the Bursa Malaysia's deadlines as indicated below:

Announcement of Quarterly Results 2011	Date of Announcement
1st Quarter	25 May 2011
2nd Quarter	18 August 2011
3rd Quarter	21 November 2011
4th Quarter	22 February 2012

Continuing Disclosure of Material Information

The Group has long observed the continuing disclosure obligation imposed upon a listed issuer by Bursa Malaysia. The Company has consistently adopted and applied the principles of best practices in Corporate Disclosure Policy and Procedures as laid down by Bursa Malaysia.

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 consider that in preparing the financial statements, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgment and estimates.

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 prevention and detection of fraud and other irregularities. The Statement of Directors' responsibility for preparing the financial statements is set out on page 50 of this Annual Report.

Audit and Risk Management Committee

The Audit and Risk Management 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. In addition, the Audit and Risk Management Committee also reviews the risk management programme of the Group and provide proper guidance and direction in facilitating the risk functions within the Group to enhance the corporate governance standard and safeguard all stakeholders' interest. The Audit and Risk Management Committee works closely with the group internal auditor, the group risk management officer and external auditors who, in turn, have access to the Chairman of the Audit and Risk Management Committee.

The Composition, terms of reference and details of the Audit and Risk Management Committee are set out in the Audit and Risk Management Committee Report.

Internal Audit

The Group's internal audit function is performed in-house by CCM's Group Internal Audit Division that reports direct to the Audit and Risk Management Committee. The Audit and Risk Management Committee reviews and approves the audit plan which identifies the scope of work for the year.

Internal Controls

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 control as well as risk management matters.

The function of the Internal Audit Division on the systems of internal control is to assist the Audit and Risk Management 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 Audit and Risk Management Committee and the Management.
- Facilitate and evaluate the risk management processes.

The Statement on Internal Control which is presented on page 43 of the Annual Report is to provide an overview of the statement of internal controls within the Company.

Risk Management

The Group's risk management function is performed by the Group Risk Management Department, which is separate from the Group Internal Audit Division. The Department reports the results of the risk management activities to the Audit and Risk Management Committee. The report on Risk Management on pages 40 to 42 of the Annual Report describes the structure and process of risk management in the Group.

Whistle-Blowing Policy

As part of best practices in good corporate governance, the Group has adopted CCM Group's "Whistle-Blowing" policy.
This policy is to encourage employees to report any major concerns over any wrongdoing within the Group relating to unlawful conducts, financial malpractices or dangers to the public or the environment. In this respect, the policy makes it clear that any such concern can be raised without fear of victimisation, recrimination, discrimination or disadvantage to the employee reporting the concern. It provides a formal channel to encourage and enable employees to report serious concerns so that such concerns can be properly addressed.

RELATIONSHIP WITH THE AUDITORS

The Group has established and maintained a professional and transparent relationship with the Group's external auditors, Messrs KPMG, in seeking professional advice and ensuring compliance with the accounting standards in Malaysia as well as meeting the auditors professional requirements. The external auditors, Messrs KPMG has continued to report to the shareholders of the Group on its opinion which is included as part of the Group's financial reports with respect to their audit on each year's statutory financial statements. The auditors also highlight to the Audit and Risk Management Committee and the Board on matters that require the Board's attention. Two (2) meetings were held between the External Auditors and the Audit and Risk Management Committee without the presence of the management during the financial year under review.

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE

The Company continuously strives to achieve high standards of corporate governance throughout the Group and to the highest level of integrity and ethical standards in all its business dealings. The Group has complied throughout the financial year with all the best practice of corporate governance set out in Part 2 of the Code, except Best Practice AAVVII (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 the Chief Executive Officer, the Board does not consider it necessary at this juncture to nominate a Senior Independent Non-Executive Director.

DIRECTORS' RESPONSIBILITY STATEMENT IN PREPARATION OF 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 at the end of the financial period and of the results and cash flows of the Group for the financial period.

In preparing the financial statements, the Directors have:

- Adopted suitable accounting policies and applied them consistently;
- Made judgments and estimates that are prudent and reasonable;
- Ensured that applicable accounting standards have been followed; and
- Prepared the financial statements on going concern basis.

ADDITIONAL COMPLIANCE INFORMATION

1. Non-Audit Fees

During the financial year ended 31 December 2011, the non-audit fees paid to the external auditors or a firm or a company affiliated to the Auditor's firm amounted to approximately RM14,000.00.

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 2011 or entered into since the end of the previous financial year.

3. Share Buy-back

There was no share buy-back effected during the financial period ended 31 December 2011.

4. Employees' Share Option Scheme ("ESOS")

The Group has not approved any ESOS during the financial period ended 31 December 2011.

5. Options, Warrants or Convertible Securities

There were no options, warrants or convertible securities issued by the Group during the financial period ended 31 December 2011.

6. American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") Programme

During the financial period ended 31 December 2011, the Company did not sponsor any ADR or GDR programme.

7. Imposition of Sanctions/Penalties

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

8. Profit Guarantees

There were no profit guarantees during the financial period ended 31 December 2011 by the Group.

9. Contract Relating to Loans

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

10. Recurrent Related Party Transactions of a Revenue or Trading Nature

At an Annual General Meeting ("AGM") held on 25 May 2011, the Company obtained a shareholders' mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations and are in the ordinary course of business with related parties. The said general mandate took effect from 25 May 2011 until the conclusion of the forthcoming Annual General Meeting of the Group. The disclosure of the recurrent related party transactions conducted during the financial period ended 31 December 2011 is set out on pages 95 and 103 to105 of the Annual Report.

The Group intends to seek a renewal of the said general mandate and a proposed extension of the scope of the shareholders mandate to apply to recurrent related party transactions of a revenue or trading nature with new related parties at the forthcoming Annual General Meeting of the Group. The details of the new mandate to be sought are furnished in the Circular to Shareholders dated 2 May 2012.

The Board of Directors of CCM Duopharma Biotech Berhad ("the Company") is pleased to present the report of the Audit and Risk Management Committee ("ARMC") for the financial year ended 31 December 2011.

COMPOSITION OF THE AUDIT AND RISK MANAGEMENT COMMITTEE AND MEETINGS

The current composition of the ARMC stands at three (3) members of whom two (2) are independent.

A total of five (5) meetings were held during the year. The status of directorship and attendance record of each of the members during the year are as follows:

Members of ARMC	No. of Meetings Attended
Haji Ghazali bin Awang Chairman, Independent Non-Executive Director	5/5
Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam Member, Independent Non-Executive Director	5/5
Datuk Alias bin Ali Member, Non-Independent Non-Executive Director	5/5

TERMS OF REFERENCE

In fulfilling its duties and objectives, the Audit and Risk Management Committee is guided by the Terms of Reference as follows:

Membership

- The Audit and Risk Management Committee shall be appointed by the Board of Directors and shall all consist of Non-Executive Directors, a majority of whom are independent.

- The Chairman of the Audit and Risk Management Committee shall be approved by the Board and 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 Associations of Accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.

  iii. fulfils such other requirements as prescribed or approved by Bursa Malaysia.

Meetings

- Meetings shall be held no less than four (4) times a year.

- The quorum shall be two (2) members who must be Independent Directors.

- The Financial Controller, the Group Chief Internal Auditor and the Group Risk Management Officer shall normally be invited to attend the meeting.

- Any other Board members, the Chief Executive Officer and any other representatives as deemed necessary shall be invited to attend the meeting.

- The Committee shall meet with the external auditors, internal auditors or both, in the absence of other directors and employees of the Company at least twice a year.

- The Secretary to the Committee shall be the Company Secretary.

Authority

The Audit and Risk Management Committee is authorised by the Board:-

i. to seek any information relevant to its activities from employees of the Company.

ii. the necessary resources required to carry out its duties and to obtain independent professional advice it considers necessary.

iii. full and unlimited access to any information and documents pertaining to the Company.

Responsibilities

i. To consider and recommend to the Board on the nomination, appointment and termination of external auditors, as well as the audit fee;

ii. To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure coordination where more than one audit firm is involved;

iii. To review the quarterly and year-end financial statements of the Board, focusing particularly on:
    - any change in accounting policies and practices;
    - significant adjustments arising from the audit;
    - the going concern assumption; and
    - compliance with accounting standards and other legal requirements.

iv. To discuss problems and reservations arising from the interim and final audits, and any matter the external auditor may wish to discuss (in the absence of management where necessary);

v. To review the external auditor's management letter and management's response;

vi. To review the internal audit and risk management reports and where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit and risk management function;

vii. To do the following, in relation to the internal audit functions:

    a. Review the adequacy of the scope, functions, competency and resources of the internal audit and risk management functions and that they have the necessary authority to carry out its work;

    b. Review the internal audit and risk management plans and results of these activities and where necessary, ensure that appropriate actions are taken on;

    c. Review any appraisal or assessment of the performance of members of the internal audit and risk management functions;

    d. Approve any appointment or termination of senior staff members of the internal audit and risk management functions;

    e. Take cognisance of resignations of internal audit and risk management staff members and provide the resigning staff member an opportunity to submit reasons for resigning.

viii. To consider any related-party transactions that may arise within the Group;

ix. To consider the major findings of internal investigations and management's response; and

x. To consider other topics as defined by the Board.

Activities during the year

i. Reviewed and approved the Company's internal audit and risk management plan for the year;

ii. Reviewed the status report of internal audit and risk management activities for the year to ensure that all the planned activities for the Company were properly carried out;

iii. Reviewed the summary of the internal audit and risk assessment reports prepared by Group Internal Auditor and Group Risk Management Officers and monitor the status of corrective actions taken by the Management to ensure all audit and risk management issues and concerns are adequately resolved on timely basis;

iv. Reviewed the Company's Risk Profile and the management process for identifying, evaluating and managing the significant risks faced by the Company;

v. Reviewed the management letters, reports and fees of the external auditors;

vi. Evaluated the performance of the external auditors and made recommendations to the Board on their re-appointment and audit fees;

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

viii. 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;

ix. Reviewed and recommended to the Board the proposed amendments to the Articles of Association of the Company;

x. Reviewed and recommended to the Board dividends to be declared to the shareholders of the Company.

STATEMENT ON INTERNAL AUDIT FUNCTION

The audits on the Company's operations are undertaken by the Group Internal Auditor of its holding company. The Group Internal Auditor has undertaken regular and systematic risk based assessments of the internal control of the Company so as to provide reasonable assurance that such systems are adequate and continue to operate effectively in managing the key risks of the Company.

The total expenditure incurred for Group Internal Audit function for the financial year, which amongst others includes departmental expenditures such as office running expenses, training expenses, travelling expenses, staff remuneration, etc. is estimated at RM187,000.

Activities during the year

The Group Internal Auditor had conducted various operational audits as well as follow up audit exercises for the Company in accordance with the Audit and Risk Management Committee's approved Audit Plan for 2011. Among the areas covered were the operations of Sterile and Non-Sterile Production, Technical Support, Engineering, Procurement, Regulatory Affairs and Recurrent Related Party Transactions.

