CCM DUOPHARMA
BIOTECH BERHAD
(524271-W)

annual report 2012

living ahead
NURTURING GROWTH

Growth must be nurtured. As a Malaysian-based investment holding company with its roots in the manufacturing, marketing and distribution of pharmaceutical products through its wholly owned subsidiary, Duopharma (M) Sdn. Bhd., CCM Duopharma Biotech Berhad has nurtured a sound reputation in the industry and established a good track record for delivering quality products.

Our Company has supported the well-being of the region since 1978, improving the quality of life of the people in South-East Asia and countries like Hong Kong, Pakistan, Republic of Yemen and Sri Lanka through the export of our pharmaceutical products. In our efforts to help push the horizons of healthcare and provide relief to an ever expanding market, we have been keeping our finger on the pulse of the pharmaceutical industry, building strategic partnerships and investing in innovative production processes to ensure sustained growth for the future. We are well positioned to meet the new challenges and opportunities of a rapidly evolving industry, committed to our slogan of 'Living Ahead', and dedicated to helping people live better, healthier lives.

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Financial CALENDAR

Financial Year End	31 December 2012
Annual General Meeting	13 June 2013

DIVIDEND

I. Interim Dividend

Entitlement date	17 October 2012
Payment date	9 November 2012

II. Proposed Final Dividend

Entitlement date	18 June 2013
Payment date	12 July 2013

ANNOUNCEMENT OF 2012 TRADING RESULTS

Three months	(1st Quarter)	17 May 2012
Six months	(2nd Quarter)	16 August 2012
Nine months	(3rd Quarter)	23 November 2012
Full year	(4th Quarter)	25 February 2013

Financial HIGHLIGHTS

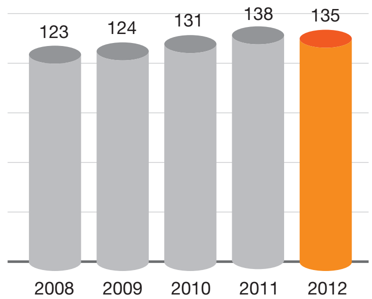
as at 31 December

Consolidated Balance Sheet

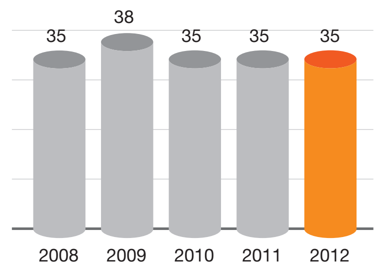
(RM'000)	2012	2011
Non-current assets	105,410	101,697
Current assets	92,620	95,823
Total assets	198,030	197,520
Current Liabilities	21,868	25,409
Financed by:		
Share Capital	69,739	69,739
Treasury shares	(1,578)	(1,578)
Non-distributable reserves	13,720	21,115
Retained profits	88,622	75,169
Shareholders' funds	170,503	164,445
Deferred tax liabilities	5,659	5,584
Loans and borrowings	–	2,082

Consolidated Income Statement

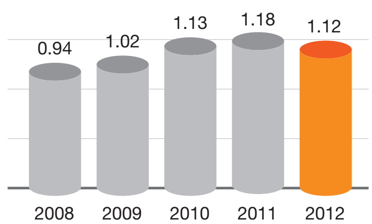
(RM'000)	2012	2011
Turnover	135,310	138,132
Profit before taxation	35,298	34,728
Taxation	(9,284)	(8,023)
Profit after taxation	26,014	26,705
Profit attributable to shareholders	26,014	26,705
Dividends	(19,956)	(20,129)
Transfer to retained profits	6,058	6,576



