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CCM DUOPHARMA BIOTECH BERHAD (524271-W) Annual Report 2010

Nurturing *Lives*

Understanding Human Values

Annual Report 2010

CCM DUOPHARMA
BIOTECH BERHAD
(524271-W)

Nurturing *Lives*

Understanding Human Values

The brush stroke of vibrant colours is a representation of life and our corporate colours. The concept is a continuation of events linked by vibrant colours depicting the ways our Group touches the lives of people. Each and every product and endeavour directly affects the community we operate in. These efforts allow us a positive role in the community and the opportunity to directly contribute to enhancing the quality of their lives by Understanding Human Values.

Contents

Financial Calendar

Financial year end	31 December 2010
Annual General Meeting	25 May 2011

DIVIDEND

(i)	**Interim Dividend**	
	Entitlement date	8 October 2010
	Payment date	28 October 2010
(ii)	**Proposed Final Dividend**	
	Entitlement date	10 June 2011
	Payment date	27 June 2011

ANNOUNCEMENT OF 2010 TRADING RESULTS

Three months (1st Quarter)	25 May 2010
Six months (2nd Quarter)	24 August 2010
Nine months (3rd Quarter)	26 November 2010
Full year (4th Quarter)	23 February 2011

Financial Highlights
as at 31 December

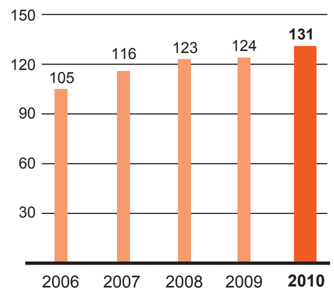
CONSOLIDATED BALANCE SHEET

	2010 (RM'000)	2009 (RM'000)
Property, Plant and Equipment	100,249	74,840
Current assets	96,230	98,524
Total assets	196,479	173,364
Current liabilities	24,373	16,985
Financed by:		
Share capital	69,739	69,739
Treasury shares	(1,578)	(1,578)
Non-distributable reserves	21,115	14,169
Retained profits	68,593	60,408
Shareholders' funds	157,869	142,738
Deferred tax liabilities	3,821	4,466
Loan and borrowing	10,416	9,175

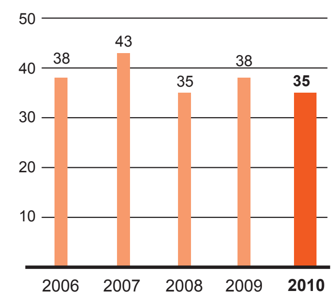
CONSOLIDATED INCOME STATEMENT

	2010 (RM'000)	2009 (RM'000)
Turnover	131,437	123,766
Profit before taxation	35,409	38,215
Taxation	(6,740)	(7,982)
Profit after taxation	28,669	30,233
Profit attributable to shareholders	28,669	30,233
Dividends	(20,476)	(18,047)
Transfer to retained profits	8,193	12,186

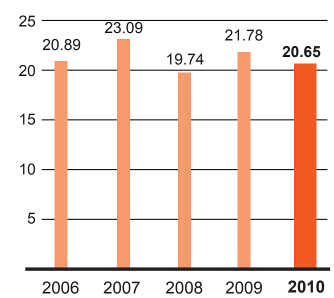
Turnover (RM million)



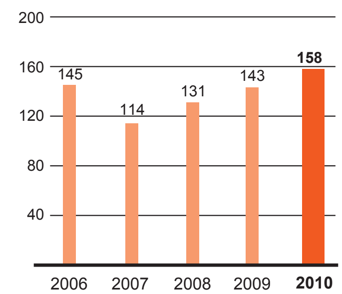
Profit Before Tax (RM million)



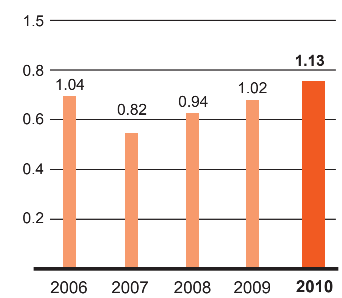
Earnings per Share (Sen)



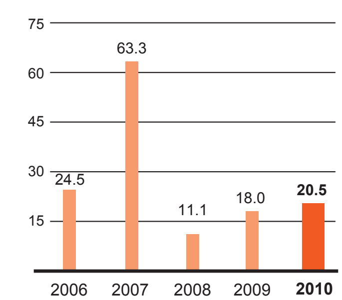
Shareholder's Funds (RM million)



Net Assets per Share (RM)



Dividend (RM million)



Chairman's Statement

TAN SRI DATO' DR. ABU BAKAR BIN SULEIMAN
Chairman

During the year under review, we continued to explore growth strategies to accelerate our performance and gain the competitive edge to enhance our market position in the ever-changing pharmaceutical industry.

DEAR SHAREHOLDERS,

The Malaysian economy has rebounded and showed signs of improvements in 2010 following the Government's efforts in implementing economic stimulus packages to overcome the challenges of the financial crisis in 2008 and 2009. The economic recovery has significantly helped to spur and sustain the growth of the local pharmaceutical industry and provided a positive outlook for CCM Duopharma Biotech Berhad (CCMD) for the year ahead. On behalf of the Board of Directors, I am pleased to present you the annual report and financial statements of the Company for the financial year ended 31 December 2010.

During the year under review, we continued to explore growth strategies to accelerate our performance and gain the competitive edge to enhance our market position in the ever-changing pharmaceutical industry. Our emphasis on research and development (R&D) initiatives enabled us to meet and exceed our customers' expectations who are constantly seeking better value for money products. Greater demand from customers inevitably raises the bar for product innovation and we aim to take the lead in improving our efficiency and developing new products to increase the quality of life for every Malaysian.

WITH CHALLENGES COME OPPORTUNITIES

Various industries including the pharmaceutical sector felt the pinch of the global economic downturn in 2008 and 2009. The tough economic conditions have prompted the Government to devise stimulus packages to cushion the immense challenges faced by the country.

The announcement of the 10th Malaysia Plan in 2010 calls for the transformation of Malaysia into a high income nation with a sustainable economy that is driven by rising productivity and innovation to steer the economy back on track. Under the 10th Malaysia Plan, the Government aims to grow the pharmaceutical industry which has been identified as one of the 12 National Key Economic Areas (NKEAs) and has the potential to drive the Malaysian economy forward. The country currently spends 5% of its gross domestic product (GDP) on healthcare and the recent economic decline did not decrease the demand for quality healthcare due to factors including rising consumer awareness, extended longevity and increasing lifestyle illnesses such as diabetes and cardiovascular diseases. The healthcare and pharmaceutical industry alone contributes to RM15 billion in gross national income (GNI) and the Government targets the contribution to reach RM50 billion by 2020. The Government believes that the implementation of these economic policies will boost the pharmaceutical industry's effectiveness and competitiveness in order to achieve the transformation goals.

As part of the Government's plan to develop and promote the pharmaceutical industry as well as to ensure that healthcare remains accessible and affordable for all, the country has recognised the importance of manufacturing generic drugs and encourages local pharmaceutical players to seek opportunities to export their products overseas. In the highly competitive globalised world, local pharmaceutical companies need to manufacture high quality and cost effective products to cater to the local needs and look beyond Malaysia to sustain their growth. Other emerging countries such as Korea, China and India are also competing for a share of the global market and Malaysian companies should take up the challenge to pursue international markets to remain competitive.

Chairman's Statement

OUR PERFORMANCE

For the financial year ended 31 December 2010, CCMD recorded a revenue increase of 6.2% to RM131.4 million from RM123.8 million in the corresponding period last year. The Company's revenue showed improvements mainly due to increase sales to Government hospitals as well as export market.

However, the Company's profit before tax (PBT) dropped 7.3% to RM35.4 million from RM38.2 million in the same period in 2009 due to sales to Government hospitals which generated lower margin coupled with limitation of import permits for importation of controlled drug raw materials during the year.

Despite the challenges in the world economy, we are optimistic about the financial year ahead following the Government's support and efforts to create a conducive economic environment and execute its projects under the 10th Malaysia Plan that are set to have a positive impact on the local pharmaceutical industry in the long run.

POSITIVE PROSPECTS

The outlook for the Malaysian pharmaceutical industry looks promising. Despite a relatively small population of 27 million people, Malaysia ranks fifth in healthcare spending compared to other Asian countries and it is growing at about 13% annually. This indicates an increasing trend towards healthy lifestyle amongst Malaysians and offers local pharmaceutical companies the opportunity to deliver innovative and high quality healthcare products at affordable prices to consumers. According to Business Monitor International's (BMI) Pharmaceutical Expenditure Forecast Model, the Malaysian pharmaceutical industry is expected to expand by 8% between 2009 and 2014 with growth driven by various reasons including the expanding economy and ageing population.

BMI's forecast also reveals that the generic and over-the-counter (OTC) markets are poised for greater development in the coming years and play an important role in boosting the local pharmaceutical industry. The expiry of patents of blockbuster drugs, Government support and initiatives as well as rising healthcare costs will greatly fuel the demand for generic pharmaceuticals. In order to reduce the cost of healthcare financing and managing the increasing number of public hospitals, the Government will continue to be the main buyer of generic products. The high demand for generics also opens up the opportunity for local manufacturers to explore the biogenerics or biosimilars market which promotes lower cost and generic versions of normally highly priced biological drugs. Frost & Sullivan reports that the high profits generated from biological therapeutics will bring greater competition between international and local pharmaceutical companies, aiming to seize control of the biogenerics market. The global biogenerics market has grown at an annual average rate of 70% between 2007 and 2011, and has the potential to generate a total revenue of over US$16 billion by 2011.

Malaysia is one of the 12 most bio-diverse countries in the world and offers great potential for bioactive compounds from medicinal plants for the treatment of diseases such as cancer, hypertension and diabetes. The worldwide biotechnology industry is expanding at a fast rate and Malaysian companies would benefit immensely by increasing R&D investment and productivity in the local biotechnology sector including collaborating with foreign companies to enhance their R&D capabilities. CCMD invested about 2% of the Company's 2010 revenue in R&D and we hope to step up our efforts to explore opportunities in the niche and emerging areas of the biotechnology sector, including the manufacturing and commercialisation of biosimilar products. We have been in talks with international companies from the USA, Korea and India to explore several collaboration initiatives to manufacture biosimilars, especially inert vaccines and erythropoietin (EPO) biosimilars. Our investment in the biotechnology industry is a long term process and we anticipate a 5-year gestation period before we can enjoy the fruits of our labour.

Besides that, a more health conscious society also stimulates the demand for OTC products especially vitamins and dietary supplements as Malaysians are moving towards preventive healthcare to maintain overall well-being and prevent illnesses. More Malaysians are also seeking alternative therapies and non-conventional approaches in light of the increasing prevalence of chronic diseases that cannot be cured by synthetic allopathic drugs. This trend coupled with Malaysia's rich biological heritage and multicultural background provides a huge potential for local pharmaceutical manufacturers to take the lead in the herbal market that is valued at RM330 million in 2006 and growing at 15% to 20% annually.
The Government also encourages the participation of local players in the herbal market and offers numerous incentives including research grants to heighten R&D activities.

The Malaysian pharmaceutical industry currently relies deeply on imported drugs which fulfill 70% of the local demand as consumers are opting for established international brands instead of the more affordable local products. These imported drugs are mostly drugs used to treat ailments such as cancer, cardiovascular diseases and diabetes. The reliance on imported drugs has caused stiff competition between imported and locally-made products, resulting in local manufacturers to explore export markets. Malaysia's membership in Pharmaceutical Inspection Cooperation Scheme (PIC/S) exhibits that the country has established high pharmaceutical manufacturing standards and this presents endless opportunities for local companies to augment their exports to both PIC/S and non-PIC/s countries. The total export value of drugs from Malaysia is estimated at RM494 million in 2005 and is projected to rise at a rate of 5.4% between 2006 and 2013.

Export opportunities not only increase companies' revenues but also serve as a gateway to penetrate the halal market in Muslim countries, in line with the Government's goal to establish Malaysia as the global halal hub for goods and services. Therefore, Malaysian companies should leverage the country's R&D capacities and strategic location in the centre of Southeast Asia that acts as a good distribution point for halal pharmaceuticals to satisfy the needs of the local and international Muslim communities.

OUR APPRECIATION

In tandem with our commitment to grow value for our shareholders, the Board of Directors is recommending a final tax exempt dividend of 22% (11.0 sen) per share for the financial year ended 31 December 2010. The total dividend for the year under review is 31% (15.5 sen) per share consisting of a final tax exempt dividend as stated above and an interim tax exempt dividend of 9% (4.5 sen), totalling to approximately RM21.5 million.