STATEMENT ON RISK MANAGEMENT FUNCTION

The Company has an in-house risk management function which is performed at the Group level. From the beginning of 2011, the key risks which were identified through the risk management process are reported to the CCM Group's Executive Risk Management Committee and CCM Duopharma Biotech Berhad's Audit and Risk Management Committee. The Company's Risk Profiles enable the Audit and Risk Management Committee to focus on the key risks affecting the Company's businesses and operations and the system of internal control necessary to manage such risks.

Activities during the year

From the third quarter of 2011, the Group Risk Management Department had embarked on several new initiatives to improve the Enterprise Risk Management framework for the CCM Group. This includes linking the risks to performance indicators and also quantification of risk exposures of the CCM Group. Moving forward, the implementation of the new improved framework will be carried out in 2012 with the introduction of the automated risk management software, which is expected to improve accuracy, timelines and effective control of risks for the CCM Group. This initiative is based on ISO 31000, which is the international guideline for managing risk.

The Board is pleased to issue the following report of the Nomination and Remuneration Committee ("NRC") and its activities during the financial year ended 31 December 2011.

COMPOSITION OF THE NOMINATION AND REMUNERATION COMMITTEE AND MEETINGS

The Nomination and Remuneration Committee consists of three (3) members, all of whom are Non-Executive Directors.

A minimum of two (2) meetings were scheduled for the year. However, only one (1) meeting was held while the determination of urgent matters under the purview of the Committee was implemented via the circularisation of Committee's Circulars.

The attendance record of each member during the year is as follows:

Members of NRC	No. of Meetings Attended
Tan Sri Dato' Dr. Abu Bakar bin Suleiman Chairman, Non-Independent Non-Executive Director	1/1
Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam Member, Independent Non-Executive Director	1/1
Haji Ghazali bin Awang Member, Independent Non-Executive Director	1/1

TERMS OF REFERENCE

The terms of reference of the Committee are as follows:-

i. To recommend to the Board, candidates for all directorships. In making the recommendations, the Committee should also consider candidates proposed by Chief Executive Officer/Managing Director/ Executive Director, and within the bounds of practicability, by any other senior executive, Director or shareholder;

ii. To recommend to the Board, Directors to fill the seats on Board Committees;

iii. To review and assess annually the required mix of skills, and experience of the Board, including the core competencies which Non-Executive Directors should bring to the Board to ensure that there is an appropriate balance of skills, experience and expertise among the Board members;

iv. To assess annually the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director;

v. To evaluate the candidates' ability to discharge such responsibilities/functions as expected from Non-Executive Directors, in the case of candidates for position of Independent Non-Executive Directors;

vi. 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 so that it is in line with market and industry practice and is reflective of the contribution of each individual Director;

vii. To recommend to the Board the remuneration of the Executive Directors, if any or Chief Executive Officer in all its forms;

viii. To make recommendations to the Board with regards to appointment of new Directors or Directors who are retiring by rotation and should be put forward for re-election. The Nomination and Remuneration 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;

ix. To provide adequate training and orientation to new Directors as well as continuous training to current directors with respect to business, structure and management of the Group as well as the expectations of the Board;

x. To ensure an appropriate framework and plan for Board and management succession in the Company;

xi. To review and recommend to the Board the annual global increment and bonus package for non-unionised employees of the Company;

xii. To review and recommend to the Board on any new Employees' Share Options Scheme of the Company and/or amendments to the existing scheme.

Activities during the Year

During the year, the Committee:

i. conducted the Board's Effectiveness Assessment and recommended improvement plans for the same;

ii. reviewed the Directors' remuneration for the Company and recommend the same for Board's consideration and shareholders' approval at the Annual General Meeting of the Company;

iii. reviewed and recommend to the Board the annual increment and bonus package for non-unionised employees of the Company;

iv. ensured that all Directors received appropriate continuous training programmes in order to keep abreast with developments in the financial industry and changes in the relevant statutory requirements;

v. reviewed and monitored the succession planning in the Company;

vi. reviewed and recommended to the Board, the appointment and renewal of the contract of service of Chief Executive Officer of the Company;

vii. Recommended the resignation and appointment of non-executive directors to the Board.

Report on Risk Management

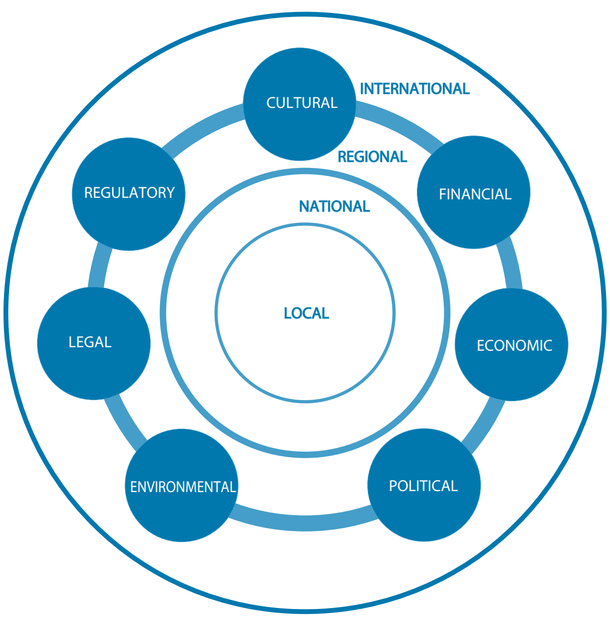
Risk is inherent in all businesses and the effective management of risk is a core competence within the Group.

CCM Duopharma Biotech Berhad relies on the risk management structure of the Group to proactively and efficiently manage the Company's major and key risks. A formal Enterprise Risk Management (ERM) framework was established and it forms an integral part of the Company's corporate governance structure and a key management tool. The Group Risk Management Department ("GRMD") provides the main support to the Risk Management Committee ("the Committee"), chaired by the Chief Executive Officer and comprises Senior Management staff of the Group.

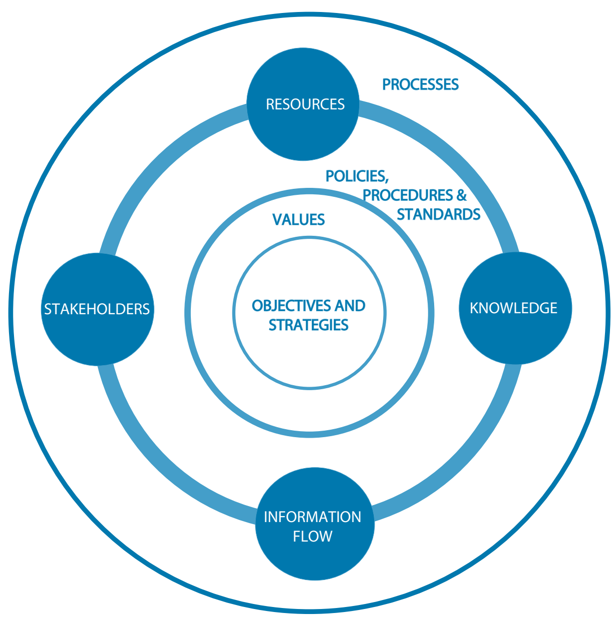
The Company adopts a systematic, structured and disciplined approach to risk management through its integrated ERM. A good ERM framework advocating a holistic, robust, integrated, focused and process-oriented approach is implemented to assist the Company to manage all key businesses and opportunities with the intent of optimising and creating stakeholders' values for the Company.

The underlying principle of ERM is for the risk function to operate as an independent control working in partnership with the business units to provide competitive advantage to the Company. This is also to establish a common risk management language that includes common measures around likelihood, impact and common risk categories.

The risks facing the Company in its businesses and operations can result from internal and external factors, therefore the context within which the Company manages the risks are as follows:-



EXTERNAL CONTEXT



INTERNAL CONTEXT

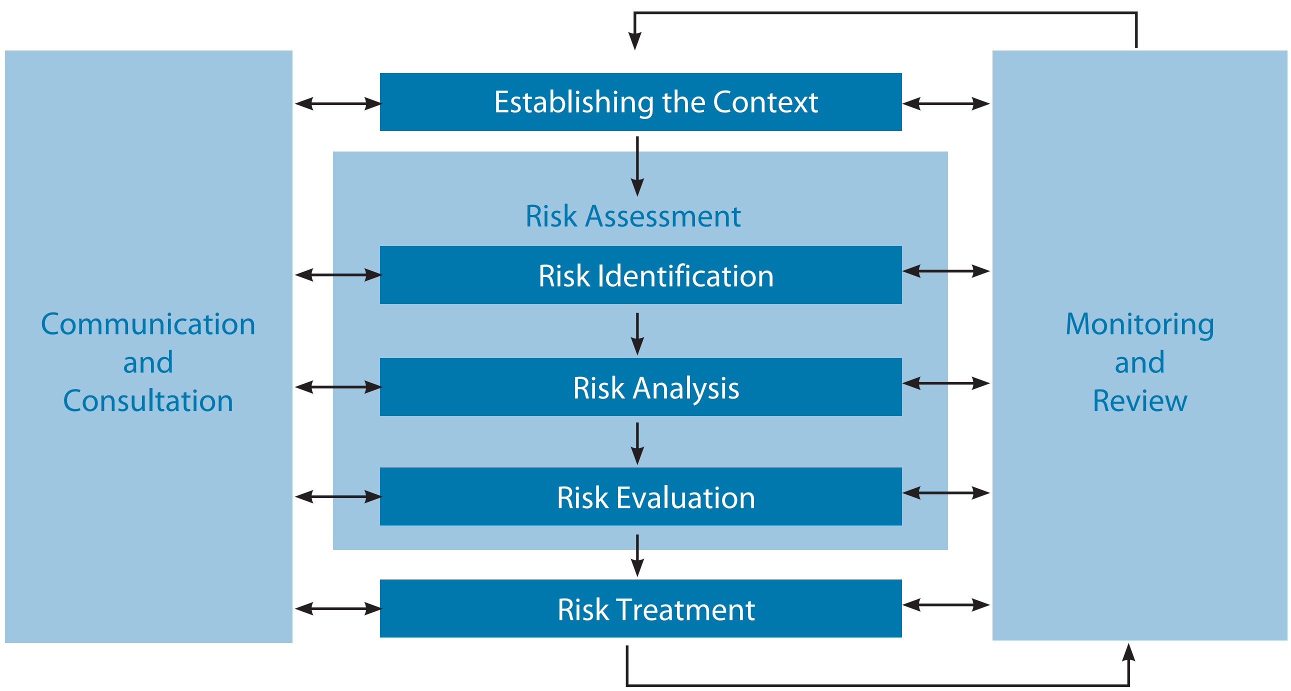
The Company recognises the broad spectrum of risks which it faces along with the opportunities which it seeks in its businesses and operations. It is the strategic objective of the Company to have an effective risk management programme to assess and mitigate these risks and thereby facilitate the Company 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 Board Audit and Risk Management Committee. The GRMD facilitates the conduct of risk management activities outlined in the Programme which include updating of risk profiles and risk analysis of business or operational initiatives/issues emerging in the Company.