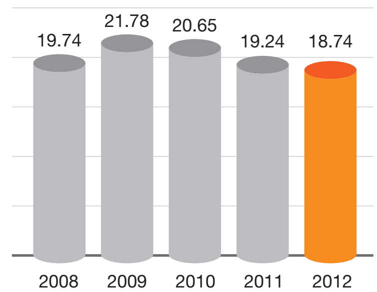
Turnover *(RM mil)*



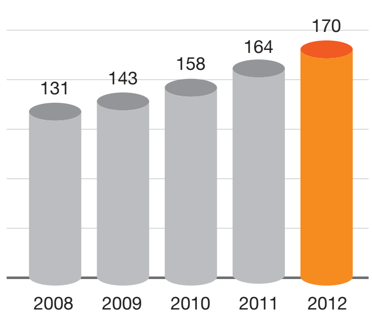
Profit Before Tax *(RM mil)*



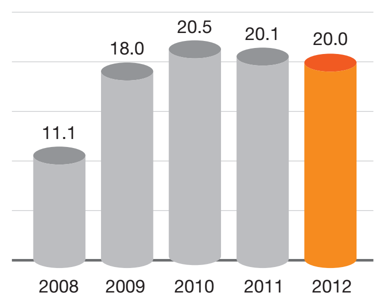
Net Assets per Share *(RM)*



Earnings per Share *(sen)*



Shareholders' Funds *(RM mil)*



Dividend Paid *(RM mil)*

PARTNERSHIPS

Building strategic partnerships
with industry experts to innovate
and strengthen our brands.

Chairman's STATEMENT

Tan Sri Dato' Dr. Abu Bakar bin Suleiman

Chairman

Dear Shareholders,

The pharmaceutical industry in Malaysia has become one of the rapidly expanding industries in our economy. Industry analyst, IMS Healthcare predicts that the industry would experience a compound annual growth rate (CAGR) of 9.5% for the period 2009-2014, by the end of which the industry should be worth approximately RM5.4 billion.

The Healthcare industry is one of the four sectors that have been targeted to increase the nation's gross national income (GNI) contribution by 22%, delivering a total of RM16.6 billion by 2020. The generic pharmaceutical industry is one of the 13 Entry Point Projects (EPPs) related to the healthcare sector under the National Key Economic Areas (NKEA), recognising the industry as a strategic economic segment to be developed as an engine of growth for the Malaysian economy.

Amidst this backdrop and despite continued uncertainties in the global economic environment, your Company continued to perform admirably, taking advantage of a host of new opportunities that have emerged and continue to emerge as a result of the "Patent Cliff". Throughout 2011 and 2012, some of the biggest blockbuster medicines in history lost their patent protection. In the course of the next decade, innovator blockbuster medicines with a global value of about RM435 billion in annual sales are expected to go off patent. For generic manufacturing companies such as ours, this presents a huge opportunity to expand our business via both development of new generic products and collaborations with innovator companies.

Ever increasing regulatory requirements continue to be a challenge and has necessitated increased Capital Expenditure to keep pace with new requirements. In addition, your Company has been preparing for the advent of compulsory Bio-Equivalency requirements in Malaysia that has temporarily increased its expense base.

Overall, your Company sustained its market growth and increased profitability through an array of strategic initiatives, designed to fulfil the needs of both the domestic and export markets, particularly in ASEAN. This included focusing on higher margin products, selective regional expansion and accelerating research and development (R&D) initiatives.

On the Safety, Health and Environment performance of your Company, 2012 saw a marked improvement in performance largely driven by the commitment and increased awareness of all the staff in this area.

With this, I present to you the Annual Report and financial statements of the Company for the financial year ended 31 December 2012.

OUR FINANCIAL PERFORMANCE

Our Profit Before Tax (PBT) for the financial year rose by 1.6% to RM35.3 million compared to RM34.7 million for the corresponding period in 2011. The growth was largely due to the increase in gross profit margins. Gains from disposal of warehouses and recognition in changes of fair value in investment properties amounting to RM0.6 million and RM0.7 million respectively during the financial year helped in reducing the impact of expense increased during the year.

Chairman's STATEMENT cont'd

However, there was a 2% drop on the revenue for 2012 which was recorded at RM135.3 million, due to lower demand from the private sector.

DIVIDEND PAYOUT

The Board of Directors is recommending a final dividend of 10.5 sen per ordinary share, tax exempt dividend under the single-tier tax system for the financial year ended 31 December 2012.

BUSINESS OUTLOOK & PROSPECTS

As we navigate through 2013, we have earmarked many new opportunities and emerging trends in the industry, focusing especially on the biosimilar market. According to IMS Healthcare, in the first half of 2011, the biosimilar market was valued at US$378 million globally. It is expected to touch between US$1.9-2.6 billion by 2015, highlighting the exponential growth expected in this segment in these next few years.