We are also pleased that Bursa Malaysia has implemented eDividend, a service that enables us to electronically pay our shareholders' cash dividend entitlements directly into their bank accounts instead of making payment via bank cheques. Shareholders can now register with their stockbrokers to ensure their dividends are paid quickly.

ACKNOWLEDGEMENT

Malaysia's economy slowly gained its momentum in 2010, symbolising the country's tenacity to bounce back despite volatile fiscal conditions in the past two years. As an organisation that is dedicated to delivering the best products and services to our consumers, CCMD took the right initiatives to manoeuvre the Company through the challenging year. We continued to carry out strategic measures to increase productivity, operational efficiency and innovation to achieve near-term performance while aiming to win over long-term goals.

Asia is fast emerging as an important location for the thriving healthcare and pharmaceutical industry notwithstanding the economic downturn. It is also reported that Asia has the potential to progress beyond just being a market, an outsourcing or a manufacturing centre but also to becoming a capital of drug discoveries and innovation with the high possibility of overtaking the US and Europe in the area of R&D in years to come. With that in mind, we aspire to focus our strategy on R&D and innovation, and take whatever challenges in stride, turning them into opportunities to advance our market position and create value for our shareholders. We are confident of the prospects that lie ahead for our Company and the pharmaceutical industry, and will continue to maximise our ability to effectively accomplish our targets.

On behalf of the Board of Directors, I would like to extend my thanks to our dedicated management and employees for their efforts in propelling the Company forward during the year under review. I also wish to thank my fellow Directors who have been instrumental in imparting their guidance and wisdom for the betterment of the Company. Last but not least, I would like to express our deepest gratitude to our shareholders, stakeholders, customers, business associates and partners 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

Against the backdrop of a challenging economic climate during the year under review, CCM Duopharma Biotech Berhad (CCMD) focused on implementing various strategic initiatives to ensure that we continue to deliver positive and consistent results, and create value for our shareholders.

Against the backdrop of a challenging economic climate during the year under review, CCM Duopharma Biotech Berhad (CCMD) focused on implementing various strategic initiatives to ensure that we continue to deliver positive and consistent results, and create value for our shareholders. These strategies were designed to enhance our market leadership, reduce operating costs, boost operational efficiency and increase our product and service offering. As a subsidiary of the Chemical Company of Malaysia Berhad (CCM) Group, we believe our efforts exemplify our commitment towards raising our competitiveness and driving not only our Company forward but also strengthening the CCM Group's financial position in the long run.

The Malaysian pharmaceutical industry is expected to grow at a healthy pace in the longer term following the Government's encouragement of the biotechnology area, the improving regulatory environment and the nation's economic development which enables greater public and private expenditure on pharmaceutical products. The local pharmaceutical sector contributes to not only the Government's social and public health objectives but also the country's goal of achieving sustainable economic growth. With that, we hope to make continuous and significant progress towards meeting our goals as well as stepping up our game to face the challenges that lie ahead.

Our performance in 2010 demonstrated our strength to endure a tough economic climate as well as our ability to maintain customers' trust and confidence in our products. In order to further expand our strong position in the industry, CCMD undertook several key initiatives including the completion of our three-year RM55 million capital expenditure programme that consists of the establishment of Malaysia's first inert vaccine fill and finish facility suitable for vialling of CCMD's bulk vaccines in the pipeline. This facility is capable of compounding, filling, freeze drying, capping, inspecting, labeling and packing inert vaccines. Depending on product registration approval, we expect the facility to begin production in 2012/13. The investment also includes the upgrading of CCMD's small volume injectables (SVI) plant that aims to achieve optimal utilisation by tapping the overseas markets such as Indonesia, Thailand and Vietnam, as well as the construction of a new warehouse and waste water treatment plant.

In 2010, sales of pharmaceutical products to the private sector and Government hospitals contributed 37% and 53% respectively to CCMD's total sales. The Company's success in securing a three-year Government contract worth RM35 million to supply Oseltamivir (Omiflu), a generic anti-viral drug to treat and prevent infections due to the influenza A(H1N1) virus also contributed to revenue for the year under review. CCMD suffered a shortfall in profits for the year due to reduced import permits for psychotropics and precursors raw materials. Having said that, CCMD was able to recover its revenue position within 2010. We will continue to increase our efforts to boost innovation which subsequently will develop more high quality products to meet consumers' expectations and generate greater revenue for the Company.

The local pharmaceutical industry is also hugely driven by the strong demand for generic products, changing demographics as well as calls to improve access to healthcare services through the implementation of the National Healthcare Financing Scheme. CCMD currently captures more than 13% of the local generics market which is worth RM1 billion. It is reported that the generics segment will be the best performing area in the coming years. Our future goal is to take advantage of growth opportunities arising from the generics market which will positively impact our profitability in years to come.

Moving forward, we strive to improve the overall performance of our Company by leveraging opportunities and developing a strategic plan as well as remedial measures to accomplish our short and long-term goals. We seek to increase our market share by advancing channel penetration, enhancing marketing efforts including brand rationalisation to extend our stronger products into new channels, cost containment via operational excellence activities such as the Six

Sigma programme to reduce cost and improve quality, and planning and process improvements to drive our business interests, raise productivity and elevate efficiency.

CCMD will continue to concentrate on niche and high growth sectors that provide future high value-added products including biologics. The Company will continue to focus on the finishing and commercialisation of erythropoietin (EPO) biosimilar products which is scheduled for registration in 2012.

The Company's business outlook for 2011 seems positive and the future looks encouraging as the pharmaceutical industry is growing and CCMD has the capability and resources to venture into newer markets especially in the Southeast Asia region. We look forward to tap into emerging niche areas and strengthen our existing presence in the Malaysian over-the-counter (OTC) and herbal markets. We are confident that our extensive product portfolio and established brands will satisfy consumers' demand for a diverse range of high quality pharmaceutical and healthcare products that meet their expectations at an affordable price.

We are also very optimistic on the prospects of our halal business as Malaysia is in a strong position to be the global halal industry hub. Consumers nowadays are becoming more knowledgeable and discerning with a higher interest in products that promote safety, efficacy, quality and hygiene, which are the aspects which Malaysia's Halal certification manifests. Our various range of halal products offer a value proposition that emphasises universal appeal to both Muslims and non-Muslims alike. As an advocate of the halal initiative, CCMD is committed towards providing consumers with unique and innovative products that meet the stringent manufacturing requirements of halal and help the Company to gain the competitive edge against the rest of the industry.

One of CCMD's major achievements was the significant role it played as part of CCM's Pharmaceuticals Division, together with Halal Industry Development Corporation (HDC) in supporting the Department of Standards Malaysia to develop the Malaysian Standard: MS 2424:2010 Halal Pharmaceuticals – General Guidelines, the first ever in the world to have undergone a process in accordance to international standard requirements. Backed by years of experience in research and implementation of Halal principles, CCMD was a key contributor in developing general guidelines for the Malaysian Standard that outlines the requirements and critical areas in the manufacturing and servicing chain for Halal pharmaceuticals production.

INTERNATIONAL BUSINESS

In 2010, CCMD's international business fared slightly better than 2009, registering a growth of approximately 10% and contributed to almost 9% (valued at RM12 million) of the Company's total revenue. The slim improvement is due to a tougher export environment where competitiveness of our products were affected by the stronger Ringgit.

Despite the tougher export environment, CCMD is still committed to growing our international business and achieve greater results in the next few years. We believe that our international business will be the mainstay of CCMD's overall performance in the medium and long term. In order to reach our goals, we need to be more selective in the markets that we choose to penetrate, where our products will be able to command a certain level of premium.

In an effort to boost CCMD's international business growth, we have identified various new products and capabilities as part of the Company's future focus areas. We plan to maximise the synergistic opportunities arising from the infrastructure within the CCM Group, namely with CCM Pharmaceuticals Sdn. Bhd., Innovax Sdn. Bhd. and the various regional offices in ASEAN, namely Indonesia, Thailand, Singapore, Vietnam and the Philippines to further amplify the size of our international business.

We will also continue to explore new opportunities and venture into other overseas markets to intensify our presence in the international arena. In 2011, CCMD as part of CCM's Pharmaceuticals Division, will be participating as an exhibitor in the largest pharmaceuticals conference and exhibition in the world, CPhI 2011 in Frankfurt, Germany. This participation signifies our intention to grow beyond Malaysia and the ASEAN region and attain bigger global success. It will also be a stepping stone for us to participate in the European Union (EU) market.

With all the strategic planning in place that is being implemented, we aspire to expand our international business in 2011.

RESEARCH AND DEVELOPMENT

Research and development (R&D) is crucially important in any pharmaceutical company to develop, test and introduce new products to the market. CCMD recognises R&D as the key driver to facilitate this process in order to gain access to latest technological breakthroughs to strengthen our product portfolio.

In 2010, we spent about RM2 million on R&D activities as we strongly believe that R&D investment is vital to generate new ideas and refine our existing pipeline. This allows us to raise the bar and obtain the added advantage to keep up with our competitors.

During the year under review, we carried out restructuring efforts in our R&D department for better functioning and operational competence. A Regulatory Affairs Department was introduced to accelerate dossier compilation and submission process for domestic and regional markets. This initiative also helped to develop robust and stable products which can pass bioequivalence (BE) criteria and minimise any rework. Besides that, our efforts also create cost effective products that enable us to offer competitive pricing to our customers and consumers, and generate better profit margin in the long run. Last but not least, the restructuring process allows us to acquire in-depth knowledge for successful scale up of products to accommodate larger scales of commercial production.

Some of the new products that were developed over the past year included *CCMD Ephidrine HCl* Injection from our ethical portfolio, and *Prokin Tab* and *Donna Sachet* from our OTC segment.

We will continue to augment our R&D efforts by leveraging CCM Group's R&D centre, Innovax Sdn. Bhd. in tandem with our commitment towards promoting innovation and enhancing our pipeline which provides a concrete platform for continuous and consistent growth in the local and global pharmaceutical industry.

HUMAN CAPITAL

Human capital development is important as it creates a workforce that can notably contribute to the growth and success of an organisation. In 2010, CCMD carried out several activities to help our employees to develop their personal skills and enhance their knowledge.

We organised the Young Managers Development Programme (Modules 1-5) for our managers to cultivate their talent and abilities. In addition, succession planning for the CCM Group was implemented to identify and grow employees with the potential to assume key leadership positions in the Company. A mentoring programme was initiated to encourage all members of the Management Council (MC) to coach and mentor middle managers (mentees) who do not report to them directly. Through the programme, each MC member was assigned a mentee for nine months and their role was to listen, encourage, access and help their mentees to develop greater self-awareness. Positive feedback was provided by the mentees' superiors at the end of the training, indicating an improvement in their attitude and commitment towards work.

We also continued with our monthly 'Healthy Living Programme' to promote motivational and health awareness activities for our staff. Some of the programme's highlights included a blood donation drive, a line dance session, visits to an organic farm in Perak and an old folks' home in Klang, an office *gotong-royong* and a talk by the Employees Provident Fund (EPF) to spread awareness on personal finance and contributors' rights.

CCMD employees from the plant and warehouse sections constantly undergo random drug urine tests to guarantee safe and conducive workplace for our employees. Since May 2010, fifty (50) of our employees had underwent such test.

CORPORATE RESPONSIBILITY

Throughout the year under review, CCMD organised numerous programmes as part of the Company's corporate responsibility (CR) effort. We directly involved our staff in some CR activities including a blood donation drive and sacrificing their time with residents at an old folks' home in Klang.

CCMD also participated in Minggu Saham Amanah Malaysia which is open to the public to generate awareness amongst consumers about our halal certified ethical and OTC products that embody the highest level of quality, safety, hygiene and efficacy.

CCMD also took part in the *1Malaysia 1Halal* campaign, organised by the Department of Islamic Development Malaysia (JAKIM) to increase the public's awareness of the availability of halal pharmaceutical products in the country. The campaign gave us an opportunity to reach out to Malaysians from all walks of life and promote our extensive range of products.

Besides that, CCMD jointly organised the *2nd CCM Halal Awareness Seminar* with the Halal Industry Development Corporation (HDC) for our principals and suppliers in response to the positive feedback we received from participants of the inaugural *CCM Halal Awareness Seminar 2008*. The seminar successfully helped to foster a better understanding of the halal concept and educate participants on the importance of halal practices in their production and premises as well as addressing any issues related to halal.

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 to CCMD's vision and to all the staff of CCMD who collectively contributed to the success of the Company in 2010.