RISK MANAGEMENT PROCESS

The Company's risk management processes involve 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:-



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.

Extreme Risk

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. Guidance from Board of Directors may be required where appropriate.

High High Risk

Considerable Senior Management attention is required including specifying management responsibility. Given the significant consequences 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. Guidance from Board of Directors may be required where appropriate.

High Risk

Considerable Senior Management attention is required including specifying management responsibility. Given the significant consequences 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.

Moderate Risk

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

Minor Risk

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.

Trivial Risk

The risk may be accepted by middle management with notation and reporting.

	CONSEQUENCES →				
LIKELIHOOD ↑	High	High High	Extreme	Extreme	Extreme
	Moderate	High	High High	Extreme	Extreme
	Minor	Moderate	High	High High	Extreme
	Trivial	Moderate	Moderate	High	High High
	Trivial	Minor	Moderate	High	High High

RISK MATRIX

RISK MONITORING AND REPORTING STRUCTURE

The Risk Management Committee called the Divisional Working Risk Management Committee ("DWRMC") has convened in 2011. This Committee is chaired by the CEO and addresses all strategic and related issues that impact the business and the adequacy of the mitigation measures that have been put in place. This Committee consists of all functional heads of CCM Duopharma Biotech Berhad. Effectiveness of the measures taken and follow-up actions are also part of the Agenda.

The strategic risk registers continue to be updated by the risk owners on a quarterly basis. The relevant strategic issues were escalated to the Board Audit and Risk Management Committee meetings for further deliberations and update. This ongoing process helps to further enhance the risk management culture and processes in the Company.

Statement on Internal Control

The Board is responsible for CCM Duopharma Biotech Berhad and its subsidiary's ("the Group") system of internal control and for reviewing its adequacy and integrity. The system of internal control 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 Enterprise Risk Management process for identifying, evaluating and managing the significant risks faced by the Group. The Management has operated with this process during the year under review and the process is subjected to regular review by the Board. The Group has a Risk Management Committee, chaired by the Chief Executive Officer and comprises Senior Management staff of the Group. The Risk Management Committee together with the Executive Risk Management Committee of CCM Group will evaluate and recommend on all risk related issues before it is being elevated to the Board Audit and Risk Management Committee.

Management from each business or operations area applies a risk/control self-assessment approach to identify the risks relating to their areas of supervision and control. These include 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 an acceptable level. The risk treatment measures determined from this process are documented in risk registers with each business or operations area having its respective risk register. The overall process is facilitated by the Group Risk Management of its holding company which is dedicated to the role.

The Group Risk Management maintains regular communication and consultation with management and also facilitates risk analysis of strategic business objectives, operational initiatives and emerging issues in the Group. It also conducts periodic follow-up of the updating of risk profiles and the implementation of risk treatment measures by management.

The key risks which are identified through the risk management process are reported to the CCM Group Executive Risk Management Committee as well as Board Audit and Risk Management Committee. This risk profile enables the Board Audit and Risk Management Committee to focus on the key risks affecting the Group's business and operations and the system of internal control necessary to manage such risks.

The Group Internal Audit of its holding company independently reviews the adequacy and integrity of the system of internal control in managing the key risks and report accordingly to the Board Audit and Risk Management Committee on a quarterly basis. In addition, the Group Internal Audit of its holding company also reviews the other risk areas in accordance with the annual audit plan.

Where weaknesses have been identified as a result of the reviews, improvement measures are recommended to strengthen controls; and follow-up audits are conducted by the Group Internal Audit of its holding company to assess the status of implementation thereof by management. In carrying out its work, the Group Internal Audit of its holding company focuses on areas which are incorporated in the annual audit plan approved each year by the Board Audit and Risk Management Committee.

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

Excellence

Our continued success is through adherence to stringent quality management, sustained growth and delivering on our promise of greater responsibility to our surroundings and our community.

Directors' Report

for the year ended 31 December 2011

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 2011.

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 principal activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to owners of the Company	26,705	22,488

RESERVES AND PROVISIONS

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

DIVIDENDS

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

i) a final tax exempt ordinary dividend of 11 sen per ordinary share totalling RM15,270,000 million in respect of the year ended 31 December 2010 on 27 June 2011; and

ii) an interim tax exempt ordinary dividend of 3.50 sen per ordinary share totalling RM4,859,000 million in respect of the year ended 31 December 2011 on 28 October 2011.

The Directors recommend a final ordinary dividend of 14.50 sen per ordinary share less tax at 25% (10.88 sen net per ordinary share) totalling RM15,097,000 million in respect of the year ended 31 December 2011.

DIRECTORS OF THE COMPANY

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

Tan Sri Dato' Dr. Abu Bakar bin Suleiman
Tan Sri Dato' Dr. Jegathesan a/l N M Vasagam @ Manikavasagam
Datuk Alias bin Ali
Haji Ghazali bin Awang
Amirul Feisal bin Wan Zahir (appointed on 13.6.2011)
Dato' Dr. Mohamad Hashim bin Ahmad Tajudin (resigned on 10.6.2011)

DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiary) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM0.50 each			
	At 1.1.2011	**Bought**	**Sold**	**At 31.12.2011**
Tan Sri Dato' Dr. Abu Bakar bin Suleiman				
Interest in the Company:				
– own	286,400	-	-	286,400
– others#	13,000	9,000	-	22,000
Dato' Dr. Mohamad Hashim bin Ahmad Tajudin				
Interest in the Company:				
– own	15,000	-	-	15,000
Tan Sri Dato' Dr. Jegathesan a/l N M Vasagam @ Manikavasagam				
Interest in the Company:				
– own	34,120	-	-	34,120
Haji Ghazali bin Awang				
Interest in the Company:				
– own	72,000	-	-	72,000

\# Zufar Suleiman bin Abu Bakar and Halina Jael binti Abu Bakar are the children of Tan Sri Dato' Dr. Abu Bakar bin Suleiman. In accordance with Section 134(12)(c) of the Companies Act, 1965, the interests and deemed interests of Zufar Suleiman Abu Bakar and Halina Jael binti Abu Bakar in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) shall also be treated as the interests of Tan Sri Dato' Dr. Abu Bakar bin Suleiman.

None of the other Directors holding office as at 31 December 2011 had any interest in the ordinary shares of the Company and of 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) 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 or debentures of the Company or any other corporate body.

HOLDING COMPANIES

The immediate and intermediate holding companies during the financial year were CCM Marketing Sdn. Bhd. and Chemical Company of Malaysia Berhad (a public listed company), respectively. The ultimate holding company during the financial year was Permodalan Nasional Berhad. All the holding companies were incorporated in Malaysia.

ISSUE OF SHARES AND DEBENTURES

There were no 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.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

OTHER STATUTORY INFORMATION

Before the statements of financial position and statements of comprehensive income 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) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

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

OTHER STATUTORY INFORMATION (CONTINUED)

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.

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 financial performance of the Group and of the Company for the financial year ended 31 December 2011 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:

Tan Sri Dato' Dr. Abu Bakar bin Suleiman

Haji Ghazali bin Awang

Kuala Lumpur,
16 March 2012

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 96 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2011 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 28 to the financial statements has been compiled in accordance with Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

Tan Sri Dato' Dr. Abu Bakar bin Suleiman

Haji Ghazali bin Awang

Kuala Lumpur,
16 March 2012

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, do solemnly and sincerely declare that the financial statements set out on pages 53 to 97 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 Kuala Lumpur in the State of Wilayah Persekutuan Kuala Lumpur on 16 March 2012.

Chek Wu Kong

Before me:

16 March 2012

Independent Auditors' Report

to the members of CCM Duopharma Biotech Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of CCM Duopharma Biotech Berhad, which comprise the statement of financial position as at 31 December 2011 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 53 to 96.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2011 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary have been properly kept in accordance with the provisions of the Act.

b) We are satisfied that the accounts 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 financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

c) Our audit reports on the accounts of the subsidiary did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 28 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

OTHER MATTER

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

KPMG
Firm Number: AF 0758
Chartered Accountants

Hasman Yusri Yusoff
Approval Number: 2583/08/12(J)
Chartered Accountant

Petaling Jaya,
16 March 2012

Statements of Financial Position

as at 31 December 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Assets					
Property, plant and equipment	3	95,977	100,249	-	-
Investment property	4	5,720	-	-	-
Investment in a subsidiary	5	-	-	40,187	40,187
Trade and other receivables	6	-	-	53,754	47,384
Total non-current assets		101,697	100,249	93,941	87,571
Inventories	7	45,124	34,003	-	-
Current tax assets		2,696	-	212	117
Trade and other receivables	6	37,679	35,755	5,000	5,000
Cash and cash equivalents	8	8,584	24,732	113	4,205
Assets classified as held for sale	9	1,740	1,740	-	-
Total current assets		95,823	96,230	5,325	9,322
Total assets		197,520	196,479	99,266	96,893
Equity					
Share capital		69,739	69,739	69,739	69,739
Reserves		19,537	19,537	12,142	12,142
Retained earnings		75,169	68,593	17,045	14,686
Total equity attributable to owners of the Company	10	164,445	157,869	98,926	96,567
Liabilities					
Loan and borrowing	11	2,082	10,416	-	-
Deferred tax liabilities	12	5,584	3,821	-	-
Total non-current liabilities		7,666	14,237	-	-
Loan and borrowing	11	8,334	8,334	-	-
Current tax liabilities		-	356	-	-
Trade and other payables	13	17,075	15,683	340	326
Total current liabilities		25,409	24,373	340	326
Total liabilities		33,075	38,610	340	326
Total equity and liabilities		197,520	196,479	99,266	96,893

The notes on pages 59 to 97 are an integral part of these financial statements.