With Malaysia's growing ageing population and increased affluence, your Company sees a host of opportunities that are in store with regards to the greater demand for wellness and therapeutic products.

The consumption of pharmaceutical products in emerging economies such as China and Brazil have surpassed Western economies, and Malaysia too is on the cusp of this expansion. In the last decade, the Malaysian pharmaceutical market grew at between 8-10% annually, according to the Malaysian Organisation of Pharmaceutical Industries (MOPI). Your Company looks forward to being at the forefront of this growth and leading the change forward for the local industry.

We anticipate increasing growth in our Halal products with increasing opportunity to capitalise on the global Halal marketing network that our government has already put in place. 2012 saw your Company's manufacturing assets in Klang being the first recipient of the world's first Halal Pharmaceutical Standard (MS2424:2012 Halal Pharmaceutical General Guidelines).

This year, the Company will continue to focus on its core strategies which are to commercialise niche high value products such as biosimilars and High Potency Active Products; develop our Halal market segment by increasing Halal pharmaceuticals, expand sales to more ASEAN countries, and strengthen our product portfolio through increased investments in research and development activities, as well as collaborations with local and multinational companies.

The changing healthcare landscape, expiring patents and generic competition, pricing pressures, heightened regulatory scrutiny, expansion into emerging markets, increasing alliances and acquisitions, as well as a persistent economic slowdown, are prompting companies in the global life sciences industry to adopt new business models to deliver better patient outcomes at lower cost and position themselves for success in 2013 and beyond.

ACKNOWLEDGEMENTS

I would be amiss if I did not express my gratitude to the various parties who have been instrumental in the growth of your Company. On behalf of your Company's Board of Directors, I would like to thank our dedicated team of managers and employees, without whom our goals and aspirations would not have eventuated.

My utmost gratitude goes out to my fellow Directors for their expertise and wisdom in guiding our Company to greater heights. We also sincerely thank our shareholders, customers, business associates and partners who have stood shoulder-to-shoulder with the Company and lent us their unwavering support over the years. We would not have made it this far without you, and we look forward to many more years of rewarding relationships with all of you.

I wish you all a fulfilling year ahead

Tan Sri Dato' Dr. Abu Bakar bin Suleiman
Chairman

Chief Executive Officer's
OPERATIONS REVIEW

Leonard Ariff bin Abdul Shatar
Chief Executive Officer

Chief Executive Officer's
OPERATIONS REVIEW cont'd

"We entered 2012 realising that it was going to be a challenging year as market volatility and global economic uncertainties continued to affect the business of CCM Duopharma Biotech Bhd (CCMD). Demand for our products remained strong, although the increasing competition within the domestic pharmaceutical industry affected our margins in some products. Our strategy remained to penetrate new markets and consciously make the move to higher margin products that are more complex, including biosimilar drugs, vaccines and high potency drugs for oncology."

Following the Company's 5.1% revenue growth at the end of 2011, we were pleased to note that our revenue in the first half of 2012 registered a 3% increase, totalling RM70.4 million as at 30 June 2012 compared to the corresponding period in 2011. Revenue grew on the back of improved sales to Government hospitals. Unfortunately, the second half of 2012 saw our revenue falling relative to the previous year, and as at the end of the financial year, we recorded RM135.3 million in revenue – a 2% dip from the previous year, largely due to reduced demand from the private sector.

Despite the marginal dip in revenue, CCMD's profit before tax (PBT) increased by 1.6% to RM35.3 million for the financial year ended 31 December 2012, compared to RM34.7 million in the corresponding period of 2011. This increase in profits was due to the increase in our gross profit margins driven by selective changes in our channel strategy.

We faced cost pressures from the cost of utilities and our proactive compliance to the national minimum wage policy requirements, in addition to some capital expenditures required for new projects and Good Manufacturing Practices (GMP) compliance. The increase in expenses seen during the year was largely offset from gains from the disposal of warehouses and recognition in changes of fair value in investment property.

One of our key strategies for the year was to leverage on collaborations with multi-national pharmaceutical companies to capitalise on opportunities arising from the expiry of Innovator Patents, or what the industry refers to as the "Patent Cliff", to build a rich portfolio of generic blockbuster drugs.