Leonard Ariff bin Abdul Shatar
Chief Executive Officer

SEEING POSSIBILITIES

The gift of sight is the most precious of all, allowing us to appreciate the colours of life that brighten faces. At CCMD, we appreciate life, and we manifest it through our vision aid products that help define people's outlook of the world.

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

Dato' Dr. Mohamad Hashim bin Ahmad Tajudin
Non-Independent Non-Executive Director

Datuk Alias bin Ali
Non-Independent Non-Executive Director

Haji Ghazali bin Awang
Independent Non-Executive Director

Dr. Mohd Nasir bin Hassan
(Resigned w.e.f. 4 February 2010)

CHIEF EXECUTIVE OFFICER

Leonard Ariff bin Abdul Shatar

COMPANY SECRETARY

Noor Azwah binti Samsudin (LS0006071)

Rosnah binti Mahat (LS0006735)
(Resigned w.e.f. 14 April 2011)

REGISTERED OFFICE

13th Floor, Menara PNB
201-A, Jalan Tun Razak
50400 Kuala Lumpur
Tel No. : 03-2612 3888
Fax No. : 03-2612 3999

BUSINESS ADDRESS

Lot 2599, Jalan Seruling 59
Kawasan 3, Taman Klang Jaya
41200 Klang, Selangor Darul Ehsan
Tel No. : 03-3323 2759
Fax No. : 03-3323 3923
Homepage : www.duopharma.com.my
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 No. : 03-2264 3883
Fax No. : 03-2282 1886

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

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)

Board of Directors

TAN SRI DATO' DR. ABU BAKAR BIN SULEIMAN

Age: 67 years
Nationality: Malaysian

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

Position on the Board

- Non-Independent Non-Executive Chairman

Date Appointed to the Board

- 25 May 2002

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.

Membership of Board Committees

- Chairman, Nomination and Remuneration Committee

Directorships of Other Public Companies

- Medical Defence Malaysia Berhad

Securities Holdings in the Company and its Subsidiaries

- 286,400 ordinary shares directly (as at 31 March 2011)
- 13,000 ordinary shares indirectly (as at 31 March 2011)

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

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

Age: 67 years
Nationality: Malaysian

Qualifications

- Bachelor of Medicine and Bachelor of Surgery, University of Singapore
- Diploma in Tropical Medicine and Hygiene, Mahidol University, Thailand
- Diploma in Clinical Pathology, University of London
- 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

Position on the Board

- Independent Non-Executive Director

Date Appointed to the Board

- 30 March 2006

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 till 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 till 2003. He currently holds positions as Adjunct Professor, Faculty of Medicine and Health Sciences, UITM, Consultant Microbiologist, Gribbles Pathology Laboratory Services, Consultant Microbiologist and Head, Clinical Support, Sunway Hospital, Pro-Chancellor, University Sains Malaysia and Deputy Vice-Chancellor (Research) of MAHSA University College. Tan Sri Dato' Dr. Jegathesan is also invited as a temporary Advisor to the World Health Organisation from time to time. 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.

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 31 March 2011)

Family Relationship with Any Director and/or Major Shareholder

- None

Conflict of Interest with the Company

- None

List of Convictions for Offences Within the Past 10 years Other Than Traffic Offences

- None

Board of Directors

DATO' DR. MOHAMAD HASHIM BIN AHMAD TAJUDIN

Age: 57 years
Nationality: Malaysian

Qualifications

- Bachelor of Science, Agriculture, Universiti Pertanian Malaysia
- Master of Science, Agriculture (Soil Chemistry and Fertility), Universiti Pertanian Malaysia
- PhD in Soil Fertility (Soil Chemistry and Plant Nutrition) and Management, Universiti Putra Malaysia
- Advanced Management Program, INSEAD, France
- Harvard Premier Business Management Programme

Position on the Board

- Non-Independent Non-Executive Director

Date Appointed to the Board

- 18 November 2005

Working Experience and Occupation

- Dato' Dr. Mohamad Hashim is presently the Director, R&D and Agronomy of TH Plantations Berhad. Prior to this, he was the Group Managing Director of Chemical Company of Malaysia Berhad until his retirement in June 2010. He was a Senior Director in the Oils & Fats Division of Golden Hope Plantations Berhad and had held various positions during his 26 years career in Golden Hope. These included being a Director in the Research and Development from 1998 to 2003 and the Executive Director of Golden Hope Research Sdn. Bhd. and Golden Hope Agrotech Consultancy Sdn. Bhd. He was also the Adjunct Professor of the Agricultural Faculty, Universiti Putra Malaysia.

Membership of Board Committees

- None

Directorships of Other Public Companies

- None

Securities Holdings in the Company and its Subsidiaries

- 15,000 ordinary shares directly (as at 31 March 2011)

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

DATUK ALIAS BIN ALI

Age: 63 years
Nationality: Malaysian

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

Position on the Board

- Non-Independent Non-Executive Director

Date Appointed to the Board

- 14 March 2006

Working Experience and Occupation

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

Membership of Board Committees

- Member, Audit and Risk Management Committee

Directorships of Other Public Companies

- Air Asia Berhad
- Fima Corporation Berhad
- Melati Ehsan Holdings Berhad

Securities Holdings in the Company and its Subsidiaries

- None (as at 31 March 2011)

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

HAJI GHAZALI BIN AWANG

Age: 64 years
Nationality: Malaysian

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

Position on the Board

- Independent Non-Executive Director

Date Appointed to the Board

- 14 March 2006

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.

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

Securities Holdings in the Company and its Subsidiaries

- 72,000 ordinary shares directly (as at 31 March 2011)

Family Relationship with Any Director and/or Major Shareholder

- None

Conflict of Interest with the Company

- None

List of Convictions for Offences Within The Past 10 years Other Than Traffic Offences

- None

Senior Management

LEONARD ARIFF BIN ABDUL SHATAR

CHIEF EXECUTIVE OFFICER
Age: 46 years
Nationality: Malaysian

Qualifications

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

Working Experience and Occupation

- En. Leonard Ariff was appointed the Chief Executive Officer of CCM Duopharma Biotech Berhad cum Director of CCM Pharmaceuticals Division on 1 January 2008. Since 1988, he has 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 Board 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).

Membership of Board Committees

- None

Directorships of Other Public Companies

- None

Securities Holdings in the Company and its Subsidiaries

- None (as at 31 March 2011)

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

IBRAHIM BIN ZAINUDIN

CHIEF OPERATING OFFICER
Age: 53 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

- En. 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. En. Ibrahim later moved to Pharmaniaga Manufacturing Bhd. in 2001 as the plant's Director & 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. En. Ibrahim was appointed to his present capacity as Chief Operating Officer on 1 January 2010.

Senior Management

CHEK WU KONG

GENERAL MANAGER, FINANCE & IT
Age: 45 years
Nationality: Malaysian

Qualifications

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

Working Experience and Occupation

- Mr. 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 2009.

NG SU YEE

GENERAL MANAGER, TECHNICAL SUPPORT & DEVELOPMENT
Age: 43 years
Nationality: Malaysian

Qualifications

- Bachelor of Pharmacy (Hons), University of London, UK

Working Experience and Occupation

- Ms. Ng did her pre-registration pharmacy training in CE Harrod Chemist, an independent retail pharmacy in London from 1990 to 1991. She then 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. Ms. Ng joined the CCM Group in June 1997 in various disciplines including Production, Quality Control, Engineering and Production Maintenance of plant operations. She is currently overseeing Regulatory Affairs, Compliance/Quality Assurance, Quality Control, Technical, Validation, Stability, Process Improvement & Business Excellence.

KANNA UMAKANTH

GENERAL MANAGER, RESEARCH & DEVELOPMENT
Age: 38 years
Nationality: Indian

Qualifications

- Masters in Pharmaceutics,
  Birla Institute of Technology Science, Pilani, India

Working Experience and Occupation

- Mr. Kanna Umakanth was appointed Head of Innovax Sdn. Bhd. on 1 April 2010 and subsequently, the General Manager in August 2010. He has more than 14 years of experience in Pharmaceutical Formulation R&D and Technology transfer. He has worked in various Pharmaceutical companies in India at various capacities such as Dr. Reddy's Laboratories, Granules India Limited, Orchid Chemicals and Pharmaceutical and ISP (India) Pvt Ltd (Specialty company based in USA). His research area is in Novel drug delivery systems such as controlled release, drug solubilization, pelletization and other common immediate release technologies.
  He also has vast experience in the filing of ANDA's (Abbreviated New Drug Applications) in regulated markets.

ANITA BINTI ESA

SENIOR MANAGER I, MARKETING
Age: 45 years
Nationality: Malaysian

Qualifications

- Executive MBA, Universiti Teknologi MARA
- Bachelor of Science with Honours, Universiti Sains Malaysia

Working Experience and Occupation

- Pn. Anita was promoted to Senior Manager I, Marketing Department in October 2008. She launched her career in January 1991 in Eisai, a Tokyo-based pharmaceuticals company with headquarters in New Jersey, USA as a sales representative. She then joined Zeneca that same year where she built her career in sales and marketing for nearly a decade.
  A number of engagements followed with stints in Novartis, Novo Nordisk and Bayer, which she left in 2006 as a National Sales Manager, garnering a wealth of experience in the management of products and international business. She later assumed the position as Marketing Manager in CCM, currently overseeing both the ethical and OTC ranges.

Senior Management

FEIZRIL NOR BIN NURBI

SENIOR MANAGER I, EXPORT
Age: 36 years
Nationality: Malaysian

Qualifications

- Masters of Arts (Honours) in Economics and Political Science, University of Dundee, Scotland, United Kingdom
- Masters in Business Administration, Cranfield University, England, United Kingdom (Chevening Scholar).

Working Experience and Occupation

- En. Feizril began his career with the Malaysian Industry-Government Group for High Technology (MIGHT), a unit under the Prime Minister's Department in January 1999. He joined CCM Group of Companies in May 2005 as Manager II, Business Analyst with the Strategic Planning and Business Development Department, CCM Berhad.
He was later transferred to the Group Managing Director's Office as Senior Manager II, Special Projects in June 2007. In April 2008, En. Feizril was then transferred to CCM Duopharma to lead the newly-formed Strategy and Business Development Department. In November 2009, En. Feizril was subsequently transferred to his present capacity as Senior Manager I, Export, responsible for the overall growth of the pharmaceuticals business outside Malaysia.

ALLEN NG CHEE LEONG

SENIOR MANAGER I, NATIONAL SALES
Age: 50 years
Nationality: Malaysian

Qualifications

- Fremsprachen Schule Colon, Hamburg, Germany
- Diploma in Marketing, Stamford College

Working Experience and Occupation

- Mr. Allen Ng joined the Company as Hospital Executive on 15 September 1989. He was promoted to Area Sales Manager (Selangor) in 2000 and was in charge of developing and expanding the customer base in the state of Selangor. He was then appointed the General Sales Manager in April 2001 and redesignated as Senior Manager II, Ethical Sales in May 2008. In January 2010, he was appointed as Senior Manager I, National Sales, which oversees all domestic sales in ethical, OTC and Government channels.