Statements of Comprehensive Income

for the year ended 31 December 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Revenue	14	138,132	131,437	23,474	12,580
Cost of sales		(74,847)	(71,940)	-	-
Gross profit		63,285	59,497	23,474	12,580
Other income		248	183	-	-
Distribution and marketing expenses		(13,245)	(12,265)	-	-
Administrative expenses		(12,042)	(9,569)	(450)	(421)
Other expenses		(3,651)	(2,927)	-	-
Results from operating activities	15	34,595	34,919	23,024	12,159
Finance income	16	364	490	2,341	2,742
Finance cost	17	(231)	-	-	-
Profit before tax		34,728	35,409	25,365	14,901
Income tax expense	19	(8,023)	(6,740)	(2,877)	(1,650)
Profit for the year attributable to owners of the Company		26,705	28,669	22,488	13,251
Other comprehensive income, net of tax					
Revaluation of property, plant and equipment		-	6,946	-	-
Total other comprehensive income for the year		-	6,946	-	-
Total comprehensive income for the year attributable to owners of the Company		26,705	35,615	22,488	13,251
Basic and diluted earnings per ordinary share (sen)	20	19.24	20.65		

The notes on pages 59 to 97 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2011

Group	Note	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000
		← Attributable to owners of the Company →					
			← Non-distributable		→	Distributable	
At 1 January 2010							
- as previously stated		69,739	13,720	449	(1,578)	60,408	142,738
- effects of adopting FRS 139		-	-	-	-	(8)	(8)
At 1 January 2010, restated		69,739	13,720	449	(1,578)	60,400	142,730
Revaluation of property, plant and equipment		-	-	6,946	-	-	6,946
Total other comprehensive income for the year		-	-	6,946	-	-	6,946
Profit for the year		-	-	-	-	28,669	28,669
Total comprehensive income for the year		69,739	13,720	7,395	(1,578)	89,069	178,345
Dividends on ordinary shares	21	-	-	-	-	(20,476)	(20,476)
Total distribution to owners		-	-	-	-	(20,476)	(20,476)
At 31 December 2010		69,739	13,720	7,395	(1,578)	68,593	157,869
Profit for the year		-	-	-	-	26,705	26,705
Total comprehensive income for the year		69,739	13,720	7,395	(1,578)	95,298	184,574
Dividends on ordinary shares	21	-	-	-	-	(20,129)	(20,129)
Total distribution to owners		-	-	-	-	(20,129)	(20,129)
At 31 December 2011		69,739	13,720	7,395	(1,578)	75,169	164,445
		Note 10.1		Note 10.2	Note 10.3	Note 10.4	

The notes on pages 59 to 97 are an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2011

Company	Note	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000
		← Attributable to owners of the Company →				
		← Non-distributable →			Distributable	
At 1 January 2010		69,739	13,720	(1,578)	21,911	103,792
Profit for the year		-	-	-	13,251	13,251
Total comprehensive income for the year		-	-	-	13,251	13,251
Dividends on ordinary shares	21	-	-	-	(20,476)	(20,476)
Total distribution to owners		-	-	-	(20,476)	(20,476)
At 31 December 2010/ 1 January 2011		69,739	13,720	(1,578)	14,686	96,567
Profit for the year		-	-	-	22,488	22,488
Total comprehensive income for the year		-	-	-	22,488	22,488
Dividends on ordinary shares	21	-	-	-	(20,129)	(20,129)
Total distribution to owners		-	-	-	(20,129)	(20,129)
At 31 December 2011		69,739	13,720	(1,578)	17,045	98,926
		Note 10.1		Note 10.3	Note 10.4	

The notes on pages 59 to 97 are an integral part of these financial statements.

Statements of Cash Flows

for the year ended 31 December 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Cash flows from operating activities					
Profit before tax		34,728	35,409	25,365	14,901
Adjustments for:					
Depreciation of property, plant and equipment		5,969	5,301	-	-
Dividends income		-	-	(23,474)	(12,580)
Impairment loss:					
- assets classified as held for sale		-	140	-	-
Finance income		(364)	(490)	(2,341)	(2,742)
Finance cost		231	-	-	-
Operating profit/(loss) before changes in working capital		40,564	40,360	(450)	(421)
Changes in working capital:					
Inventories		(11,121)	2,350	-	-
Trade and other payables		1,393	4,949	14	6
Trade and other receivables		(1,924)	(654)	(6,370)	11,042
Cash generated from/(used in) operations		28,912	47,005	(6,806)	10,627
Tax paid		(9,313)	(6,966)	(656)	(1,700)
Interest paid		(231)	-	-	-
Net cash generated from/(used in) operating activities		19,368	40,039	(7,462)	8,927
Cash flows from investing activities					
Acquisition of property, plant and equipment		(7,417)	(25,901)	-	-
Dividends received		-	-	21,158	12,580
Interest received		364	490	2,341	2,742
Proceeds from disposal of plant and equipment		-	257	-	-
Net cash (used in)/generated from investing activities		(7,053)	(25,154)	23,499	15,322

The notes on pages 59 to 97 are an integral part of these financial statements.

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Cash flows from financing activities					
Dividends paid to owners of the Company		(20,129)	(20,476)	(20,129)	(20,476)
(Repayment to)/Proceeds from loan and borrowing		(8,334)	3,324	-	-
Net cash used in financing activities		(28,463)	(17,152)	(20,129)	(20,476)
Net (decrease)/increase in cash and cash equivalents		(16,148)	(2,267)	(4,092)	3,773
Cash and cash equivalents at 1 January		24,732	26,999	4,205	432
Cash and cash equivalents at 31 December		8,584	24,732	113	4,205

Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Deposits with licensed banks		8,016	23,289	-	4,100
Cash and bank balances		568	1,443	113	105
	8	8,584	24,732	113	4,205

The notes on pages 59 to 97 are an integral part of these financial statements.

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

Registered office	**Principal place of business**
13th Floor, Menara PNB 201-A, Jalan Tun Razak 50400 Kuala Lumpur Malaysia	Lot 2599, Jalan Seruling 59 Kawasan 3, Taman Klang Jaya 41200 Klang Selangor Darul Ehsan Malaysia

The consolidated financial statements of the Company as at and for the year ended 31 December 2011 comprise the Company and its subsidiary (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the year ended 31 December 2011 do not include other entities.

The Company is principally engaged in investment holding whilst 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. and Chemical Company of Malaysia Berhad (a public listed company), respectively. The ultimate holding company during the financial year was Permodalan Nasional Berhad. All the holding companies were incorporated in Malaysia.

These financial statements were authorised for issue by the Board of Directors on 16 March 2012.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRS"), generally accepted accounting principles and the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations of the FRS framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and Company:

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2011

- IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- FRS 124, *Related Party Disclosures* (revised)
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards –Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Transfers of Financial Assets*
- Amendments to FRS 112, *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012

- Amendments to FRS 101, *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income.*

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- FRS 10, *Consolidated Financial Statements*
- FRS 11, *Joint Arrangements*
- FRS 12, *Disclosure of Interests in Other Entities*
- FRS 13, *Fair Value Measurement*
- FRS 119, *Employee Benefits* (2011)
- FRS 127, *Separate Financial Statements* (2011)
- FRS 128, *Investments in Associates and Joint Ventures* (2011)
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to FRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

- FRS 9, *Financial Instruments (2009)*
- FRS 9, *Financial Instruments (2010)*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Mandatory Date of FRS 9 and Transition Disclosures*

The Group and Company's financial statements for annual period beginning on 1 January 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards (MFRSs) issued by the MASB and International Financial Reporting Standards (IFRSs). As a result, the Group and Company will not be adopting the above FRSs, Interpretations and amendments.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis other than as disclosed in note 2.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of financial statements in conformity with FRSs 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 estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than as disclosed in note 2.

2. SIGNIFICANT ACCOUNTING POLICIES

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

(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.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses. The cost of investments include transaction costs.

(ii) Accounting for business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

The Group has changed its accounting policy with respect to accounting for business combinations.

From 1 January 2011 the Group has applied FRS 3, *Business Combinations* (revised) in accounting for business combinations. The change in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share.

Acquisitions on or after 1 January 2011

For acquisitions on or after 1 January 2011, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Accounting for business combinations (continued)

Acquisitions on or after 1 January 2011(continued)

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Acquisitions between 1 January 2006 and 1 January 2011

For acquisitions between 1 January 2006 and 1 January 2011, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

Acquisitions prior to 1 January 2006

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

(iii) Loss of control

The Group applied FRS 127, *Consolidated and Separate Financial Statements* (revised) since the beginning of the reporting period in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share. Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

In the previous financial years, if the Group retained any interest in the previous subsidiary, such interest was measured at the carrying amount at the date that control was lost and this carrying amount would be regarded as cost on initial measurement of the investment.

(iv) Transactions eliminated on consolidation

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

(b) Foreign currency transactions

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency transactions (continued)

Monetary assets and liabilities denominated in foreign currencies at the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those 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 profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a cash flow hedge of currency risk, which are recognised in other comprehensive income.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets are subject to review for impairment (see note 2(j)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

Freehold land and capital work-in-progress are stated at cost/valuation less any accumulated impairment losses. All other items of property, plant and equipment are measured at cost/valuation less any accumulated depreciation and any accumulated 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 amount. Additions subsequent to their revaluation are stated in the financial statements at cost until the next revaluation exercise.

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 recognised in profit or loss.

Cost includes expenditure that are directly attributable to the acquisition of the asset, and 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. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

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.

Gain and loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" or "other expenses" respectively in profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

(ii) Subsequent costs

The cost of replacing a 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 the replaced part is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss 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 (capital work-in-progress) 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	5 - 20 years
• motor vehicles	4 - 10 years
• renovations	10 years

Depreciation methods, useful lives and residual values are reviewed and adjusted as appropriate at the end of the reporting period.

(e) Intangible assets

Research and development

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

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Intangible assets (continued)

Research and development (continued)

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads that are directly attributable to preparing the asset for its intended. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Other development expenditure is recognised in profit or loss as an expense as incurred. Capitalised development expenditure is measured at cost less any accumulated amortisation and any impairment losses.

Capitalised development expenditure is amortised and recognised as an expense on a systematic basis so as to reflect the pattern in which the related economic benefits are recognised over the years.

(f) Investment property

(i) Investment property carried at fair value

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. This includes land held for a currently undetermined future use.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-contracted investment property includes the cost of materials and direct labour, and any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(ii) Reclassification to/from investment property

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 in other comprehensive income and accumulated in equity as revaluation reserve. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its deemed cost for subsequent accounting.

(iii) Determination of fair value

An external, independent valuation firm, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio every year.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Investment property (continued)

(iii) Determination of fair value (continued)

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.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, where appropriate:

- the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness;
- the allocation of maintenance and insurance responsibilities between the Group and the lessee; and
- the remaining economic life of the property.

When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and where appropriate counter-notices, have been served validly and within the appropriate time.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is based on the weighted average cost formula. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in 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 the estimated costs necessary to make the sale.

(h) Non-current assets classified as held for sale

Non-current assets 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 are remeasured in accordance with the Group's accounting policies. Thereafter, generally the assets are measured at the lower of their carrying amount and fair value less cost to sell.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories and financial assets, 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 profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Property, plant and equipment once classified as held for sale are not depreciated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

(j) Impairment

(i) Financial assets

All financial assets (except for investments in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories, investment property that is measured at fair value and non-current assets classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (known as cash-generating unit). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

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 or cash-generating unit.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment (continued)

(ii) Other assets (continued)

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit or the group of cash-generating units and then to reduce the carrying amount of the other assets in the cash-generating unit (or a group of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period 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 since the last impairment loss was recognised. 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 profit or loss in the year in which the reversals are recognised.

(k) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to issue of instruments classified as equity 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 in the statement of changes in equity.

Where treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable reserves, or both.

Where treasury shares are reissued by re-sale in the open market, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

(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 liability 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Employee benefits (continued)

(ii) State plans

The Group's contributions to the statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(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. The unwinding of the discount is recognised as finance cost.