During the course of the next decade, innovator blockbuster drugs with a global value of about RM435 billion in annual sales are expected to go off-patent. We want to ensure that CCMD is at the forefront of this changing landscape, and have started to aggressively focus our energies on tapping into these opportunities.

Our core strategy is two-fold: to increase investment channelled towards Research & Development in developing new generics to fill our pipeline; and to establish mutually beneficial collaborations with multinational players, enabling us to leverage off their innovations while offering them CCMD's established manufacturing expertise, available plant capacity and strong distribution channels, as they are compelled to participate in generic segments upon expiry of their Innovator Patents.

Other strategies that we continue to pursue include commercialising niche high value products such as biosimilars and High Potency Active Products. One of our milestones in 2012 was the inking of our collaboration with Korea's PanGen Biotech Inc., at the Malaysian Pavilion during the 2012 BIO International Convention in Boston, Massachusetts, USA, to pioneer a clinical trial of Erythropoietin (EPO) in Malaysia. Used in the treatment of end-stage renal failure patients, this will add to our portfolio of renal products. The rise in incidence of renal patients in Malaysia, high market value, and well-structured domestic renal market that facilitates easy distribution, were among the contributing factors for us to venture into this territory. This initiative kicked off our foray into biosimilars, in line with our commitment to drive innovation and pioneer technology-driven processes.

Aspiring to be the first in Malaysia to conduct "Fill and Finish" operations for vaccines and biosimilars, CCMD has already invested RM7 million to establish Malaysia's first National Pharmaceutical Control Bureau-certified GMP Biological Fill & Finish facility in Klang. A further sum will be potentially invested for a pre-filled syringe suite for Biologicals, should the Clinical Phase III trials for EPO prove successful.

Separately, we continue to engage with various multinationals to identify opportunities in niche therapeutic areas especially in the area of Oncology. These initiatives are in line with the government's aspirations to encourage more partnerships between multinational and local companies, enabling the sector to achieve its fullest potential. We believe that this is just the beginning for us in our journey in biosimilars.

Due to the relatively small size of the Malaysian pharmaceutical market, branching into new markets has always been a priority for CCMD. So while we continued to expand our offerings locally, we have also expanded our market reach through collaborations and investments in international markets, including Indonesia, Vietnam and Singapore. We enhanced our presence by appointing a full-time business head from Malaysia to be based in Indonesia. We continued our exports to over 20 countries, with a primary focus on the abovementioned countries.

HALAL

During the year under review, CCMD continued to leverage on its leadership in the Halal segment to add value to its pharmaceutical manufacturing. The Halal accreditation and branded products will be a key differentiator for the Company, especially in the ASEAN region, Middle East and North African countries.

This leadership position was further augmented when CCMD emerged as the first company in Malaysia to receive the world's first Halal Pharmaceutical Standard certification under the new standard MS2424:2012 Halal Pharmaceuticals General Guidelines.

RESEARCH & DEVELOPMENT (R&D)

On the R&D front, 2012 saw the completion of the Company's Pipeline Strategy for 2012-2015 designed to be more strategic and aligned with future market demands. The product portfolio map with clear forward-looking decisions to invest, innovate and prioritise is intended to steer the Company's R&D pipeline towards achieving the utmost in market capability.

As part of our strategy to tap into new innovation resources through collaborations, the Company signed agreements with three local universities to partner in developing new product formulation and delivery systems. CCMD outsourced its research and development activities to an ISO17025 certified R&D facility, Innovax Sdn. Bhd. The R&D facility completed the development of 10 generic products.

We continue to be fully committed to meeting or surpassing requirements from the Malaysian National Pharmaceutical Control Bureau. On the requirements for Bio-Equivalence (BE) studies for registered immediate release ethical oral solid dosage, we remain committed to ensuring that identified registered products will meet the requirements of regulatory authorities.

Chief Executive Officer's
OPERATIONS REVIEW cont'd

SUSTAINABILITY AND CORPORATE RESPONSIBILITY

Promoting Sustainability

The Malaysian Code on Corporate Governance 2012 recommends for the Board of companies to formulate strategies that address sustainability. In this regard, the Group has adopted the guidelines under the Securities Commission CSR Framework 2006 focusing on the following areas, to achieve its sustainability objectives:

i. Stakeholders and Marketplace expectations;
ii. Environment;
iii. Workplace sustainability; and
iv. Community needs.