SHIRLEY TAN

SENIOR MANAGER I, HUMAN RESOURCE
Age: 55 years
Nationality: Malaysian

Qualifications

- Diploma in Human Resource Management, Institute of HR Management, Malaysia

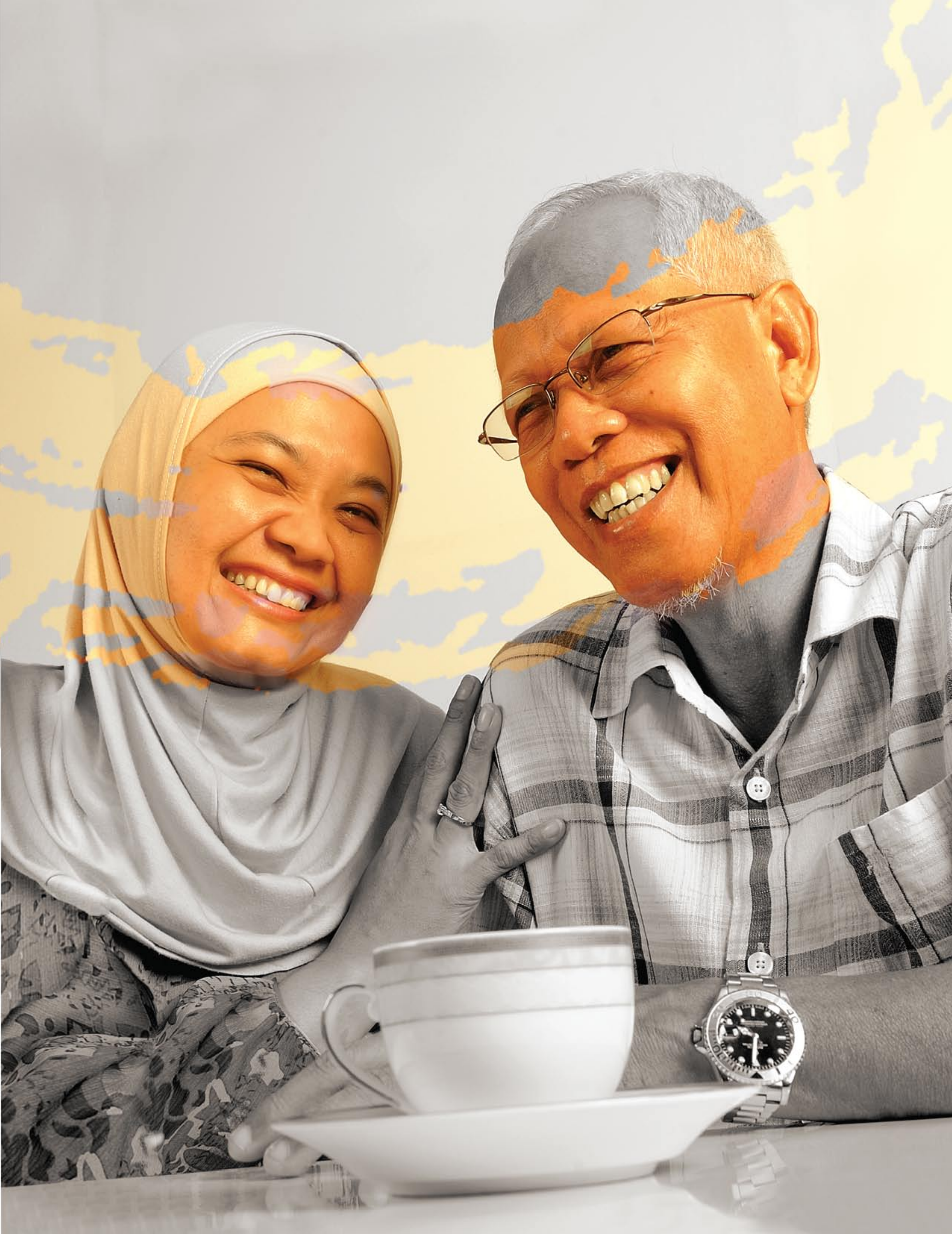
Working Experience and Occupation

- Ms. Shirley Tan was appointed Senior Manager II, Human Resource on 1 September 2008 and subsequently as Senior Manager I, Human Resource on 1 September 2009.

Ms. Shirley Tan joined CCM Pharma Sdn. Bhd. *(formerly known as Warner-Lambert)* in August 1982 as Junior Executive in the Human Resource Department. In 1987, she was promoted to Human Resource Administrator and subsequently as Human Resource Manager in 1991. She was transferred to Upha in the same capacity when CCM acquired Upha Group of Companies in 1991.Since 2001, her role has expanded to cover various companies in the CCM Group.

LASTING HAPPINESS

Growing together with your life partner is nothing short of a gift from God. Lasting happiness is a lifestyle choice. A choice made simpler with the right solutions provided by a company that believes happiness is forever.



Statement on Corporate Governance

THE CODE

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 of the Group 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 is committed to ensure that good corporate governance is being practised throughout the Group, as it is a fundamental part of discharging its responsibilities to enhance shareholders' value and financial performance of the Group.

The following statement sets out how the Company has applied the principles and best practices of corporate governance as contained in the Malaysian Code of Corporate Governance throughout the financial year from 1 January 2010 to 31 December 2010.

THE BOARD OF DIRECTORS

As at 31 December 2010, the Board consists of five (5) directors, of whom two (2) are independent. The composition of the Board was maintained so that not less than one-third (1/3) were independent directors at all times. 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 on 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.

The Board has met five (5) times during the financial year under review. It is envisaged that the Board will convene additional meetings as necessary. All Board members bring an independent judgment to bear on issues of strategy, performance, resources and standard of conduct.

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. 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.

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

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

All Committees have written terms of reference which have been approved by the Board, and the Board receives reports 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.

MEETINGS AND SUPPLY OF INFORMATION

Board Meetings are scheduled a year ahead in order to enable full attendance at Board meetings. During the financial year under review, the Board deliberated upon and considered a variety of matters including the Group's financial results, strategic plan and business plan of the Group in the meetings held. During the year, five (5) board meetings were held.

Details of the Directors' meeting attendance during the financial year are as follows:-

Name of Directors and Status	No. of Meetings Attended
Tan Sri Dato' Dr. Abu Bakar bin Suleiman **Chairman, Non-Independent Non-Executive Director**	5/5
Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam **Independent Non-Executive Director**	5/5
Dato' Dr. Mohamad Hashim bin Ahmad Tajudin **Non-Independent Non-Executive Director**	5/5
Datuk Alias bin Ali **Non-Independent Non-Executive Director**	5/5
Haji Ghazali bin Awang **Independent Non-Executive Director**	5/5
Dr. Mohd. Nasir bin Hassan **Independent Non-Executive Director** (Resigned w.e.f. 4 February 2010)	–

Scheduled Board meetings are structured with a pre-set agenda. Prior to the Board meetings, all Directors are provided with the board papers in a timely manner with information in a form and of a quality appropriate to enable them to discharge their duties.

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 and to obtain independent professional advice in furtherance of their duties at the Group's expense, if required. In addition, all Directors have access to the advice and 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.

BOARD COMMITTEES

The Board of Directors delegates specific responsibilities to the Board Committees namely the Nomination and Remuneration Committee and the Audit and Risk Management Committee.

All committees have their own terms of reference approved by the Board. These Committees have the authority to examine particular issues and submit reports of their deliberations and major findings to the Board.

These terms of reference, composition 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 mandates. 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 a separate statement accompanying the Notice of Annual General Meeting.

DIRECTORS' TRAINING

All Directors have attended and successfully completed the Mandatory Accreditation Programme (MAP) as prescribed by Bursa Malaysia Listing Requirement.

The Directors also continually attend education programmes and seminars to further enhance their skill and knowledge and to keep abreast with developments in the market place. As part of the Directors development programme, the Group participates in the CCM Group's own comprehensive and formal training programmes tailored to the needs of the Board. For the financial year ended 31 December 2010, an in-house training programme entitled "Financial Instrument" was conducted and facilitated by industry experts. In addition to the in-house seminars, Directors are also encouraged to attend talks, training programmes and seminars to update themselves on new developments in the business environment.

The Board has assessed and considered the training programmes attended by them and deemed that the trainings were appropriate and sufficient.

DIRECTORS' REMUNERATION

The objective of the Group's policy on Directors' remuneration is to ensure that the Group attracts and retains Directors of the calibre needed 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 2010 are as follows:-

Non-Executive Directors	**RM'000**
Fees	224

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

Range of Remuneration	**No. of Directors Non-Executive**
Below RM50,000	5
RM50,001 to RM100,000	1

INVESTOR 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 Securities Berhad'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 Meeting ("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 Chairman and Chief Executive Officer questions on a range of topics relevant to the Group.

INVESTOR RELATIONS

Briefings 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 developments 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 2010

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 2010	Date of Announcement
1st Quarter	25 May 2010
2nd Quarter	24 August 2010
3rd Quarter	26 November 2010
4th Quarter	23 February 2011

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.

The following material information and the material development thereof have been released to shareholders via Bursa Malaysia on a timely basis:

(i) Investment of RM55 million for a three year plant expansion from 2008 to 2010 as part of the Group's growth strategies;

(ii) Proposed disposal of vacant freehold industrial land of Lot No. 2555 and Lot No. 2556, Mukim and District of Klang, State of Selangor to Himpun Menang Sdn. Bhd. for a total purchase consideration of RM8,131,149.90.

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 Statement of Directors' responsibility for preparing the financial statements is set out on page 48 of this Annual Report.

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 which are prepared in accordance with the FRS generally accepted. 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.

AUDIT AND RISK MANAGEMENT COMMITTEE

Realising the importance of risk management within the Group, the Audit Committee has been renamed to Audit and Risk Management Committee on 20 February 2010 to provide emphasis on the importance of risk management in our day to day operations. 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 provides 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 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 and terms of reference of the Audit and Risk Management Committee are set out in the Audit and Risk Management Committee Report.

The details are shown in the accompanying report of the Audit and Risk Management Committee on pages 34 to 36.

INTERNAL AUDIT

The Group's internal audit function is performed in-house by the CCM 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 CONTROL

The Statement on Internal Control on page 41 of the Annual Report describes the structure and process of risk management in the Group.

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 risk management activities to the Audit and Risk Management Committee. The report on Risk Management on pages 39 to 40 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.

STATEMENT ON INTERNAL CONTROL

The Directors are fully aware of the responsibilities to maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets. The Directors' responsibilities for the Group's system of internal control 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;
- Evaluate the risk management processes.

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

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 their 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.

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

The Directors are required by the Companies Act, 1965 to prepare financial statements which are in accordance with applicable approved accounting standards and give a true and fair view of the state of affairs of the Group 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 a going concern basis. The Directors have prepared the annual financial statements in compliance with the Companies Act, 1965.

COMPLIANCE STATEMENT

The Group has complied throughout the financial year with all the best practices 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.

OTHER INFORMATION

1. **Non-Audit Fees**
   During the financial year ended 31 December 2010, 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 2010 or entered into since the end of the previous financial year.

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

4. **Share Buy-back**
   There was no share buy-back effected during the financial period ended 31 December 2010.

5. **Employees' Share Option Scheme ("ESOS")**
   The Group has not approved any ESOS during the financial period ended 31 December 2010.

6. **Options, Warrants or Convertible Securities**
   There were no options, warrants or convertible securities issued by the Group during the financial period ended 31 December 2010.

7. **American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") Programme**
   During the financial period ended 31 December 2010, the Company did not sponsor any ADR or GDR programme.

8. **Imposition of Sanctions/Penalties**
   There were no sanctions and/or penalties imposed on the Company and its subsidiary, directors or management by the relevant authorities.

9. **Profit Guarantees**
   There were no profit guarantees during the financial period ended 31 December 2010 by the Group.

10. **Contract Relating to Loans**
    There were no contracts relating to loans by the Group involving Directors' and major shareholders' interests.

11. **Recurrent Related Party Transaction of Revenue or Trading Nature**
    At the Annual General Meeting ("AGM") held on 25 May 2010, 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 2010 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 2010 is set out on pages 87 to 88 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 3 May 2011.

Report of the Audit and Risk Management Committee

COMPOSITION OF AUDIT AND RISK MANAGEMENT COMMITTEE AND MEETINGS

At the beginning of year 2010, the Audit and Risk Management Committee comprised of four (4) members, all of whom are Non-Executive Directors. Following the resignation of Dr. Mohd Nasir bin Hassan on 4 February 2010, the current composition of the Audit and Risk Management Committee 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:

Name of Directors and Status	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 **Independent Non-Executive Director**	5/5
Datuk Alias bin Ali **Non-Independent Non-Executive Director**	5/5
Dr. Mohd. Nasir bin Hassan **Independent Non-Executive Director** (Resigned w.e.f. 4 February 2010)	–

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 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 the Exchange.

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 listed issuer 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 co-ordination 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 and risk management 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 the recommendations of the internal audit function;

   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 Officer 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.

Report of the Audit and Risk Management Committee

STATEMENT ON INTERNAL AUDIT FUNCTION

The Company has an in-house internal audit function which is performed at the Group level. The CCM Group Internal Audit 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 RM170,000.

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 2010. Among the areas covered were the operations of Engineering, Procurement, Regulatory Affairs, Sterile and Non Sterile Production, Finance, Production Planning 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. The key strategic risks which are identified through the risk management process are reported to the Risk Management Committee and also the Audit and Risk Management Committee of the Board. This enables the Audit and Risk Management Committee to focus on the key risks affecting the Company's business and operations and the system of internal control necessary to manage such risks.

ACTIVITIES DURING THE YEAR

The CCM Group Risk Management function has conducted various operational, strategic and related assignments in accordance with the Audit and Risk Management Committee's approved Risk Management Programme for 2010. These include the review and update of the Company's key risk profile, New Warehouse Project Implementation, various operational risk registers, including Government Business, Facilities/engineering and Quality Assurance as well as assignments done on CCM Group-wide basis i.e. Group ICT Transformation Exercise.

Report of the Nomination and Remuneration Committee

The Board is pleased to issue the following report on the Nomination and Remuneration Committee and its activities during the financial year ended 31 December 2010.

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 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 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.