(n) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities 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 persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, 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, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Dividend income

Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iii) Finance income

Finance income is recognised as it accrues, using the effective interest method in profit or loss except for finance income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(p) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Borrowing costs (continued)

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible capitalisation.

(q) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted by the end of reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, and the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or 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 end of the reporting period.

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

Unutilised reinvestment allowance is treated as tax base of assets and are recognised as a reduction of tax expense as and when they are utilised.

(r) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares (EPS).

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, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding adjusted for own shares held for the effects of all dilutive potential ordinary shares.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer ("CEO") of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3. PROPERTY, PLANT AND EQUIPMENT

Group	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
	At valuation		At cost					
Cost or Valuation								
At 1 January 2010	10,806	26,682	56,702	3,263	1,083	338	15,939	114,813
Additions	-	434	3,214	59	345	-	21,849	25,901
Disposals	-	-	(9)	-	(274)	-	(15)	(298)
Write off	-	-	(6,641)	(725)	-	-	-	(7,366)
Reclassifications	-	(478)	478	-	-	-	-	-
Revaluation surplus	6,888	58	-	-	-	-	-	6,946
Adjustment for revaluation	-	(2,600)	-	-	-	-	-	(2,600)
Transfer to assets held for sale (Note 9)	(1,355)	(525)	-	-	-	-	-	(1,880)
At 31 December 2010/ 1 January 2011	16,339	23,571	53,744	2,597	1,154	338	37,773	135,516
Additions	-	777	3,685	181	-	-	2,774	7,417
Reclassifications	2,095	29,299	8,690	-	-	-	(40,084)	-
Transfer to investment property (Note 4)	(5,537)	-	-	-	-	-	(183)	(5,720)
At 31 December 2011	12,897	53,647	66,119	2,778	1,154	338	280	137,213

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	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
	At valuation		At cost					
Depreciation								
At 1 January 2010	-	2,045	34,691	2,502	466	269	-	39,973
Depreciation for the year	-	558	4,303	332	100	8	-	5,301
Disposals	-	-	(1)	-	(40)	-	-	(41)
Write off	-	-	(6,641)	(725)	-	-	-	(7,366)
Reclassifications	-	(3)	3	-	-	-	-	-
Adjustment for revaluation	-	(2,600)	-	-	-	-	-	(2,600)
At 31 December 2010/ 1 January 2011	-	-	32,355	2,109	526	277	-	35,267
Depreciation for the year	-	712	4,935	216	98	8	-	5,969
At 31 December 2011	-	712	37,290	2,325	624	285	-	41,236
Carrying amounts								
At 1 January 2010	10,806	24,637	22,011	761	617	69	15,939	74,840
At 31 December 2010/ 1 January 2011	16,339	23,571	21,389	488	628	61	37,773	100,249
At 31 December 2011	12,897	52,935	28,829	453	530	53	280	95,977

The Company has no property, plant and equipment.

(i) Borrowing costs capitalised at 4.1% - 4.53% (2010: 3.49% - 4.10%) per annum.

	2011 RM'000	2010 RM'000
Borrowing costs	407	782

(ii) The Group's freehold land and buildings were revalued as at 10 November 2010 by an independent professional valuers using an open market values.

Had the freehold land and buildings been carried under the cost model, their carrying amounts would have been RM6,304,000 (2010: RM7,129,000) and RM52,351,000 (2010: RM23,589,000) respectively.

4. INVESTMENT PROPERTY

	2011 RM'000	2010 RM'000
At fair value:		
At 1 January	-	-
Transfer from property, plant and equipment (Note 3)	5,720	-
At 31 December	5,720	-
Included in the above are:		
Freehold land	5,720	-

The fair value of investment property is determined based on market values.

5. INVESTMENT IN A SUBSIDIARY

	Company 2011 RM'000	Company 2010 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 2011 RM'000 %	Effective ownership interest 2010 RM'000 %
Duopharma (M) Sdn Berhad	Malaysia	Manufacturing, distributing importing and exporting of pharmaceutical products and medicines	100	100

6. TRADE AND OTHER RECEIVABLES

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Non-current					
Amount due from a subsidiary	6.1	-	-	53,754	47,384
Current					
Trade					
Trade receivables		33,896	34,203	-	-
Amount due from related corporations	6.2	782	865	-	-
		34,678	35,068	-	-
Non-trade					
Amount due from a subsidiary	6.1	-	-	5,000	5,000
Amount due from a related company	6.3	407	-	-	-
Other receivables, deposits and prepayments	6.4	2,594	687	-	-
		3,001	687	5,000	5,000
		37,679	35,755	5,000	5,000

6.1

The non-trade receivable due from a subsidiary are unsecured, subject to interest at 4.4% (2010: 4.3%) per annum and no fixed term of repayments.

6.2

The trade receivable due from related corporations are subject to the normal trade terms.

6.3

The non-trade receivable due from a related company is unsecured, interest free and repayable on demand.

6.4

Other receivables, deposits and prepayments comprise of deposits for new plant and machineries amounted to RM1,793,000 (2010 : RM183,000).

7. INVENTORIES

	Group	
	2011 RM'000	2010 RM'000
Raw materials and consumables	15,855	14,364
Work-in-progress	2,246	2,327
Packing materials	7,076	1,997
Finished goods	19,947	15,315
	45,124	34,003

Recognised in profit and loss:

	2011 RM'000	2010 RM'000
Inventories recognised as cost of sales	74,847	71,940

In 2011, inventories amounting to RM2,413,000 (2010: RM2,896,000) were written off. The write-off is included in cost of sales.

8. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Deposits with licensed banks	8,016	23,289	-	4,100
Cash and bank balances	568	1,443	113	105
	8,584	24,732	113	4,205

9. ASSETS CLASSIFIED AS HELD FOR SALE

The Group has committed to dispose of its freehold land and building. Efforts to sell the properties have commenced and accordingly, the properties are presented as held for sale.

Assets held for sale comprise the following:

	2011 RM'000	2010 RM'000
Property, plant and equipment	1,740	1,880
Less: Impairment loss during the year	-	(140)
Carrying value	1,740	1,740

Impairment loss

An impairment loss of RM140,000 was recognised in prior year as other expense in profit or loss of the Group to write down the assets to fair value less cost to sell.

10. SHARE CAPITAL AND RESERVES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Share capital	69,739	69,739	69,739	69,739
Non-distributable reserves				
Share premium	13,720	13,720	13,720	13,720
Revaluation reserve	7,395	7,395	-	-
Treasury shares	(1,578)	(1,578)	(1,578)	(1,578)
	19,537	19,537	12,142	12,142
Retained earnings (distributable)	75,169	68,593	17,045	14,686
	164,445	157,869	98,926	96,567

10. SHARE CAPITAL AND RESERVES (CONTINUED)

10.1 Share capital

	Group and Company			
	Amount 2011 RM'000	Number of shares 2011 RM'000	Amount 2010 RM'000	Number of shares 2010 RM'000
Ordinary shares of RM0.50 each				
Authorised	100,000	200,000	100,000	200,000
Issued and fully paid	69,739	139,479	69,739	139,479

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 and rank equally with regards to the Company's residual assets. 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.

10.2 Revaluation reserve

The revaluation reserve relates to the revaluation of property.

10.3 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 reviewed 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. The number of outstanding shares as at 31 December 2011 after deducting treasury shares held is 138,821,000 (2010: 138,821,000).

10.4 Retained earnings

Subject to agreement by the Inland Revenue Board, the Company has Section 108 tax credit and tax exempt income to frank and distribute all of its retained earnings at 31 December 2011 if paid out as dividends.

The Finance Act 2007 introduced a single tier company income tax system with effect from 1 January 2008. As such, the remaining Section 108 tax credit as at 31 December 2011 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

11. LOAN AND BORROWING

	Group 2011 RM'000	Group 2010 RM'000
Non-current		
Unsecured non-revolving loan	2,082	10,416
Current		
Unsecured non-revolving loan	8,334	8,334
	10,416	18,750

12. DEFERRED TAX LIABILITIES

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	**2011 RM'000**	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Property, plant and equipment	-	-	(5,863)	(4,132)	(5,863)	(4,132)
Receivables	88	98	-	-	88	98
Other items	191	213	-	-	191	213
Tax assets/(liabilities)	279	311	(5,863)	(4,132)	(5,584)	(3,821)

Movement in temporary differences during the year

Group	At 1.1.2010 RM'000	Recognised in profit or loss RM'000 (Note 19)	At 31.12.2010 RM'000	Recognised in profit or loss RM'000 (Note 19)	At 31.12.2011 RM'000
Property, plant and equipment	4,808	(676)	4,132	1,731	5,863
Receivables	(175)	77	(98)	10	(88)
Other items	(167)	(46)	(213)	22	(191)
Total	4,466	(645)	3,821	1,763	5,584

13. TRADE AND OTHER PAYABLES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Trade				
Trade payables	3,842	2,363	-	-
Amount due to related corporations	205	367	-	-
	4,047	2,730	-	-
Non-trade				
Amount due to intermediate holding company	1,800	957	-	-
Other payables	4,229	5,349	340	326
Accrued expenses	6,233	5,797	-	-
Others	766	850	-	-
	13,028	12,953	340	326
	17,075	15,683	340	326

The trade payables due to related corporations are subject to normal trade terms.

The non-trade payable due to intermediate holding company is unsecured, interest free and repayable on demand.

14. REVENUE

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Sale of goods	138,132	131,437	-	-
Dividend income from an unquoted subsidiary in Malaysia	-	-	23,474	12,580
	138,132	131,437	23,474	12,580

15. RESULTS FROM OPERATING ACTIVITIES

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Operating profit is arrived at after charging:				
Auditors' remuneration:				
- Audit fees				
KPMG in Malaysia	73	71	18	16
- Non-audit fees				
KPMG in Malaysia	14	14	14	14
Depreciation on property, plant and equipment	5,969	5,301	-	-
Impairment loss:				
- trade receivables	52	78	-	-
- assets classified as held for sale	-	140	-	-
Intermediate holding company management fees	6,010	4,606	-	-
Inventories written off	2,413	2,896	-	-
Net realised foreign exchange loss	689	25	-	-
Personnel expenses:				
- contributions to state plans	2,031	1,809	-	-
- wages, salaries and others	16,642	17,447	-	-
Rental of premises	84	138	-	-
Research and development costs expensed as incurred	1,463	1,905	-	-
and after crediting:				
Dividend income from				
- a subsidiary in Malaysia (unquoted)	-	-	23,474	12,580
Reversal of impairment loss:				
- trade receivables	-	294	-	-

16. FINANCE INCOME

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Interest income of financial assets that are not at fair value through profit or loss:				
- recognised before impairment	364	490	2,341	2,742
Recognised in profit or loss	364	490	2,341	2,742

17. FINANCE COSTS

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss:				
- loans	638	782	-	-
Recognised in profit or loss	231	-	-	-
Capitalised on qualifying assets:				
- property, plant and equipment	407	782	-	-
	638	782	-	-

18. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation is as follows:

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Directors				
- Fees	242	224	242	224
Other key management personnel				
- Remuneration	1,451	1,583	-	-
Total short-term employee benefits	1,693	1,807	242	224

Other key management personnel comprise persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

The Group pays management fee to the intermediate holding company in relation to services of certain key management personnel of the Group as disclosed in Note 25.