The Corporate Sustainability Policy can be accessed from the Company's official website at www.duopharma.com.my

CCMD's Sustainability and Corporate Responsibility is embedded within the Company's culture as we recognise the importance of integrating our business values and operations to meet the expectations of our shareholders. We strive to make a difference in the community that we operate in and continuously seek to enhance our corporate values and adopt ethical business practices, with the ultimate aim of enhancing the quality of life.

- **Sahabat Korporat Tabung Haji**
  CCMD contributed 40,000 personal health kits to the pilgrims performing the Haj through the *Sahabat Korporat Tabung Haji* programme. These health kits are used to treat minor ailments that could arise during the course of their pilgrimage and comprised our Halal-certified products.

- **13th MSAM, Sabah**
  Sabah was the location for the 13th Minggu Saham Amanah Malaysia (MSAM) where CCMD set up a booth at the event. We took the opportunity to provide *Sahabat Sihat* and *Chit Chat Diet* – free health checks and diet consultancy services for the visitors, which received overwhelming response. It was also an ideal platform to promote our pharmaceutical products which were almost sold out by the end of the event.

- **CCM JATI Programme**
  In heeding the Government's call to the industry to engage with local universities, CCMD kicked-off the CCM JATI *(Jalinan Universiti dan Industry)* programme, with the aim of building and moulding entrepreneurial capacity among local pharmacy graduates. Our aim is to pioneer 500 new entrepreneurs in community pharmacy by 2020. This is in line with the Government's plans to license the dispensing of prescription medicines at the retail level. Students in this programme will be exposed to various aspects of marketing, business management, retail and Halal pharmaceuticals through their interaction with the Company's experienced professionals and industry members.

  In October 2012, we expanded our CCM JATI initiative by successfully collaborating with Universiti Teknologi Mara (UiTM) following our strategic tie-ups with Universiti Sains Malaysia (USM) and Universiti Malaysia Sabah (UMS) previously. Through this, UiTM will identify 50 students annually from their Faculty of Pharmacy to take part in the CCM JATI programme to prepare them for a future as community pharmacists.

SAFETY, HEALTH & ENVIRONMENT

The Company regards Safety, Health and Environment (SHE) matters very seriously. In addition to complying with regulatory requirements, we conduct various initiatives annually to promote and reinforce responsible behavior for long-term sustainability and growth. Annual activities to promote responsible and sustainable culture within the Company include the SHE Week, Fire Drills, Blood Donation Drives, regular fire squad trainings with the Bomba, First Aid refresher training, among others. The past year witnessed the best ever safety performance of the Company – a testament to the synergy and effort of all our staff in these areas.

PEOPLE

We continue our previous focus on people within CCMD and continuously provide training and development opportunities to upgrade skills and improve productivity. In particular, we have focused on elevating working conditions by including SHE factors in the evaluation of our new equipment. CCMD also proactively implemented the new Minimum Wage Policy company-wide. Apart from restructuring Senior Management roles in the beginning of 2012, comprehensive succession and development plans were also put in place to ensure the continuity of skills and expertise within the Company.

INFORMATION & TECHNOLOGY

We recognise the crucial role played by Information Technology in growing our business. In view of this, the Company has invested in and implemented a new Enterprise Resources and Planning software (SAP) in 2012. With the implementation, we will be able to leverage on technology to enhance our processes and operation efficiencies.

ACKNOWLEDGEMENTS

I would like to take this opportunity to put on record my gratitude to the various parties and all our staff who have been instrumental in ensuring that our Company has continued to forge ahead in the local pharmaceutical industry. I believe we will continue to make more significant strides in biosimilars and R&D this coming year, while capturing greater market share both locally and regionally.

On behalf of the Management team of CCMD, I also express my heartfelt thank you to all our associates, partners, vendors and stakeholders who have remained with us through the years. We look forward to an even more rewarding year ahead!

Leonard Ariff bin Abdul Shatar
Chief Executive Officer

RESPONSIBILITY

With three decades of delivering brands that are recognised for their efficacy and reliability, CCM has built a reputation as a responsible organisation.