Report of the Nomination and Remuneration Committee

MEMBERS AND MEETINGS

The present members of the Nomination and Remuneration Committee comprise:-

Name of Directors and Status	No. of Meetings Attended
Tan Sri Dato' Dr. Abu Bakar bin Suleiman **Chairman, Non-Independent Non-Executive Director**	3/3
Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam **Member, Independent Non-Executive Director**	3/3
Haji Ghazali bin Awang **Member, Independent Non-Executive Director**	3/3

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 recommended 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.

Report on Risk Management

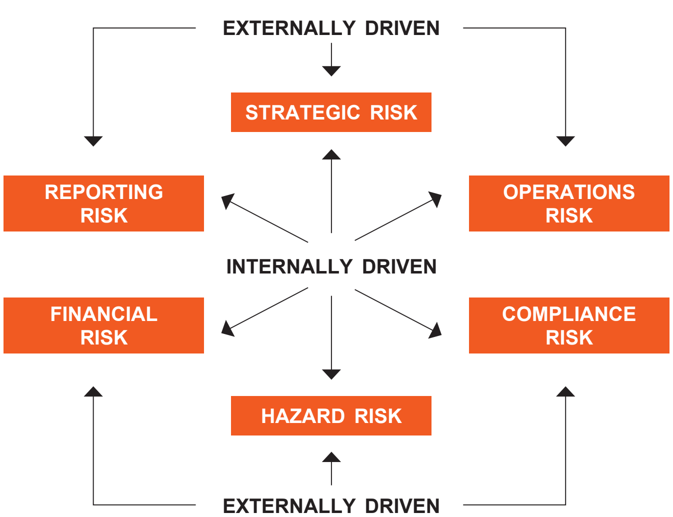
Risk is inherent in all businesses and the effective management of risk is a core competence within the Group.

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-wide Risk Management (EWRM) framework was established and it forms an integral part of the Company's corporate governance structure and a key management tool. The CCM 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 EWRM. A good EWRM 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 EWRM is for the risk function to operate as an independent control platform, working in partnership with the business units to provide competitive advantage to the Company. There is also the need to establish a common risk management language that includes common measures around likelihood, impact and risk categories.

The risks facing the Company in its businesses and operations can result from internal and external factors. Hence, the context within which the Company manages the risks and key focus of accountability are as follows:-



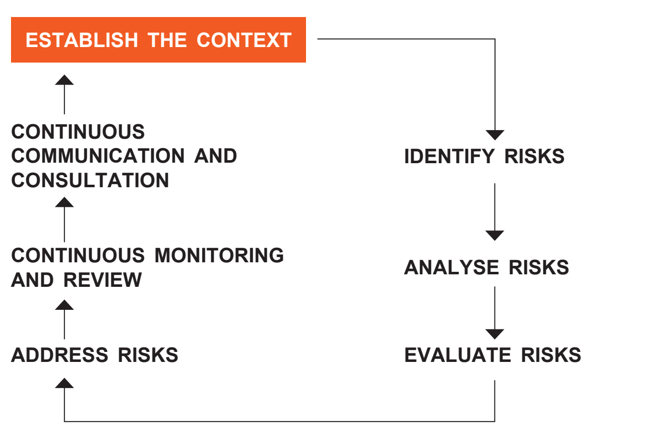
The Company recognises the broad spectrum of risks which it faces along with the opportunities which it seeks in its businesses and operations. It is hence the Company's objective to maintain an effective risk management programme to assess and mitigate these risks and thereby facilitate the Company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

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

The Company's Annual Risk Management Programme is approved by the Audit and Risk Management Committee. The GRMD facilitates the conduct of risk management activities outlined in the Programme which include updating of risk profiles, risk assessment associated with project management and risk analysis of business or operational initiatives/issues emerging in the Company.

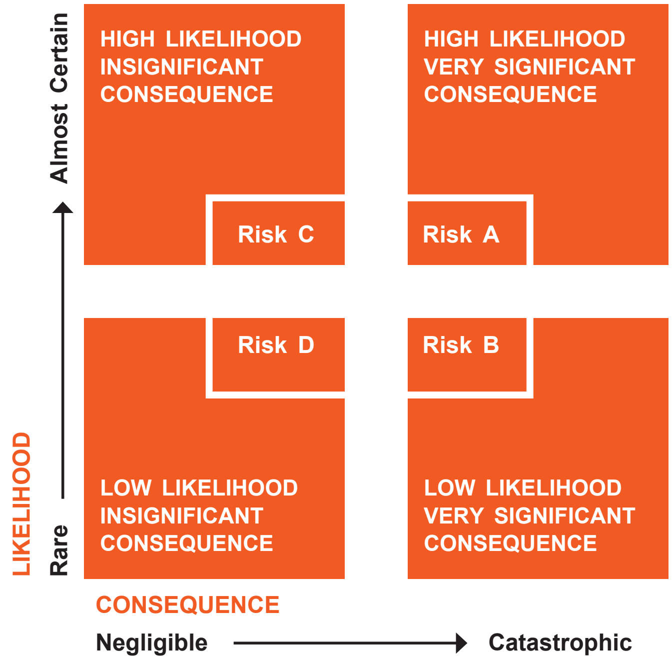
RISK MANAGEMENT PROCESS

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.



RISK A

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

RISK B

Considerable 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.

RISK C

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

RISK D

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

OVERSIGHT AND REPORTING STRUCTURE

The Risk Management Committee has been convening every quarter since 2009. 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 business, technical and financial heads of department. Effectiveness of the measures taken and follow-up actions are also part of the Agenda. In Quarter 3 2010, a decision was made by the Committee to convene the EWRM meetings on a half yearly basis instead of the current practice of quarterly review. This is to ensure that sufficient time is given, not only for the implementation of the various action plans, but also to verify the effectiveness of such actions taken.

The operational risk registers continue to be updated by the risk owners on a six-monthly basis as a separate exercise. The relevant strategic issues are to be escalated to the Audit and Risk Management Committee meetings for further deliberations and update. This ongoing process would help 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 Enterprisewide 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 ("the Committee"), chaired by the Chief Executive Officer and comprises Senior Management staff of the Group. The Committee together with the Risk Management Council of CCM Group, will evaluate and recommend all risk related issues before it is being elevated to the Audit and Risk Management Committee of the Board.

Recognising the increased importance of the risk management function, this unit was decoupled from the Group Internal Audit Department in June 2009. The two functions are now independently led by two separate heads. The main objective is to ensure better control and clarity of focus on the key risk issues that affect the Group's activities and the implementation of appropriate mitigation measures to address them. Periodic review meetings are carried out to establish progress and to verify the effectiveness of the actions taken. This will ensure a systematic, structured and disciplined approach to risk management is in place, consistent with the expectations of the Audit and Risk Management Committee.

Management from each business or operations area apply 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 operation area having its respective risk register. The overall process is facilitated by the Risk Management Department of its holding company ("GRMD") which is dedicated to the role.

The GRMD 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 reported risk profile and the implementation of risk treatment measures by management.

The key risks which are identified through the risk management process are reported to the Risk Management Committee and also Audit and Risk Management Committee of the Board. This risk profile enables the 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 independently reviews the adequacy and integrity of the system of internal control in managing key risks and reports accordingly to the Audit and Risk Management Committee on a quarterly basis. In addition, Group Internal Audit 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 Group Internal Audit to assess the status of implementation thereof by management. In carrying out its work, the Group Internal Audit focuses on areas which are incorporated in the annual audit plan approved each year by the 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.

SIMPLE PLEASURES

Only when we were young, we truly appreciate the simple things in life. Gunny sacks, jump-rope and tag are things of the past. Games we only appreciate through our kids. Simple pleasures that colour our lives and bring us joy. At CCMD, we relive our past by providing for the future.

Directors' Report
for the year ended 31 December 2010

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 2010.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding, whilst the principal activities of the subsidiary are as stated in note 4 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	28,669	13,251

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 ordinary dividend of 12.00 sen comprising 7.00 sen per ordinary share less tax at 25% (5.25 sen net per ordinary share) and tax exempt ordinary dividend of 5.00 sen per ordinary share totalling RM14,229,000 in respect of the year ended 31 December 2009 on 25 June 2010; and

(ii) an interim tax exempt ordinary dividend of 4.50 sen per ordinary share totalling RM6,247,000 in respect of the year ended 31 December 2010 on 28 October 2010.

The Directors recommend a final tax exempt dividend of 11.00 sen per ordinary share totalling RM15,270,000 in respect of the year ended 31 December 2010.

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
Dato' Dr. Mohamad Hashim bin Ahmad Tajudin
Datuk Alias bin Ali
Haji Ghazali bin Awang
Dr. Mohd Nasir bin Hassan (Resigned w.e.f. 4 February 2010)

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 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 1.1.2010	**Bought**	**Sold**	**At 31.12.2010**
Tan Sri Dato' Dr. Abu Bakar bin Suleiman				
Interest in the Company:				
– own	286,400	–	–	286,400
– others#	13,000	–	–	13,000
Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam				
Interest in the Company:				
– own	34,120	–	–	34,120
Dato' Dr Mohamad Hashim bin Ahmad Tajudin				
Interest in the Company:				
– own	15,000	–	–	15,000
Haji Ghazali bin Awang				
Interest in the Company:				
– own	45,000	27,000	–	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 at 31 December 2010 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 body corporate.

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

(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.

OTHER STATUTORY INFORMATION (CONTINUED)

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 2010 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,
Date: 29 March 2011

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 51 to 92 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 at 31 December 2010 and of their financial performance and cash flows for the year then ended.

In the opinion of the Directors, the information set out in Note 27 to the financial statements has been compiled in accordance with the 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,
Date: 29 March 2011

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 51 to 92 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 29 March 2011.

Chek Wu Kong

Before me:

Date: 29 March 2011

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 2010 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 51 to 92.

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 2010 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 27 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 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 and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

KPMG
Firm Number: AF 0758
Chartered Accountants

Ahmad Nasri Abdul Wahab
Approval Number: 2919/03/12(J)
Chartered Accountant

Petaling Jaya,
Date: 29 March 2011

Statements of Financial Position

as at 31 December 2010

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Assets					
Property, plant and equipment	3	100,249	74,840	–	–
Investment in a subsidiary	4	–	–	40,187	40,187
Trade and other receivables	5	–	–	47,384	63,426
Total non-current assets		100,249	74,840	87,571	103,613
Inventories	6	34,003	36,353	–	–
Current tax assets		–	63	117	67
Trade and other receivables	5	35,755	35,109	5,000	–
Cash and cash equivalents	7	24,732	26,999	4,205	432
Assets classified as held for sale	8	1,740	–	–	–
Total current assets		96,230	98,524	9,322	499
Total assets		196,479	173,364	96,893	104,112
Equity					
Share capital		69,739	69,739	69,739	69,739
Reserves		19,537	12,591	12,142	12,142
Retained earnings		68,593	60,408	14,686	21,911
Total equity attributable to owners of the Company	9	157,869	142,738	96,567	103,792
Liabilities					
Loan and borrowing	10	10,416	9,175	–	–
Deferred tax liabilities	11	3,821	4,466	–	–
Total non-current liabilities		14,237	13,641	–	–
Loan and borrowing	10	8,334	6,251	–	–
Current tax liabilities		356	–	–	–
Trade and other payables	12	15,683	10,734	326	320
Total current liabilities		24,373	16,985	326	320
Total liabilities		38,610	30,626	326	320
Total equity and liabilities		196,479	173,364	96,893	104,112

The notes on pages 57 to 92 are an integral part of these financial statements.