19. INCOME TAX EXPENSE

Recognised in profit or loss

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Income tax expense	8,023	6,740	2,877	1,650
Major components of income tax expense include:				
Current tax expense				
Malaysian - current year	6,082	8,172	2,881	1,650
- prior year	178	(787)	(4)	-
Total current tax recognised in profit or loss	6,260	7,385	2,877	1,650
Deferred tax expense				
Origination and reversal of temporary differences	1,625	(143)	-	-
Under/(Over) provision in prior year	138	(502)	-	-
Total deferred tax recognised in profit or loss	1,763	(645)	-	-
Total income tax expense	8,023	6,740	2,877	1,650

Reconciliation tax expense

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Profit for the year	26,705	28,669	22,488	13,251
Total income tax expense	8,023	6,740	2,877	1,650
Profit excluding tax	34,728	35,409	25,365	14,901
Income tax calculated using Malaysian tax rate of 25%	8,682	8,852	6,341	3,725
Non-deductible expenses	204	108	86	82
Tax exempt income	-	-	(3,552)	(2,125)
Tax incentives	(366)	(477)	-	-
Utilisation of reinvestment allowance	(842)	(562)	-	-
Other items	29	108	6	(32)
Under/(Over) provided in prior years	316	(1,289)	(4)	-
	8,023	6,740	2,877	1,650

20. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2011 was based on the profit attributable to ordinary shareholders of the Company and a weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2011 RM'000	2010 RM'000
Profit for the year attributable to ordinary shareholders	26,705	28,669

Weighted average number of ordinary shares

	Group	
	2011 '000	2010 '000
Issued ordinary shares at 1 January	139,479	139,479
Effect of treasury shares held	(658)	(658)
Weighted average number of ordinary shares at 31 December	138,821	138,821

	Group	
	2011 sen	2010 sen
Basic earnings per ordinary share	19.24	20.65

Diluted earnings per ordinary share

There is no dilution to the earnings per ordinary share as there are no dilutive potential ordinary shares. Therefore, no consideration for adjustment in the form of increase in the number of shares was used in calculating the potential of its earnings per share.

21. DIVIDENDS

Dividends recognised by the Company are:

	Sen per share (Net of tax)	Total amount RM'000	Date of payment
2011			
Final 2010 ordinary	11.00	15,270	27 June 2011
Interim 2011 ordinary	3.50	4,859	28 October 2011
		20,129	
2010			
Final 2009 ordinary	10.25	14,229	25 June 2010
Interim 2010 ordinary	4.50	6,247	28 October 2010
		20,476	

The Directors recommend a final ordinary dividend of 14.50 sen per ordinary share less tax at 25% (10.88 sen net per ordinary share) totalling RM15,097,000 in respect of the year ended 31 December 2011. The dividend will be recognised in subsequent financial period upon approval by the shareholders.

22. FINANCIAL INSTRUMENTS

22.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables (L&R); and
(b) Financial liabilities measured at amortised cost (OL).

	Carrying amount 2011 RM'000	L&R 2011 RM'000	Carrying amount 2010 RM'000	L&R 2010 RM'000
Financial assets				
Group				
Trade and other receivables	35,123	35,123	35,157	35,157
Cash and cash equivalents	8,584	8,584	24,732	24,732
	43,707	43,707	59,889	59,889

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.1 Categories of financial instruments (continued)

	Carrying amount 2011 RM'000	L&R 2011 RM'000	Carrying amount 2010 RM'000	L&R 2010 RM'000
Financial assets				
Company				
Trade and other receivables	58,754	58,754	52,384	52,384
Cash and cash equivalents	113	113	4,205	4,205
	58,867	58,867	56,589	56,589

	Carrying amount 2011 RM'000	OL 2011 RM'000	Carrying amount 2010 RM'000	OL 2010 RM'000
Financial liabilities				
Group				
Loans and borrowings	10,416	10,416	18,750	18,750
Trade and other payables	16,309	16,309	14,833	14,833
	26,725	26,725	33,583	33,583
Company				
Trade and other payables	340	340	326	326

22.2 Net gains and losses arising from financial instruments

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Net gains/(losses) arising on:				
Loans and receivables	364	490	2,341	2,742
Financial liabilities measured at amortised cost	(1,327)	(823)	-	-
	(963)	(333)	2,341	2,742

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.3 Financial risk management

The Group and the Company have exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

22.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from amount due from subsidiary.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on new customers who require credit facility during the financial year. Depending on the nature of the transactions and the customer's risk profile, the Group may require upfront deposits as collateral.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. For receivables from corporate, wholesale and government sectors, impairment loss will be generally provided for amounts aged more than 270 days based on historical payment trends and patterns unless there is objective evidence to show otherwise.

The Group has a lower exposure to international credit risk as most of its receivables are concentrated in Malaysia.

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.4 Credit risk (continued)

Receivables (continued)

Impairment losses

The ageing of receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
Group				
2011				
Not past due	25,460	-	-	25,460
Past due 0-30 days	7,445	-	-	7,445
Past due 31-120 days	861	-	-	861
Past due more than 120 days	481	-	(351)	130
	34,247	-	(351)	33,896
2010				
Not past due	28,346	-	-	28,346
Past due 0 - 30 days	4,000	-	-	4,000
Past due 31 - 120 days	1,798	-	-	1,798
Past due more than 120 days	452	-	(393)	59
	34,596	-	(393)	34,203

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	Group	
	2011 RM'000	2010 RM'000
At 1 January	393	708
Impairment loss recognised	52	78
Impairment loss reversed	-	(294)
Impairment loss written off	(94)	(99)
At 31 December	351	393

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.4 Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

The allowance account in respect of receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to bank in respect of banking facilities granted to a subsidiary. The Company monitors on an ongoing basis the results of the subsidiary and repayments made by the subsidiary.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM2,927,620 (2010: RM964,160) representing the outstanding banking facilities of the subsidiary as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

Deposits with placed licensed banks

Risk management objectives, policies and processes for managing the risk

Investments are only allowed in placing deposits with licensed banks.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Group and the Company have only placed deposits in Malaysia. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

In view of that deposits are only placed with licensed banks, management does not expect the bank to fail to meet its obligation.

The deposits with licensed banks of the Group and the Company are unsecured.

Impairment losses

As at the end of the reporting period, there was no indication that the deposits with licensed banks were not recoverable.

Inter company balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to a subsidiary. The Company monitors the results of the subsidiary regularly.

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.4 Credit risk (continued)

Inter company balances (continued)

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by its carrying amount in the statement of financial position.

Loans and advances are only provided to subsidiary which is wholly owned by the Company.

Impairment losses

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiary were not recoverable. The Company does not specifically monitor the ageing of the advances to the subsidiary.

22.5 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance its operations and mitigate the effects of fluctuations in the cash flows.

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate/coupon	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Group							
2011							
Non-derivative financial liabilities							
Unsecured non-revolving loans	10,416	0.9% per annum over the Kuala Lumpur Inter-bank Offered Rate	10,690	8,600	2,090	-	-
Trade and other payables	16,309	-	16,309	16,309	-	-	-
	26,725	-	26,999	24,909	2,090	-	-

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.5 Liquidity risk (continued)

	Carrying amount RM'000	Contractual interest rate/ coupon	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Group							
2010							
Non-derivative financial liabilities							
Unsecured non-revolving loans	18,750	0.9% per annum over the Kuala Lumpur Inter-bank Offered Rate	19,583	8,918	8,576	2,089	-
Trade and other payables	14,833	-	14,833	14,833	-	-	-
	33,583	-	34,416	23,751	8,576	2,089	-
Company							
2011							
Non-derivative financial liabilities							
Trade and other payables	340	-	340	340	-	-	-
2011							
Non-derivative financial liabilities							
Trade and other payables	326	-	326	326	-	-	-

22.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Group's financial position or cash flows.

22.6.1 Currency risk

The Group is exposed to foreign currency risk on sales, purchases and bank balance that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar (USD).

Risk management objectives, policies and processes for managing the risk

Exposures to foreign currency risk are monitored on an ongoing basis. The Group does not hedge its foreign currency risk.

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.6 Market risk (continued)

22.6.1 Currency risk (continued)

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in USD	
Group	**2011 RM'000**	**2010 RM'000**
Trade receivables	195	898
Trade payables	(1,186)	(1,227)
Bank balance	127	837
Net exposure in the statement of financial position	(864)	508

Currency risk sensitivity analysis

The exposure to currency risk is not material and hence, sensitivity analysis is not presented.

22.6.2 Interest rate risk

The Group's and the Company's fixed rate deposits with licensed banks are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group and the Company place cash balances with reputable banks to generate interest income for the Group and the Company. The Group and the Company manage their interest risk by placing such balances on varying maturities and interest rate terms.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Fixed rate instruments				
Financial assets	8,016	23,289	58,754	56,484
Floating rate instruments				
Financial liabilities	(10,416)	(18,750)	-	-

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.6 Market risk (continued)

22.6.2 Interest rate risk

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) Cash flow sensitivity analysis for variable rate instruments

A change of fifty basis points (50 bp) in interest rates at the end of the reporting period would have increased (decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	Equity		Profit or loss	
Group	**50 bp increase RM'000**	**50 bp decrease RM'000**	**50 bp increase RM'000**	**50 bp decrease RM'000**
2011				
Floating rate instruments	-	-	(39)	39
2010				
Floating rate instruments	-	-	(96)	96

22.7 Fair value of financial instruments

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

The carrying amount of unsecured non-revolving loan approximate fair values as they are subject to variable interest rates which in turn approximates the current market interest rates for similar facilities at the end of the reporting period.

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.7 Fair value of financial instruments (continued)

The fair value of other financial assets, together with the carrying amount shown in the statement of financial position, is as follows:

Company	Carrying amount 2011 RM'000	Fair value 2011 RM'000	Carrying amount 2010 RM'000	Fair value 2010 RM'000
Amount due from subsidiary	53,754	53,754	47,384	47,384

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

Interest rate used to determine fair value

The interest rate used to discount estimated cash flows is 4.4% (2010: 4.3%).

23. CAPITAL MANAGEMENT

The Group's objective when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to safeguard shareholder's interest within the Company.

The Group's strategy for capital management is to avoid unnecessary debts obligation and funding cost.

There were no changes in the Group's approach to capital management during the financial year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

The Group is also required to maintain a maximum debt-to-equity ratio of 1.75 (2010:1.75) to comply with a debt covenant, failing which, the bank may call an event of default. The Group has complied with this covenant.

24. CAPITAL AND OTHER COMMITMENTS

	Group	
	2011 RM'000	2010 RM'000
Plant and machineries		
Contracted but not provided for	2,094	3,880

25. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company 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 or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Significant related party transactions with key management personnel

Key management personnel compensation is disclosed in Note 18.