Corporate INFORMATION

BOARD OF DIRECTORS

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

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

Datuk Alias bin Ali
Non-Independent Non-Executive Director

Haji Ghazali bin Awang
Senior Independent Non-Executive Director

Amirul Feisal bin Wan Zahir
Non-Independent Non-Executive Director

CHIEF EXECUTIVE OFFICER

Leonard Ariff bin Abdul Shatar

COMPANY SECRETARY

Noor Azwah binti Samsudin (LS0006071)

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

REGISTERED OFFICE

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

Tel : 03 2612 3888
Fax : 03 2612 3999

BUSINESS ADDRESS

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

Tel : 03 3323 2759
Fax : 03 3323 3923
Homepage : www.duopharma.com.my
Email : cs@duopharma.com.my

AUDITORS

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

Tel : 03 7721 3388
Fax : 03 7721 3399

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

Hong Leong Bank Berhad
68, Lorong Batu Nilam 4A
Bandar Bukit Tinggi
41200 Klang, Selangor Darul Ehsan

SHARE REGISTRAR

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

Tel : 03 2264 3883
Fax : 03 2282 1886

Corporate STRUCTURE

CCM Duopharma Biotech Berhad
(524271-W)

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

Board STRUCTURE

Board of Directors

Audit and Risk Management Committee

Nomination and Remuneration Committee

Board of DIRECTORS

TAN SRI DATO' DR. ABU BAKAR BIN SULEIMAN

Age: 69 years

Nationality: Malaysian

Position on the Board
Non-Independent Non-Executive Chairman

Date Appointed to the Board
25 May 2002

Membership of Board Committees
Member, Nomination and Remuneration Committee

Directorships of Other Public Companies
- Medical Defence Malaysia Berhad
- IHH Healthcare Berhad

Securities Holdings in the Company and its Subsidiaries
- 286,400 ordinary shares directly (as at 24 April 2013)
- 22,000 ordinary shares indirectly (as at 24 April 2013)

Family Relationship with Any Director and/or Major Shareholder
None

Conflict of Interest with the Company
None

List of Convictions for Offences Within The Past 10 years Other than Traffic Offences
None

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

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

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

Age: 69 years

Nationality: Malaysian

Position on the Board
Independent Non-Executive Director

Date Appointed to the Board
30 March 2006

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

Directorships of Other Public Companies
None

Securities Holdings in the Company and its Subsidiaries
34,120 ordinary shares directly (as at 24 April 2013)

Family Relationship with Any Director and/or Major Shareholder
None

Conflict of Interest with the Company
None

List of Convictions for Offences Within The Past 10 years Other than Traffic Offences
None

Qualifications
- Bachelor of Medicine and Bachelor of Surgery, University of Singapore
- Diploma in Tropical Medicine and Hygiene, Mahidol University, Thailand
- Diploma in Clinical Pathology, University of London
- Fellow, Royal College of Pathologists, United Kingdom
- Fellow, College of American Pathologists, America
- Fellow, Royal College of Pathologists of Australia
- Fellow, Academy of Medicine, Malaysia
- Senior Fellow (Academician), Academy of Sciences, Malaysia

Working Experience and Occupation
Tan Sri Dato' Dr. Jegathesan began his career serving in numerous government departments in the Ministry of Health, culminating in the position of Deputy Director General (Research and Technical Support) from 1994 until 1998. After a full term career in the Ministry of Health, he served as Medical Advisor to the UNDP affiliated Council for Health Research for Development in Geneva from 1998 to 2000, thereafter as CEO of Sistem Hospital Awasan Taraf until 2003. He currently holds positions as Consultant Pathologist, BP Healthcare Group, Consultant Microbiologist and Head, Laboratory, Sunway Hospital and Pro-Chancellor, University Sains Malaysia. 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.