Statements of Comprehensive Income

for the year ended 31 December 2010

		Group		Company	
	Note	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Revenue	13	131,437	123,766	12,580	18,700
Cost of sales		(71,940)	(61,876)	–	–
Gross profit		59,497	61,890	12,580	18,700
Other income		183	327	–	–
Distribution and marketing expenses		(12,265)	(11,379)	–	–
Administrative expenses		(9,569)	(9,831)	(421)	(522)
Other expenses		(2,927)	(3,224)	–	–
Results from operating activities		34,919	37,783	12,159	18,178
Finance income	14	490	432	2,742	8
Profit before tax	15	35,409	38,215	14,901	18,186
Income tax expense	17	(6,740)	(7,982)	(1,650)	(1)
Profit for the year attributable to owners of the Company		28,669	30,233	13,251	18,185
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		35,615	30,233	13,251	18,185
Basic and diluted earnings per ordinary share (sen)	18	20.65	21.78		

The notes on pages 57 to 92 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2010

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 2009		69,739	13,720	449	(1,578)	48,222	130,552
Total comprehensive income for the year		–	–	–	–	30,233	30,233
Dividends to ordinary shares	19	–	–	–	–	(18,047)	(18,047)
At 31 December 2009/ 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
Total comprehensive income for the year		–	–	6,946	–	28,669	35,615
Dividends to ordinary shares	19	–	–	–	–	(20,476)	(20,476)
At 31 December 2010		69,739	13,720	7,395	(1,578)	68,593	157,869

The notes on pages 57 to 92 are an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2010

Company	Note	<------- Attributable to the owners of the Company -------> Share capital RM'000	<------ Non-distributable ------> Share premium RM'000	Treasury shares RM'000	Distributable Retained earnings RM'000	Total RM'000
At 1 January 2009		69,739	13,720	(1,578)	21,773	103,654
Total comprehensive income for the year		–	–	–	18,185	18,185
Dividends to ordinary shares	19	–	–	–	(18,047)	(18,047)
At 31 December 2009/ 1 January 2010		69,739	13,720	(1,578)	21,911	103,792
Total comprehensive income for the year		–	–	–	13,251	13,251
Dividends to ordinary shares	19	–	–	–	(20,476)	(20,476)
At 31 December 2010		69,739	13,720	(1,578)	14,686	96,567

The notes on pages 57 to 92 are an integral part of these financial statements.

Statements of Cash Flows

for the year ended 31 December 2010

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Cash flows from operating activities					
Profit before tax		35,409	38,215	14,901	18,186
Adjustments for:					
Depreciation of property, plant and equipment		5,301	5,091	–	–
Dividends income		–	–	(12,580)	(18,700)
Impairment loss:					
– assets classified as held for sale		140	–	–	–
Finance income		(490)	(432)	(2,742)	(8)
Gain on disposal of property, plant and equipment		–	(1)	–	–
Property, plant and equipment written off		–	7	–	–
Operating profit/(loss) before changes in working capital		40,360	42,880	(421)	(522)
Changes in working capital:					
Inventories		2,350	(2,772)	–	–
Trade and other payables		4,949	(5,307)	6	25
Trade and other receivables		(654)	(1,255)	11,042	(147)
Cash generated from/(used in) operations		47,005	33,546	10,627	(644)
Tax paid		(6,966)	(6,345)	(1,700)	(7)
Net cash generated from/(used in) operating activities		40,039	27,201	8,927	(651)
Cash flows from investing activities					
Acquisition of property, plant and equipment		(25,901)	(24,572)	–	–
Dividends received		–	–	12,580	18,700
Interest received		490	432	2,742	8
Proceeds from disposal of lands		–	8,131	–	–
Proceeds from disposal of plant and equipment		257	4	–	–
Net cash (used in)/generated from investing activities		(25,154)	(16,005)	15,322	18,708
Cash flows from financing activities					
Dividends paid to owners of the Company		(20,476)	(18,047)	(20,476)	(18,047)
Proceeds from loan and borrowing		3,324	15,426	–	–
Net cash used in financing activities		(17,152)	(2,621)	(20,476)	(18,047)
Net (decrease)/increase in cash and cash equivalents		(2,267)	8,575	3,773	10
Cash and cash equivalents at 1 January		26,999	18,424	432	422
Cash and cash equivalents at 31 December		24,732	26,999	4,205	432

Cash and cash equivalents

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

		Group		Company	
	Note	**2010 RM'000**	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Deposits with licensed banks	7	23,289	21,500	4,100	350
Cash and bank balances	7	1,443	5,499	105	82
		24,732	26,999	4,205	432

The notes on pages 57 to 92 are an integral part of these financial statements.

Notes to the 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
13th Floor, Menara PNB
201-A, Jalan Tun Razak
50400 Kuala Lumpur
Malaysia

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

The consolidated financial statements of the Company as at and for the year ended 31 December 2010 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 2010 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 29 March 2011.

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 Group and the Company have not applied the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and the Company:

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 March 2010

- Amendments to FRS 132, *Financial Instruments: Presentation – Classification of Rights Issues*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010

- FRS 1, *First-time Adoption of Financial Reporting Standards* (revised)
- FRS 3, *Business Combinations* (revised)
- FRS 127, *Consolidated and Separate Financial Statements* (revised)
- Amendments to FRS 2, *Share-based Payment*
- Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
- Amendments to FRS 138, *Intangible Assets*
- IC Interpretation 12, *Service Concession Agreements*
- IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*
- IC Interpretation 17, *Distributions of Non-cash Assets to Owners*
- Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

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

- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*
  - *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*
  - *Additional Exemptions for First-time Adopters*
- Amendments to FRS 2, *Group Cash-settled Share Based Payment Transactions*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
- IC Interpretation 4, *Determining whether an Arrangement contains a Lease*
- IC Interpretation 18, *Transfers of Assets from Customers*
- Improvements to FRSs (2010)

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)
- IC Interpretation 15, *Agreements for the Construction of Real Estate*

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning 1 January 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 March 2010, 1 July 2010 and 1 January 2011, except for FRS 1, Amendments to FRS 1, Amendments to FRS 2, Amendments to FRS 5, Amendments to FRS 132, Amendments to FRS 138, IC Interpretation 12, IC Interpretation 16, IC Interpretation 17, IC Interpretation 18, Amendments to IC Interpretation 9, which are not applicable to the Group and the Company; and

- from the annual period beginning 1 January 2012 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2011 and 1 January 2012, except for IC Interpretation 15, IC Interpretation 19 and Amendments to IC Interpretation 14 which are not applicable to the Group and the Company.

The initial application of the aforesaid applicable standards, amendments or interpretations are not expected to have any material financial impact to the financial statements upon their first adoption.

Following the announcement made by the MASB on 1 August 2008, the financial statements of the Group and of the Company will be prepared in accordance with International Financial Reporting Standards (IFRS) framework for annual periods beginning 1 January 2012.

(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.

1. BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgments

The preparation of financial statements in conformity with FRSs requires management to make judgments, 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 judgments 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. Subsidiaries are consolidated using the purchase method of accounting.

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

(ii) 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency transactions (continued)

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

Arising from the adoption of FRS 139, *Financial Instruments: Recognition and Measurement,* with effect from 1 January 2010, financial instruments are categorised and measured using accounting policies as mentioned below. Before 1 January 2010, different accounting policies were applied. Significant changes to the accounting policies are discussed in note 25.

(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

All items of property, plant and equipment are recognised initially at cost. Subsequent to recognition, items of property, plant and equipment are measured at cost/valuation less any accumulated depreciation and any 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.

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

Gain and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are 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 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 the 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 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 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.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in profit or loss as an expense 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Inventories

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

Prior to 1 January 2010, the cost of inventories was based on the first-in first-out principle.

Subsequently to 31 December 2009, 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. The cost of packing materials is based on the first-in first-out principle. 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.

(g) Receivables

Prior to 1 January 2010, receivables were initially recognised at their costs and subsequently stated at cost less allowance for doubtful debts.

Following the adoption of FRS 139, trade and other receivables are categorised and measured as loans and receivables in accordance with note 2(c).

(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.

(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.

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with policy note 2(c).

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment (continued)

(i) Financial assets (continued)

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 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) Non-financial assets

The carrying amounts of non-financial assets (except for inventories 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 or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to 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.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its 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 units and then to reduce the carrying amount of the other assets in the unit (groups of 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 are presented as a deduction from total 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.

(ii) State plans

The Group's contributions to the statutory pension funds are charged to profit or loss in the 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue and other income

(i) Goods sold

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

(ii) Dividend income

Dividend income is recognised 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 borrowing 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.

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. Income tax expense is 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 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 apply 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income tax (continued)

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.

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

Unutilised reinvestment allowance and investment tax allowance are treated as the tax base of the 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.

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

(s) Operating segments

In the previous years, segmental information is not provided as the Group is primarily engaged in the pharmaceutical industry and its operations are carried out primarily in Malaysia.

Following the adoption of FRS 8, *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 2009	10,806	22,986	48,741	3,201	1,118	338	3,096	90,286
Additions	–	1,454	7,063	62	–	–	15,993	24,572
Reclassifications	–	2,245	898	–	–	–	(3,143)	–
Disposals	–	(3)	–	–	(35)	–	–	(38)
Write off	–	–	–	–	–	–	(7)	(7)
At 31 December 2009/ 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	(1,355)	(525)	–	–	–	–	–	(1,880)
At 31 December 2010	16,339	23,571	53,744	2,597	1,154	338	37,773	135,516
Depreciation								
At 1 January 2009	–	1,543	30,567	2,153	393	261	–	34,917
Depreciation for the year	–	502	4,124	349	108	8	–	5,091
Disposals	–	–	–	–	(35)	–	–	(35)
At 31 December 2009/ 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	–	–	–	–	–
Adjustments for revaluation	–	(2,600)	–	–	–	–	–	(2,600)
At 31 December 2010	–	–	32,355	2,109	526	277	–	35,267
Carrying amounts								
At 1 January 2009	10,806	21,443	18,174	1,048	725	77	3,096	55,369
At 31 December 2009/ 1 January 2010	10,806	24,637	22,011	761	617	69	15,939	74,840
At 31 December 2010	16,339	23,571	21,389	488	628	61	37,773	100,249

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Company has no property, plant and equipment.

(i) Borrowing costs capitalised at 3.49%-4.1% per annum

	Group	
	2010 RM'000	**2009 RM'000**
Borrowing costs	782	88

(ii) The Group's freehold land and buildings were revalued as at 10 November 2010 by Mohd Nor & Partners (PJ) Sdn. Bhd., a firm of independent professional valuers that has appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued. The fair values are based on open 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 has each acted knowledgeable, prudently and without compulsion.

Had the freehold land and buildings been carried under the cost model, their carrying amounts would have been RM7,129,000 (2009: RM7,129,000) and RM23,589,000 (2009: RM20,439,000) respectively.

4. INVESTMENT IN A SUBSIDIARY

	Company	
	2010 RM'000	**2009 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**	
			2010 %	**2009 %**
Duopharma (M) Sendirian Berhad	Malaysia	Manufacturing, distributing, importing and exporting of pharmaceutical products and medicines	100	100

5. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Non-current					
Amount due from a subsidiary	5.1	–	–	47,384	63,426
Current					
Trade					
Trade receivables		34,203	33,317	–	–
Amount due from related corporations	5.2	865	1,023	–	–
		35,068	34,340	–	–
Non-trade					
Amount due from a subsidiary	5.1	–	–	5,000	–
Other receivables and prepayments		598	653	–	–
Deposits		89	116	–	–
		687	769	5,000	–
		35,755	35,109	5,000	–

Note 5.1
The non-trade receivables due from a subsidiary are unsecured, subject to interest at 4.3% per annum and no fixed term of repayments.

Note 5.2
The trade receivables due from related corporations are subject to the normal trade terms.

6. INVENTORIES

	Group	
	2010 RM'000	2009 RM'000
Raw materials and consumables	14,364	14,499
Work-in-progress	2,327	2,811
Packing materials	1,997	2,225
Finished goods	15,315	16,818
	34,003	36,353

In 2010, inventories amounting to RM2,895,738 (2009: RM3,326,000) were written off. The write-off is included in cost of sales.

7. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Deposits with licensed banks	23,289	21,500	4,100	350
Cash and bank balances	1,443	5,499	105	82
	24,732	26,999	4,205	432

8. 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:

	Note	2010 RM'000
Property, plant and equipment	3	1,880
Less: Impairment loss during the year		(140)
Carrying value		1,740

8. ASSETS CLASSIFIED AS HELD FOR SALE (CONTINUED)

Impairment loss

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

9. SHARE CAPITAL AND RESERVES

	Group		Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 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	449	–	–
Treasury shares	(1,578)	(1,578)	(1,578)	(1,578)
Retained earnings (distributable)	68,593	60,408	14,686	21,911
	157,869	142,738	96,567	103,792

Share capital	<------------------------- Group and Company			----------------------->
	Amount	**Number of shares**	**Amount**	**Number of shares**
	2010 RM'000	**2010 '000**	**2009 RM'000**	**2009 '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.

Revaluation reserve

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

9. SHARE CAPITAL AND RESERVES (CONTINUED)

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 2010 after deducting treasury shares held is 138,821,000 (2009: 138,821,000).

Retained earnings

Subject to agreement by the Inland Revenue Board, the Company has Section 108 tax credit and tax exempt income to frank all of its retained earnings at 31 December 2010 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 2010 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.