Other significant related party transactions (other than disclosed elsewhere in the financial statements)

	Transaction value for year ended 31 December		Balance outstanding as at 31 December	
Group	**2011 RM'000**	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Sale of goods to related corporations	16,603	2,957	782	865
Purchases from related corporations	(4,487)	(2,800)	(12)	(86)
Management fees paid to intermediate holding company	(6,010)	(4,606)	(1,800)	(957)
Research and development expenditure paid to related corporation	(1,274)	(1,875)	(193)	(281)
Company				
Dividend income received from a subsidiary	23,474	12,850	-	-
Interest income received from a subsidiary	2,284	2,696	-	-

There is no impairment loss recognised in respect of these outstanding balances at year end.

All the outstanding balances are unsecured and expected to be settled with cash.

Included in the management fee paid to the intermediate holding company is payment for services of certain key management personnel of the Company amounting to RM1,544,000 (2010: RM1,331,000).

26. OPERATING SEGMENTS

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units target different markets, and are managed separately because they require different marketing strategies. For each of the strategic business units, the Group's Chief Executive Officer (the chief operating decision maker) reviews internal management reports at least on a quarterly basis.

Information about reportable segment and reconciliation of reportable segment revenue, profit and other material items

Group	2011 RM'000	2010 RM'000
Reportable revenue from external		
Local	127,320	119,392
Export	10,812	12,045
	138,132	131,437
Operating expense		
Depreciation of property, plant and equipment	(5,969)	(5,301)
Other operating expense	(97,816)	(91,400)
Other operating income	248	183
Profit from operations	34,595	34,919
Finance income	364	490
Finance cost	(231)	-
Profit before tax	34,728	35,409
Income tax expense	(8,023)	(6,740)
Profit after tax	26,705	28,669

Major customers

Revenues from 2 major customers amount to approximately RM56,974,000 (2010: RM59,685,000) of the Group's total revenue.

27. SUBSEQUENT EVENT

The Group entered into two Sale and Purchase Agreements for the sale of three units of warehouses at a total consideration of RM2.34 million to third party on 4 January 2012 and 12 January 2012. The gain on sale of warehouses amounting to RM600,000.

28. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings of the Group and of the Company as at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Total retained earnings of the Company and its subsidiary				
- realised	116,706	108,637	17,045	14,686
- unrealised	(6,814)	(5,321)	-	-
	109,892	103,316	17,045	14,686
Less: Consolidation adjustments	(34,723)	(34,723)	-	-
Total retained earnings	75,169	68,593	17,045	14,686

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

Analysis of Shareholdings

as at 30 March 2012

Authorised Share Capital	:	RM100,000,000.00
Issued and Fully Paid Share Capital	:	RM69,739,750.00
Class of Shares	:	Ordinary Shares of RM0.50 each
Voting Rights	:	One vote per Ordinary Share

ANALYSIS BY SIZE OF HOLDINGS AS AT 30 MARCH 2012

Size of Holdings	No. of holders	%	No. of Shares	%
1 - 99	120	5.794	3,954	0.002
100 - 1,000	425	20.522	356,110	0.256
1,001 - 10,000	1,188	57.363	5,082,044	3.643
10,001 - 100,000	309	14.921	9,264,300	6.644
100,001 - 6,973,974 (*)	28	1.352	22,440,200	16.088
6,973,975 and above (**)	1	0.048	102,332,892	73.367
Total	2,071	100	139,479,500	100

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

DIRECTORS' SHAREHOLDINGS

as per register of directors as at 30 March 2012

	No. of Shares Held			
Name	Direct	%	Indirect	%
Tan Sri Dato' Dr. Abu Bakar bin Suleiman	286,400	0.21	22,000	0.01
Tan Sri Dato' Dr. Jegathesan a/l N. M. Vasagam @ Manikavasagam	34,120	0.02	-	-
Datuk Alias bin Ali	-	-	-	-
Haji Ghazali bin Awang	77,000	0.05	-	-
Amirul Feisal bin Wan Zahir *(Appointed w.e.f. 13 June 2011)*	-	-	-	-
Dato' Dr. Mohamad Hashim bin Ahmad Tajudin *(Resigned w.e.f. 10 June 2011)*	15,000	0.01	-	-

SUBSTANTIAL SHAREHOLDERS

as per register of substantial shareholders as at 30 March 2012

	No. of Shares Held			
Name	Direct	%	Indirect	%
CCM Marketing Sdn Bhd	102,332,892	73.37	-	-

TOP 30 SHAREHOLDERS AS AT 30 MARCH 2012

No.	Name	Holdings	Percentage (%)
1.	CCM MARKETING SDN BHD	102,332,892	73.37
2.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD - Employees Provident Fund Board	5,251,500	3.77
3.	AMANAHRAYA TRUSTEES BERHAD - Skim Amanah Saham Bumiputera	4,545,300	3.26
4.	BANK KERJASAMA RAKYAT MALAYSIA BERHAD	3,910,200	2.80
5.	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD - As Beneficial Owner (PF)	1,995,300	1.43
6.	BERJAYA SOMPO INSURANCE BERHAD	1,000,000	0.72
7.	DUOPHARMA BIOTECH BHD - Share Buy Back Account	658,000	0.47
8.	MAYBAN NOMINEES (TEMPATAN) SDN BHD - Etiqa Takaful Berhad (General Fund)	641,600	0.46
9.	EMPLOYEES PROVIDENT FUND BOARD	500,000	0.36
10.	MAYBAN NOMINEES (TEMPATAN) SDN BHD -Etiqa Takaful Berhad (Family PRF EQ)	467,200	0.33
11.	LIM WENG HO	304,600	0.22
12.	GAN TUAN BOON	300,000	0.22
13.	ABU BAKAR BIN SULEIMAN	286,400	0.21
14.	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD - Alliance Optimal Income Fund	276,200	0.19
15.	AUN HUAT & BROTHERS SDN BERHAD	251, 800	0.18
16.	MAYBAN NOMINEES (TEMPATAN) SDN BHD - Pledged Securities Account For Su Tiing Uh	247,700	0.17
17.	LIEW WAI KIAT	237,600	0.17
18.	MALAYSIAN ASSURANCE ALLIANCE BERHAD -As Beneficial Owner (Dana Seri Mulia)	200,000	0.14
19.	CIMB ISLAMIC TRUSTEE BERHAD - Amanah Saham Darul Iman	155,300	0.11
20.	CIMB ISLAMIC TRUSTEE BERHAD - Amanah Saham Darul Iman	149,000	0.11

TOP 30 SHAREHOLDERS AS AT 30 MARCH 2012 (CONTINUED)

No.	Name	Holdings	Percentage (%)
21.	OLIVE LIM SWEE LIAN	140,000	0.10
22.	HDM NOMINEES (ASING) SDN BHD UOB Kay Hian Pte Ltd for Ali Asan Mohamed Abdul Kareem	124,400	0.09
23.	LIM PEK HAR	124,000	0.09
24.	MAYBAN NOMINEES (TEMPATAN) SDN BHD - Lem Hon San	120,000	0.09
25.	CITIGROUP NOMINEES (ASING) SDN BHD - Exempt AN for OCBC Securities Private Limited (Client A/C-NR)	114,400	0.08
26.	HOO HOCK WAH	113,500	0.08
27.	PHUA KIM YUEN @ PANG KIM EAN	111,000	0.08
28.	MAYBAN NOMINEES (TEMPATAN) SDN BHD - Etiqa Takaful Berhad (Family PIF EQ)	109,600	0.08
29.	Mrs. Winnie Hamzah Sendut	105,600	0.08
30.	CARTABAN NOMINEES (TEMPATAN) SDN BHD -Exempt AN for Barclays Bank PLC, Singapore (Wth Mgmt My Res)	100,000	0.07

List of Properties

as at 31 December 2011

Postal address/Location of property	Description/Existing use (Built-up area)	Land area (acre/sq m)	Tenure/ Approx. age of building	Open market valuation by independent valuer[1]/as per Sales & Purchase Agreement (RM)	Date of valuation/ Method of valuation	Net Book value as at 31/12/11 (RM)
H.S.M 48648 PT Nos. 129880 Mukim and District of Klang, State of Selangor Darul Ehsan (An amalgamation of two titles known as GM1391 and GM2239)/Lot No. 2599, Jalan Seruling 59, Kawasan 3, Taman Klang Jaya, Selangor Darul Ehsan	a. Industrial land built upon with a double storey factory building, a single storey pump house cum boiler house, parking sheds, a guardhouse, a refilled chamber (gross built up area: approximately 94,000 sq ft)	5.39 acres	Freehold 18 years old	65,100,000	31/12/11 Comparison and Cost Method	65,042,648
	b. Four storey factory and office building (gross built up area: approximately 97,000 sq ft)		Freehold 9 years old			
	c. 2-storey warehouse building with 2 mezzanine office levels of high specifications for specific pharmaceutical use with a single storey canteen building and water tank (gross built up area: approximately 91,000 sq ft)		Freehold 2 years old			
H.S. (D) 52204 and 52205 PT Nos. 9570 and 9571, Mukim and District of Klang, State of Selangor Darul Ehsan/Nos. 29 & 27, Jalan Serunai 16, Taman Klang Jaya, 41200 Klang, Selangor Darul Ehsan	Two units of 1 ½ storey semi-detached factories. (Built up: 5,129 sq ft each)	476.50sq m each	Freehold 26 years old	1,280,000	4/11/10 Comparison Method	1,280,000
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 Jaya, Selangor Darul Ehsan	1 ½ storey semi-detached factory (built up: 4,644 sq ft)	431.44 sq m	Freehold 26 years old	600,000	4/11/10 Comparison Method	600,000

as at 31 December 2011

Postal address/Location of property	Description/Existing use (Built-up area)	Land area (acre/sq m)	Tenure/ Approx. age of building	Open market valuation by independent valuer[1]/as per Sales & Purchase Agreement (RM)	Date of valuation/ Method of valuation	Net Book value as at 31/12/11 (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	Two units of double storey terrace light industrial buildings (built-up: 4,108 sq ft and 5,588 sq ft respectively)	191 sq m and 260 sq m respectively	Freehold 14 years old	790,000	10/11/10 Comparison Method	788,872
GM 549 Lot No. 2707, Mukim and District of Klang, State of Selangor Darul Ehsan	Vacant industrial land	4.38 acres	Freehold	5,716,000	10/11/10 Comparison Method	5,720,333

Note

1. Duopharma (M) Sdn. Bhd. is the registered and beneficial owner of all the above properties. The valuation was carried out by an independent firm of professional valuer, Mohd Nor & Partners (PJ) Sdn. Bhd. on 10 Nov 2010 and 31 Dec 2011.

Recurrent Related Party Transactions of a Revenue or Trading Nature

At the Annual General Meeting held on 25 May 2011, the Company had obtained a shareholders' mandate to allow the Company to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature.