Board of DIRECTORS cont'd

DATUK ALIAS BIN ALI

Age: 65 years

Nationality: Malaysian

Position on the Board
Non-Independent Non-Executive Director

Date Appointed to the Board
14 March 2006

Membership of Board Committees
Member, Audit and Risk Management Committee

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

Securities Holdings in the Company and its Subsidiaries
None (as at 24 April 2013)

Family Relationship with Any Director and/or Major Shareholder
None

Conflict of Interest with the Company
None

List of Convictions for Offences Within The Past 10 years Other than Traffic Offences
None

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

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

HAJI GHAZALI BIN AWANG

Age: 66 years

Nationality: Malaysian

Position on the Board
Senior Independent Non-Executive Director

Date Appointed to the Board
14 March 2006

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

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

Securities Holdings in the Company and its Subsidiaries
87,000 ordinary shares directly (as at 24 April 2013)

Family Relationship with Any Director and/or Major Shareholder
None

Conflict of Interest with the Company
None

List of Convictions for Offences Within The Past 10 years Other than Traffic Offences
None

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

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

Board of DIRECTORS cont'd

AMIRUL FEISAL BIN WAN ZAHIR

Age: 43 years

Nationality: Malaysian

Position
Non-Independent Non-Executive Director

Date Appointed to the Board
13 June 2011

Membership of Board Committees
None

Directorships of Other Public Companies
Chemical Company of Malaysia Berhad

Securities Holdings in the Company and its Subsidiaries
None (as at 24 April 2013)

Family Relationship with Any Director and/or Major Shareholder
None

Conflict of Interest with the Company
None

List of Convictions for Offences Within The Past 10 years Other than Traffic Offences
None

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

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

Senior MANAGEMENT

LEONARD ARIFF BIN ABDUL SHATAR

Age: 48 years

Nationality: Malaysian

Position on the Board
Chief Executive Officer

Membership of Board Committees
None

Directorships of Other Public Companies
None

Securities Holdings in the Company and its Subsidiaries
None (as at 24 April 2013)

Family Relationship with Any Director and/or Major Shareholder
None

Conflict of Interest with the Company
None

List of Convictions for Offences Within The Past 10 years Other than Traffic Offences
None

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

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

Senior MANAGEMENT cont'd

IBRAHIM BIN ZAINUDIN
Chief Operating Officer / Chief Strategy Officer
Age: 55 years
Nationality: Malaysian

Qualifications
- Bachelor of Science (Hons) Applied Biology, Liverpool, UK (Major in Microbiology & Biochemistry)
- Senior Management Development Programme, Harvard Business School

Working Experience and Occupation
Ibrahim commenced his career at Glaxo Malaysia (now GSK) in 1983, gaining experience in production, quality control, quality assurance and materials planning of pharmaceuticals manufacturing. He then joined Baxter Malaysia (now Unomedical) in 1992, in the areas of regulatory affairs, quality assurance, R&D, human resource and operations of medical devices manufacturing. Ibrahim later moved to Pharmaniaga Manufacturing Berhad in 2001 as the plant's Director & Senior General Manager responsible for the overall operations of pharmaceuticals manufacturing and later became Head of International Manufacturing Development. In January 2008, he joined CCM Duopharma as General Manager, Operations, overseeing supply chain management, purchasing, manufacturing, engineering, safety and risk management. Ibrahim was appointed to his present capacity as Chief Operating Officer/Chief Strategy Officer on 1 January 2012. Ibrahim was elected the 1st President of the International Society for Pharmaceutical Engineering (ISPE) Malaysia Affiliate for the 2012-2013 session.

BILLY URUDRA
Chief Commercial Officer
Age: 52 years
Nationality: Malaysian

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

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

CHEK WU KONG
Chief Financial Officer
Age: 47 years
Nationality: Malaysian

Qualifications

- Bachelor of Accounting (Hons), Universiti Malaya
- Malaysian Institute of Certified Public Accountants (MICPA)
- Senior Management Development Programme, Harvard Business School

Working Experience and Occupation

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

NG SU YEE
Chief Manufacturing & Technical Officer
Age: 45 years
Nationality: Malaysian

Qualification

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

Working Experience and Occupation

Su Yee did her pre-registration pharmacy training in CE Harrod Chemist, an independent retail pharmacy in London from 1990 to 1991. Upon her return to Malaysia, she joined Ekim Trading, a Bumiputra tendering agent in Kuala Lumpur as Pharmacist in 1992. She commenced her industrial career in Glaxo Malaysia (now GSK) in 1993 as Production Pharmacist and was later promoted to Section Manager overseeing pharmaceutical manufacturing. Su Yee joined the CCM Group in June 1997. Over the years, she has led various disciplines of plant operations including Production, Quality Assurance, Quality Control, Regulatory Affairs, Technical Support, Process Improvement, Business Excellence, Engineering, Plant Maintenance and Project Management. Su Yee was appointed as the Chief Manufacturing and Technical Officer on 1 January 2012, overseeing Manufacturing, Technical and Supply Chain, a position she currently holds.