10. LOAN AND BORROWING

	Group	
	2010 RM'000	**2009 RM'000**
Non-current		
Unsecured non-revolving loan	10,416	9,175
Current		
Unsecured non-revolving loan	8,334	6,251
	18,750	15,426

11. DEFERRED TAX LIABILITIES

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

Group	Property, plant and equipment RM'000	Receivables RM'000	Others RM'000	Total RM'000
At 1 January 2009	4,076	(125)	(164)	3,787
Recognised in profit or loss	732	(50)	(3)	679
At 31 December 2009/1 January 2010	4,808	(175)	(167)	4,466
Recognised in profit or loss	(676)	77	(46)	(645)
At 31 December 2010	4,132	(98)	(213)	3,821

12. TRADE AND OTHER PAYABLES

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Trade				
Trade payables	2,363	1,797	–	–
Amount due to related corporations	367	239	–	–
	2,730	2,036	–	–
Non-trade				
Amount due to intermediate holding company	957	777	–	–
Other payables	5,349	2,812	326	320
Accrued expenses	5,797	4,443	–	–
Others	850	666	–	–
	12,953	8,698	326	320
	15,683	10,734	326	320

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.

13. REVENUE

	Group		Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Sale of goods	131,437	123,766	–	–
Dividend income from unquoted subsidiary	–	–	12,580	18,700
	131,437	123,766	12,580	18,700

14. FINANCE INCOME

	Group		Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Interest income of financial assets that are not at fair value through profit or loss:				
– recognised before impairment	490	432	2,742	8
Recognised in profit or loss	490	432	2,742	8

15. PROFIT BEFORE TAX

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Profit before tax is arrived at after charging:				
Auditors' remuneration				
– statutory audit	71	71	16	16
– other services	14	9	14	9
Depreciation on property, plant and equipment	5,301	5,091	–	–
Impairment loss:				
– trade receivables	78	200	–	–
– assets classified as held for sale	140	–	–	–
Intermediate holding company management fees	4,606	4,833	–	–
Inventories written off	2,896	3,326	–	–
Net realised foreign exchange loss	25	190	–	–
Personnel expenses				
– contributions to state plans	1,809	1,677	–	–
– wages, salaries and others	17,447	15,507	–	–
Property, plant and equipment write off	–	7	–	–
Rental of premises	138	131	–	–
Research and development costs expensed as incurred	1,905	2,529	–	–
and after crediting:				
Dividend income from				
– subsidiary (unquoted)	–	–	12,580	18,700
Gain on disposal of property, plant and equipment	–	1	–	–
Reversal of impairment loss:				
– trade receivables	294	–	–	–

16 KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation is as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Directors				
– Fees	202	250	202	250
– Other short term employee benefits (including estimated monetary value of benefits-in-kind)	22	–	22	–
Other key management personnel				
– Remuneration	1,583	1,570	–	–
Total short-term employee benefits	1,807	1,820	224	250

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 23.

17. INCOME TAX EXPENSE

Recognised in profit or loss

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Income tax expense	6,740	7,982	1,650	1
Major components of income tax expense include:				
Current tax expense				
Malaysian – current year	8,172	7,282	1,650	9
– prior year	(787)	21	–	(8)
Total current tax recognised in profit or loss	7,385	7,303	1,650	1
Deferred tax expense				
Origination and reversal of temporary differences	(143)	764	–	–
Overprovision in prior year	(502)	(85)	–	–
Total deferred tax recognised in profit or loss	(645)	679	–	–
Total income tax expense	6,740	7,982	1,650	1

17. INCOME TAX EXPENSE (CONTINUED)

Reconciliation of effective tax expense

	Group		Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Profit for the year	28,669	30,232	13,251	18,186
Total income tax expense	6,740	7,983	1,650	1
Profit excluding tax	35,409	38,215	14,901	18,187
Income tax calculated using Malaysian tax rate of 25%	8,852	9,554	3,725	4,546
Non-deductible expenses	108	574	82	47
Tax exempt income	–	–	(2,125)	(4,675)
Tax incentives	(477)	(634)	–	–
Utilisation of reinvestment allowance	(562)	(1,499)	–	–
Other items	108	52	(32)	91
Over provided in prior years	(1,289)	(64)	–	(8)
	6,740	7,983	1,650	1

18. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2010 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	
	2010 RM'000	**2009 RM'000**
Profit for the year attributable to ordinary shareholders	28,669	30,233

18. EARNINGS PER ORDINARY SHARE (CONTINUED)

Weighted average number of ordinary shares

	Group	
	2010 '000	**2009 '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	
	2010 sen	**2009 sen**
Basic earnings per ordinary share	20.65	21.78

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.

19. DIVIDENDS

Dividends recognised in the current year by the Group and the Company are:

	Sen per share (Net of tax)	**Total amount RM'000**	**Date of payment**
2010			
Final 2009 ordinary	10.25	14,229	25 June 2010
Interim 2010 ordinary	4.5	6,247	28 October 2010
		20,476	
2009			
Final 2008 ordinary	7.00	9,718	26 June 2009
Interim 2009 ordinary	6.00	8,329	23 October 2009
		18,047	

The Directors recommend a final tax exempt dividend of 11.0 sen per ordinary share totalling RM15,270,000 in respect of the year ended 31 December 2010. The dividend will be recognised in subsequent financial period upon approval by the shareholders.

20. FINANCIAL INSTRUMENTS

Certain comparative figures have not been presented for 31 December 2009 by virtue of the exemption given in paragraph 44AA of FRS 7.

20.1 Categories of financial instruments

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

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

Financial assets 2010	Carrying amount RM'000	L&R RM'000
Group		
Trade and other receivables	35,157	35,157
Cash and cash equivalents	24,732	24,732
	59,889	59,889
Company		
Trade and other receivables	52,384	52,384
Cash and cash equivalents	4,205	4,205
	56,589	56,589

Financial liabilities 2010	Carrying amount RM'000	OL RM'000
Group		
Loans and borrowings	18,750	18,750
Trade and other payables	14,833	14,833
	33,583	33,583
Company		
Trade and other payables	326	326

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.2 Net gains and losses arising from financial instruments

	Group	Company
	2010 **RM'000**	**2010** **RM'000**
Net gains/(losses) arising on:		
Loans and receivables	490	2,742
Financial liabilities measured at amortised cost	(823)	–
	(333)	2,742

20.3 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

20.4 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, allowance for impairment losses 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.

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.4 Credit risk (continued)

Receivables (continued)

Impairment losses

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

Group	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
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 year were:

	Group 2010 RM'000
At 1 January, as previously stated	700
Effect of adoption of FRS139	8
At 1 January, restated	708
Impairment loss recognised	78
Impairment loss reversed	(294)
Impairment loss written off	(99)
At 31 December	393

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.

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.4 Credit risk (continued)

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 RM964,160 (2009: RM1,091,210) 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 licensed bank

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 collaterals

As at the end of the reporting period, the Group and the Company have only placed deposits domestically. 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 bank, management does not expect the bank to fail to meet its obligation.

The deposits with licensed bank 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 bank 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.

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.

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.5 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as and when they fall due. The Group's and 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:

Group	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
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							
2010							
Non-derivative financial liabilities							
Trade and other payables	326		326	326	–	–	–

20.6 Market risk

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

20.6.1 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.

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.6 Market risk (continued)

20.6.1 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:

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

Currency risk sensitivity analysis

The exposure to currency risk of Group entities which do not have a RM functional currency is not material and hence, sensitivity analysis is not presented.

20.6.2 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:

2010	Group RM'000	Company RM'000
Fixed rate instruments		
Financial assets	23,289	56,484
Floating rate instruments		
Financial liabilities	(18,750)	–

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.6 Market risk (continued)

20.6.2 Interest rate risk (continued)

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 and 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.

	2010			
	Equity		Profit or loss	
	50 bp increase RM'000	50 bp decrease RM'000	50 bp increase RM'000	50 bp decrease RM'000
2010				
Floating rate instruments	–	–	(96)	96

20.7 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.

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

	2010	
Company	Carrying amount RM'000	Fair value RM'000
Fixed rate instruments		
Amount due from subsidiary	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 4.3%.

21. CAPITAL MANAGEMENT

The Group's objective when managing capital is to maintain an optimal capital structure 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.

22. CAPITAL AND OTHER COMMITMENTS

	Group	
	2010 RM'000	**2009 RM'000**
Plant and machineries		
Authorised but not contracted for	–	7,020
Contracted but not provided for	3,880	18,267

23. RELATED PARTIES

Identity of related parties

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

The Group has a related party relationship with its subsidiary (see Note 4), holding companies, related corporations, Directors and key management personnel.

Significant transactions with key management personnel

Key management personnel compensation is disclosed in Note 16.

23. RELATED PARTIES (CONTINUED)

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

	Transaction value year ended 31 December		Balance outstanding as at 31 December	
Group	**2010 RM'000**	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Sale of goods to immediate holding company	–	308	–	–
Sale of goods to related corporations	2,957	2,859	865	1,023
Purchases from related corporations	(2,800)	(956)	(86)	–
Management fees paid to intermediate holding company	(4,606)	(4,833)	(957)	(777)
Research and development expenditure paid to related corporation	(1,875)	(2,529)	(281)	(239)
Company				
Dividend income received from a subsidiary	12,850	18,700	–	–
Interest income received from a subsidiary	2,696	–	–	–

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

All the amounts outstanding 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 RM1,583,000 (2009: RM1,570,000).

24. OPERATING SEGMENTS

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units target differents 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 segments and reconciliation of reportable segment revenue, profit and other material items

	Group	
	2010 RM'000	**2009 RM'000**
Reportable revenue from external		
Local	119,392	112,784
Export	12,045	10,982
	131,437	123,766
Operating expense		
Depreciation of property, plant and equipment	(5,301)	(5,019)
Other operating expense	(91,400)	(81,291)
Other operating income	183	327
Profit from operations	34,919	37,783
Finance income	490	432
Profit before tax	35,409	38,215
Income tax expense	(6,740)	(7,982)
Profit after tax	28,669	30,233

Major customers

Revenues from 2 major customers amount to approximately RM59,685,000 (2009:RM52,433,000) of the Group's total revenue.

25. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

	Retained earnings
	2010
	RM0,000
At 1 January, as previously stated	60,408
Adjustments arising from adoption of FRS 139:	
– Impairment of trade and other receivables, net of tax	(8)
At 1 January, as restated	60,400

25.1 FRS 139, *Financial Instruments: Recognition and Measurement*

The adoption of FRS 139 has resulted in several changes to accounting policies relating to recognition and measurement of financial instruments. Significant changes in accounting policies are as follows:

Prior to the adoption of FRS 139, financial guarantee contracts were not recognised in the statement of financial position unless it becomes probable that the guarantee may be called upon. With the adoption of FRS 139, financial guarantee contracts are now recognised initially at their fair values and subsequently measured at their initially measured amount less cumulative amortisation. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made.

Inter-company loans

Prior to the adoption of FRS 139, inter-company loans were recorded at cost. With the adoption of FRS 139, inter-company loans are now recognised initially at their fair values, which are estimated by discounting the expected cash flows using the current market interest rate of a loan with similar risk and tenure. Finance income and costs are recognised in profit or loss using the effective interest method.

Impairment of trade and other receivables

Prior to the adoption of FRS 139, an allowance for doubtful debts was made when a receivable is considered irrecoverable by the management. With the adoption of FRS 139, an impairment loss is recognised for trade and other receivables 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.

Financial guarantee contracts

Prior to the adoption of FRS 139, financial guarantee contracts were not recognised in the statement of financial position unless it becomes probable that the guarantee may be called upon. With the adoption of FRS 139, financial guarantee contracts are now recognised initially at their fair values and subsequently measured at their initially measured amount less cumulative amortisation. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made.

These changes in accounting policies have been made in accordance with the transitional provisions of FRS 139. In accordance to the transitional provisions of FRS 139 for first-time adoption, adjustments arising from remeasuring the financial instruments at the beginning of the financial year were recognised as adjustments of the opening balance of retained earnings or another appropriate reserve. Comparatives are not adjusted.

Consequently, the adoption of FRS 139 does not affect the basic and diluted earnings per ordinary share for prior periods.

25. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONTINUED)

25.2 FRS 8, *Operating Segments*

As of 1 January 2010, the Group determines and presents operating segments based on the information that internally is provided to the Chief Executive Officer, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of FRS 8. Previously operating segments were determined and presented in accordance with FRS 114_{2004}, *Segment Reporting*.

Comparative segment information has been re-presented. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

25.3 FRS 101, *Presentation of Financial Statements* (revised)

The Group applies FRS 101 (revised) which became effective as of 1 January 2010. As a result, the Group presents all non-owner changes in equity in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it is in conformity with the revised standard. Since the change only affects presentation aspects, there is no impact on earnings per share.

25.4 Inventories

Prior to 1 January 2010, the cost of inventories was based on the first-in first-out principle.