In accordance to the Bursa Malaysia Securities Berhad's Main Market Listing Requirements, details of the Recurrent Related Party Transactions audited during the financial year ended 31 December 2011, pursuant to the shareholders mandate are as follows:

Transactions	Vendor/ Provider	Purchaser/ Recipient	Aggregate Value (RM'000)	Related Parties
1) Purchase of raw material for pharmaceutical products	CCM Chemicals Sdn. Bhd. ("CCMC")	Duopharma (M) Sdn. Bhd. ("DMSB")	-	***Interested Major Shareholders:*** CCMM[2] CCM[2] ***Interested Director/Person Connected:*** Amirul Feisal bin Wan Zahir[3]
2) Sale of pharmaceutical products	DMSB	CCM Pharmaceuticals (S) Pte Ltd ("CCMPS")	2,519	***Interested Major Shareholders:*** CCMM[2] CCM[2] ***Interested Directors/Persons Connected:*** Amirul Feisal bin Wan Zahir[3] Leonard Ariff bin Abdul Shatar[4]
3) Sale of pharmaceutical/ healthcare products	DMSB	CCM Marketing Sdn. Bhd. ("CCMM")	-	***Interested Major Shareholders:*** CCMM[2] CCM[2] ***Interested Directors/Persons Connected:*** Amirul Feisal bin Wan Zahir[3] Leonard Ariff bin Abdul Shatar[4]
4) Purchase of pharmaceutical products	CCM Pharma Sdn. Bhd. ("CCMPSB")	DMSB	-	***Interested Major Shareholders:*** CCMM[2] CCM[2] ***Interested Directors/Persons Connected:*** Amirul Feisal bin Wan Zahir[3] Leonard Ariff bin Abdul Shatar[4]

Transactions	Vendor/ Provider	Purchaser/ Recipient	Aggregate Value (RM'000)	Related Parties
5) Purchase of pharmaceutical products and raw materials	CCM Pharmaceuticals Sdn. Bhd. ("CCMP")	DMSB	1,887	***Interested Major Shareholders:*** CCMM[2] CCM[2] ***Interested Directors/Persons Connected:*** Amirul Feisal bin Wan Zahir[3] Leonard Ariff bin Abdul Shatar[4]
6) Sales of pharmaceutical products and raw materials	DMSB	CCMP	3,572	***Interested Major Shareholders:*** CCMM[2] CCM[2] ***Interested Directors/Persons Connected:*** Amirul Feisal bin Wan Zahir[3] Leonard Ariff bin Abdul Shatar[4]
7) Sales of pharmaceutical products and raw materials	DMSB	UPHA Pharmaceuticals (M) Sdn. Bhd. ("UPHA")	9,914	***Interested Major Shareholders:*** CCMM[2] CCM[2] ***Interested Directors/Persons Connected:*** Amirul Feisal bin Wan Zahir[3] Leonard Ariff bin Abdul Shatar[4]
8) Purchase of pharmaceutical products and raw materials	DMSB	UPHA	2,451	***Interested Major Shareholders:*** CCMM[2] CCM[2] ***Interested Directors/Persons Connected:*** Amirul Feisal bin Wan Zahir[3] Leonard Ariff bin Abdul Shatar[4]
9) Professional services & construction of water treatment plant, etc.	CCM Water Systems Sdn. Bhd. ("CCMWS")	DMSB	-	***Interested Major Shareholders:*** CCMM[2] CCM[2] ***Interested Director/Person Connected:*** Amirul Feisal bin Wan Zahir[3]

**There was no deviation from the Actual Value exceeding the Estimated Aggregate Value by 10% or more in the Existing Mandate*

Notes:-

1. The values are estimates based on the audited financial statements for the financial year ended 31 December 2011. Due to the nature of the transactions, the actual value of transactions may vary from the estimated value disclosed above. Disclosure will be made in CCMD's 2011 Annual Report of the actual breakdown of the aggregate value of transactions conducted as required under Paragraph 3.1.5 of Practice Note 12 of the Listing Requirements, pursuant to the Proposed Shareholders' Mandate.

2. CCMM, CCMP, UPHA and CCMPSB are wholly-owned subsidiaries of Chemical Company of Malaysia Berhad ("CCM"). CCM has direct interest of 100% of the issued share capital of CCMM. Being the holding company of CCMM, CCM is deemed to have indirect interest of 73.37% of the issued share capital of CCMD. CCM also has direct interest of 80% in the issued share capital of CCMC.

3. Amirul Feisal bin Wan Zahir is the Group Managing Director of CCM. He is also a Non-Independent Non-Executive Director of CCMD and has no direct interest in the Company. He is an interested director and an interested "Person(s) connected" as defined in the Definitions Section of this Circular, and is deemed interested in the Proposed Shareholders Mandate by virtue of him being an interested Director and an interested person connected to CCM.

4. Leonard Ariff bin Abdul Shatar is the Chief Executive Officer of CCMD and is a Director of CCMD as defined under the Definitions Section of this Circular. He is also the Director of CCM's Pharmaceuticals Division. He has no direct interest in CCMD and is an interested Director and an interested "Person(s) connected" as defined in the Definitions Section of this Circular. Therefore, he is deemed interested in the Proposed Shareholders Mandate by virtue of him being an interested Director and an interested "Person(s) connected" to CCM, the interested Major Shareholder.

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Eleventh Annual General Meeting of the Company will be held at **Premiere Hotel, Bandar Bukit Tinggi, 1/KS6, Jalan Langat, 41200 Klang, Selangor Darul Ehsan on Thursday, 24 May 2012 at 2.30 p.m.** for the following purposes:-

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2011 together with the Reports of the Directors and Auditors thereon. **Ordinary Resolution 1**

2. To approve a Final Dividend of 14.5 sen per ordinary share less 25% income tax for the financial year ended 31 December 2011. **Ordinary Resolution 2**

3. To re-elect the following Directors who retire in accordance with Article 93 of the Articles of Association of the Company:-

    (a) Tan Sri Dato' Dr. Abu Bakar bin Suleiman **Ordinary Resolution 3**

    (b) Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam **Ordinary Resolution 4**

4. To re-elect Amirul Feisal bin Wan Zahir who retires in accordance with Article 99 of the Articles of Association of the Company. **Ordinary Resolution 5**

5. To approve the payment of Directors' Fees for the financial year ended 31 December 2011. **Ordinary Resolution 6**

6. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 7**

7. To transact any other business of which due notice shall have been received.

As Special Business

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

8. **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")** **Ordinary Resolution 8**

    "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 Section 2.2.1 and 2.2.5 of the Circular to Shareholders dated 2 May 2012 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 the Proposal is approved, at which time it will lapse, unless further renewed by a resolution passed at the next AGM;

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

(c) revoked or varied by resolution passed by the shareholders in a general meeting of the Company,

whichever is 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."

9. **Proposed Amendments to the Articles of Association of the Company ("Proposed Amendments")** **Special Resolution 1**

"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 2 May 2012 be and is hereby approved."

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN that subject to the approval of the Shareholders at the forthcoming AGM, a Final Dividend of 14.5 sen per ordinary share less 25% income tax in respect of the Company's financial year ended 31 December 2011 will be paid on 29 June 2012 to shareholders whose names appear in the Record of Depositors on 8 June 2012.

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

(a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 8 June 2012 in respect of ordinary transfer; and
(b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

NOOR AZWAH BINTI SAMSUDIN (LS 0006071)
Company Secretary
Kuala Lumpur
Date: 2 May 2012

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 Companies Act, 1965 shall not apply to the Company.

2. Where a member of the Company appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.

3. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

4. The instrument appointing a proxy must be deposited at the Registrars of the Company at Tricor Investor Services Sdn. Bhd., Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for holding the meeting.

EXPLANATORY NOTES ON SPECIAL BUSINESS

(i) Ordinary Resolution 8 – 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 Resolution 8 is set out in the Circular to Shareholders dated 2 May 2012.

(ii) 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 pursuant to Bursa Malaysia Securities Berhad's letter dated 22 September 2011.

Statement Accompanying The Notice Of The Eleventh Annual General Meeting Of CCM Duopharma Biotech Berhad

Pursuant to Paragraph 8.27(2), Appendix 8A of the Listing Requirements of Bursa Malaysia Securities Berhad.

The details of the three (3) Directors seeking re-election are set out in their respective profiles which appear in the Directors' Profiles on pages 18, 19 and 22 of this Annual Report.

The details of their interest in the securities of the Company are set out in the Directors' Profiles on pages 18, 19 and 22, and Analysis of Shareholdings which appear on page 98 of this Annual Report.

Proxy Form

CCM Duopharma Biotech Berhad (524271-W)
(Incorporated in Malaysia)

I/We ____
(FULL NAME IN CAPITAL LETTERS)

of ____
(FULL ADDRESS)

being *a shareholder/shareholders of **CCM Duopharma Biotech Berhad** ("the Company") hereby appoint: ____________________

____
(FULL NAME IN CAPITAL LETTERS)

of ____

____
(FULL ADDRESS)

as my/our proxy to vote for me/us at the Eleventh Annual General Meeting of the Company to be held at **Premiere Hotel, Bandar Bukit Tinggi, 1/KS6, Jalan Langat, 41200 Klang, Selangor Darul Ehsan on Thursday, 24th May 2012 at 2.30 p.m.** and at any adjournment thereof.

My/Our Proxy is to vote as indicated below:-

NO.	ORDINARY BUSINESS	RESOLUTION NO.	FOR	AGAINST
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2011 together with the Reports of the Directors and Auditors thereon.	**Ordinary Resolution 1**	☐	☐
2.	To approve a Final Dividend of 14.5 sen per ordinary share less 25% income tax for the financial year ended 31 December 2011.	**Ordinary Resolution 2**	☐	☐
3.	To re-elect the following Directors who retire in accordance with Article 93 of the Articles of Association of the Company:-			
	(a) Tan Sri Dato' Dr. Abu Bakar bin Suleiman	**Ordinary Resolution 3**	☐	☐
	(b) Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam	**Ordinary Resolution 4**	☐	☐
4.	To re-elect Amirul Feisal bin Wan Zahir who retires in accordance with Article 99 of the Articles of Association of the Company.	**Ordinary Resolution 5**	☐	☐
5.	To approve the directors' fees for financial year ended 31 December 2011.	**Ordinary Resolution 6**	☐	☐
6.	To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration.	**Ordinary Resolution 7**	☐	☐
	Special Business:			
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").	**Ordinary Resolution 8**	☐	☐
8.	Proposed Amendments to the Articles of Association of the Company ("Proposed Amendments").	**Special Resolution 1**	☐	☐

(Please indicate with an "X" how you wish to cast your vote)

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 Companies Act, 1965 shall not apply to the Company.
2. Where a member of the Company appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy must be deposited at the Registrars of the Company at Tricor Investor Services Sdn. Bhd., Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for holding the meeting.

____
Signature/Seal

____
No. of shares

Signed this ________ day of ____________ 2012.

fold

affix
postage
stamp

The Registrar
CCM Duopharma Biotech Berhad (524271-W)
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia

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