Subsequently to 31 December 2009, the cost of inventories is based on the weighted average cost formula. In case of packaging materials, work-in-progress and manufactured inventories, cost remains unchanged.

The change in accounting policy has not been made retrospectively in view that there is no material impact to current year's inventories and profit or loss. The purchase cost of inventories is consistent and hence the cost of inventories based on first-in first-out is approximate to weighted average cost.

26. COMPARATIVE FIGURES

FRS 101, *Presentation of Financial Statements* (revised)

Arising from the adoption of FRS 101 (revised), income statements for the year ended 31 December 2009 have been re-presented as statement of comprehensive income. All non-owner changes in equity that were presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. Consequently, components of comprehensive income are not presented in the statement of changes in equity.

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

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued another directive on the disclosure and the prescribed format of presentation.

The breakdown of the retained earnings of the Group and the Company as at 31 December 2010, into realised and unrealised profits, pursuant to the directive, is as follows:

	Group RM'000	Company RM'000
Total retained earnings of the Company and its subsidiary		
– realised	108,637	14,686
– unrealised	(5,321)	–
	103,316	14,686
Less: Consolidation adjustments	(34,723)	–
Total retained earnings	68,593	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 Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants on 20 December 2010.

Analysis of Shareholdings

as at 31 March 2011

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

SHAREHOLDINGS DISTRIBUTION

Size of Holdings	No. of Holders	%	No. of Shares	%
1-99	114	5.480	3,631	0.002
100 – 1,000	431	20.721	361,117	0.258
1,001 – 10,000	1,215	58.413	5,181,080	3.714
10,001 – 100,000	289	13.894	8,406,580	6.027
100,001 – 6,973,974(*)	30	1.442	24,636,500	17.663
6,973,974 and above(**)	1	0.048	100,890,592	72.333
Total	**2,080**	**100**	**139,479,500**	**100**

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

DIRECTORS' SHAREHOLDING

as per register of directors as at 31 March 2011

	No. of Shares Held			
Name	**Direct**	***%**	**Indirect**	**%**
Tan Sri Dato' Dr. Abu Bakar bin Suleiman	286,400	0.21	13,000	0.01
Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam	34,120	0.02	–	–
Dato' Dr. Mohamad Hashim bin Ahmad Tajudin	15,000	0.01	–	–
Datuk Alias bin Ali	–	–	–	–
Haji Ghazali bin Awang	72,000	0.05	–	–
Dr. Mohd Nasir bin Hassan (Resigned w.e.f. 4 February 2010)	–	–	–	–

SUBSTANTIAL SHAREHOLDERS

as per register of substantial shareholders as at 31 March 2011

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

Analysis of Shareholdings
as at 31 March 2011

LIST OF TOP 30 SHAREHOLDERS
as at 31 March 2011

No.	Name	Holdings	Percentage (%)
1.	CCM MARKETING SDN. BHD.	100,890,592	72.33
2.	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. – Employees Provident Fund Board	5,835,800	4.183
3.	AMANAHRAYA TRUSTEES BERHAD – Skim Amanah Saham Bumiputera	4,545,300	3.258
4.	BANK KERJASAMA RAKYAT MALAYSIA BERHAD	3,644,700	2.613
5.	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD. – As Beneficial Owner (PF)	1,995,300	1.430
6.	CCM MARKETING SDN. BHD.	1,442,300	1.034
7.	MAYBAN NOMINEES (TEMPATAN) SDN. BHD. – Etiqa Takaful Berhad (General Fund)	720,400	0.516
8.	MAYBAN NOMINEES (TEMPATAN) SDN. BHD. – Etiqa Takaful Berhad (Family Fund)	686,800	0.492
9.	DUOPHARMA BIOTECH BHD. – Share Buy Back Account	658,000	0.471
10.	EMPLOYEES PROVIDENT FUND BOARD	500,000	0.358
11.	JERNEH INSURANCE BHD. – Shareholders' Funds Account	472,000	0.338
12.	HSBC NOMINEES (TEMPATAN) SDN. BHD. – HSBC (M) Trustee Bhd. for MAAKL Al-Fauzan (5170)	469,000	0.336
13.	ABU BAKAR BIN SULEIMAN	286,400	0.205
14.	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD – Alliance Optimal Income Fund	276,200	0.198
15.	LIM WENG HO	273,800	0.196
16.	GAN TUAN BOON	265,000	0.189
17.	AUN HUAT & BROTHERS SDN. BHD.	251,800	0.180
18.	MAYBAN NOMINEES (TEMPATAN) SDN. BHD. – Etiqa Takaful Berhad (Group Fund)	250,000	0.179
19.	LIEW WAI KIAT	237,600	0.170
20.	HSBC NOMINEES (TEMPATAN) SDN. BHD. – HSBC (M) Trustee Bhd. for MAAKL Dividend Fund (5311-401)	230,500	0.165
21.	HSBC NOMINEES (TEMPATAN) SDN. BHD. – HSBC (M) Trustee Bhd. for MAAKL Al-Faid (4389)	190,000	0.136

LIST OF TOP 30 SHAREHOLDERS
as at 31 March 2011

No.	Name	Holdings	Percentage (%)
22	CHIA KUN JUAN	170,000	0.121
23	MAYBAN NOMINEES (TEMPATAN) SDN. BHD. – Etiqa Takaful Berhad (Shareholders FD)	170,000	0.121
24	MAYBAN NOMINEES (TEMPATAN) SDN. BHD. – Pledged Securities Account for Su Tiing Uh	162,000	0.116
25	MAYBAN NOMINEES (TEMPATAN) SDN. BHD. – Etiqa Takaful Berhad (Annuity Fund)	155,600	0.111
26	CIMB TRUSTEE BERHAD – Amanah Saham Darul Iman	149,000	0.106
27	Olive Lim Swee Lian	140,000	0.100
28	Lim Pek Har	124,000	0.088
29	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. – Pledged Securities Account for Surinder Singh a/l Wassan Singh (E-IMO)	115,000	0.082
30	CITIGROUP NOMINEES (ASING) SDN. BHD. – EXEMPT AN for OCBC Securities Private Limited (Client A/C-NR)	114,400	0.082

List of Properties

Postal address/ Location of the 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/ Methods of valuation	Net Book value as at 31/12/10 (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 office block cum factory building, a single storey pump house cum boiler house, 3 parking sheds, a guardhouse, a refilled chamber and a water tank (gross built up area: approximately 94,000 sq ft)	5.39 acres	Freehold 17 years old	29,400,000	10/11/10 Comparison and Cost Method	29,400,000
	b. Four storey factory office building (gross built up area: approximately 97,000 sq ft)		Freehold 8 years old			
	c. Industrial land built upon with building/ warehouse construction in progress		Freehold	35,300,000	10/11/10 Comparison and Cost Method	35,111,068
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 1½ storey semi-detached factories. (Built up: 5,129 sq ft each)	476.50 sq m each	Freehold 25 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	1½ storey semi-detached factory (built up: 4,644 sq ft)	431.44 sq m	Freehold 25 years old	600,000	4/11/10 Comparison Method	600,000

Postal address/ Location of the 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/ Methods of valuation	Net Book value as at 31/12/10 (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 13 years old	790,000	10/11/10 Comparison Method	790,000
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	5,716,000

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 November 2010.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Tenth 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 Wednesday, 25 May 2011 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 2010 together with the Reports of the Directors and Auditors thereon. **Ordinary Resolution 1**

2. To approve a Final Tax Exempt Dividend of 11.0 sen per ordinary share for the financial year ended 31 December 2010. **Ordinary Resolution 2**

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

   (a) Datuk Alias bin Ali **Ordinary Resolution 3**

   (b) Haji Ghazali bin Awang **Ordinary Resolution 4**

4. To approve the payment of Directors' Fees for the financial year ended 31 December 2010. **Ordinary Resolution 5**

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

6. 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:-

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

   "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 of the Circular to Shareholders dated 3 May 2011 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."

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN that subject to the approval of the Shareholders at the forthcoming AGM, a Final Tax Exempt Dividend of 11.0 sen per ordinary share in respect of the Company's financial year ended 31 December 2010 will be paid on 27 June 2011 to shareholders whose names appear in the Record of Depositors on 10 June 2011.

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 10 June 2011 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: 3 May 2011

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 7 – Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.

The explanatory notes on Resolution 7 is set out in the Circular to Shareholders dated 3 May 2011.

Statement Accompanying The Notice of The Tenth Annual General Meeting

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

The details of the two (2) Directors seeking re-election are set out in their respective profiles which appear in the Directors' Profiles on pages 19 and 20 of this Annual Report.

The details of their interest in the securities of the Company are set out in the Analysis of Shareholdings which appear on page 93 of this Annual Report.

Recurrent Related Party Transactions of a Revenue Nature

At the Annual General Meeting held on 25 May 2010, 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 2010, pursuant to the shareholders mandate are as follows:

Transactions	**Vendor/ Provider**	**Purchaser/ Recipient**	**Aggregate Value (RM'000)**	**Related Parties**
Purchase of raw material for pharmaceutical products	CCM Chemicals Sdn. Bhd. (CCMC)	Duopharma (M) Sdn. Bhd. (DMSB)	43	*Interested Major Shareholders:* CCMM[2] CCM[2] *Person Connected:* Leonard Ariff bin Abdul Shatar[3]
Sale of pharmaceutical products	DMSB	CCM Pharmaceuticals (S) Pte. Ltd. (CCMPS)	1,910	*Interested Major Shareholders:* CCMM[2] CCM[2] *Person Connected:* Leonard Ariff bin Abdul Shatar[3]
Sale of pharmaceutical/ health care products	DMSB	CCM Marketing Sdn. Bhd. (CCMM)	0	*Interested Major Shareholders:* CCMM[2] CCM[2] *Person Connected:* Leonard Ariff bin Abdul Shatar[3]
Purchase of pharmaceutical products	CCM Pharma Sdn. Bhd. (CCMPSB)	DMSB	0	*Interested Major Shareholders:* CCMM[2] CCM[2] *Person Connected:* Leonard Ariff bin Abdul Shatar[3]
Purchase of pharmaceutical products and raw materials	CCM Pharmaceuticals Sdn. Bhd. (CCMP)	DMSB	2,901	*Interested Major Shareholders:* CCMM[2] CCM[2] *Person Connected:* Leonard Ariff bin Abdul Shatar[3]
Sales of pharmaceutical products and raw materials	DMSB	CCMP	0	*Interested Major Shareholders:* CCMM[2] CCM[2] *Person Connected:* Leonard Ariff bin Abdul Shatar[3]

Recurrent Related Party Transactions of a Revenue Nature

Transactions	Vendor/ Provider	Purchaser/ Recipient	Aggregate Value (RM'000)	Related Parties
Sales of pharmaceutical products and raw materials	DMSB	UPHA Pharmaceuticals (M) Sdn. Bhd. (UPHA)	5,450	*Interested Major Shareholders:* CCMM[2] CCM[2] *Person Connected:* Leonard Ariff bin Abdul Shatar[3]
Professional services and construction of water treatment plant, etc.	CCM Water Systems Sdn. Bhd. (CCMWS)	DMSB	719	*Interested Major Shareholders:* CCMM[2] CCM[2] *Person Connected:* Leonard Ariff bin Abdul Shatar[3]

Notes:-

1. The values are estimates based on the audited financial statements for the financial year ended 31 December 2010. 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 2010 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 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. Leonard Ariff bin Abdul Shatar is a Director of CCMD, as per definition stated under the Section 4 of the Companies Act, 1965 and is deemed interested in the Proposed Shareholders Mandate by virtue of him being a person connected to CCM, the interested Major Shareholder.

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 Tenth 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 Wednesday, 25 May 2011 at 2.30 p.m. and at any adjournment thereof.

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

			FOR	AGAINST
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2010 together with the Reports of the Directors and Auditors thereon.	**OrdinaryResolution 1**	☐	☐
2.	To approve a Final Tax Exempt Dividend of 11.0 sen per ordinary share for the financial year ended 31 December 2010.	**Ordinary Resolution 2**	☐	☐
3.	To re-elect the following Directors retiring under Article 93 of the Articles of Association of the Company:-			
	(a) Datuk Alias bin Ali	**Ordinary Resolution 3**	☐	☐
	(b) Haji Ghazali bin Awang	**Ordinary Resolution 4**	☐	☐
4.	To approve the payment of Directors' Fees for the financial year ended 31 December 2010.	**Ordinary Resolution 5**	☐	☐
5.	To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration.	**Ordinary Resolution 6**	☐	☐
6.	**Special Business:** Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")	**Ordinary Resolution 7**	☐	☐

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
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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 __________ 2011.

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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