Senior MANAGEMENT cont'd

NOOR AZWAH SAMSUDIN
Company Secretary
Age: 42 years
Nationality: Malaysian

Qualifications

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

Working Experience and Occupation

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

Statement on CORPORATE GOVERNANCE

The Malaysian Code on Corporate Governance 2012 (the Code) sets out the principles and recommendations on structures and processes used to direct and manage the business and affairs of the Company towards enhancing corporate accountability with the objective of realising long-term shareholder value, whilst taking into account the interests of other stakeholders.

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

The following statement sets out how the Company has applied the principles and recommendations as contained in the Code during the financial year.

PRINCIPLE 1

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Recommendation 1.1
Clear Functions between the Board and Management

The Board retains full and effective control of the Company. This includes responsibilities for determining the Company's overall strategic direction as well as development and control of the Company. To ensure effective discharge of its function and responsibilities, the Board has delegated specific responsibilities to Board Committees, namely the Nomination and Remuneration Committee and Audit and Risk Management Committee.

The Board has established clear functions which are reserved for the Board and those delegated to Board Committees and Management. Key matters, such as approval of annual and quarterly results, acquisitions and disposals, as well as material agreements, major capital expenditure, short term and long term plans and strategies and succession planning for top management are reserved for the Board. Meanwhile, all Board Committees have their 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. The Chairmen of the relevant committees also present and report to the Board the key issues deliberated by the Board Committees at their respective meetings. The terms of reference, composition and activities of the respective committees are stated in their respective reports.

The Board maintains a close and transparent relationship with the Management. A clear limit of authority for Management to manage the business of the Company has been established. Many of the responsibilities of the Board are delegated to Management through the Chief Executive Officer. The Chief Executive Officer is accountable to the Board for the achievement of the Company's corporate objectives which include performance targets and long term goals of the business.

At each normal Board meeting, the Board receives from or through the Chief Executive Officer the operational report and other reports and proposals and assurances as the Board considers necessary to confirm that the management authorities are being observed.

Recommendation 1.2
Clear Roles and Responsibilities

The Board assumes, among others, the following responsibilities:

i. Review and adopt strategic plan of the Company

   The Board plays an active role in the development of the Company's strategy. The Board is presented with the short and long term strategy of the Company annually together with its proposed business plans for the ensuing year. The Board conducts a quarterly review of the performance targets and long term goals of the business to ensure that the needs of the Company are consistently met and are furnished with information relating to the running of the Company's operations through quarterly reports prepared by the management. This will allow them to understand the operations better and make decisions in steering the Company towards a profitable business.

   The Board also reviews and approves the annual budget for the ensuing year and sets the Key Performance Indicators (KPIs) which supports the Company's strategy and business plan.

ii. Oversee the Conduct of the Company's Business

   The Board oversees the performance of management to determine whether the business is being properly managed. In this regard, the Chief Executive Officer is critical to the performance of the Company and provides the leadership and strategic vision of the Company. He is responsible for the day-to-day running of the business and operations of the Company including organisational effectiveness, implementation of Board policies and strategies and clarifies matters relating to the Company's business to the Board. His in-depth and intimate knowledge of the Company's affairs contributes significantly towards the direction of the Company to achieve its goals and objectives.

The Chief Executive Officer is supported by the Management Committee and other committees established under the Company. These committees have their own specific terms of reference to ensure that the objectives and aspirations of the Company are met.

To ensure independence, the Group Risk Department provides the Board with a separate status report on quarterly basis on the enterprise risk. The Group Internal Auditor also provides the Audit and Risk Management Committee with audit and risk reports as and when audit and risk assignments are completed.

iii. Identifying principle risks and ensuring the implementation of appropriate internal controls and mitigation measures

In managing risks, the Board has adopted the CCM Group Enterprise Risk Management (ERM) Framework which is in compliance with the universally accepted standard, ISO 31000 for Risk Management. The Board has also adopted the Group's Risk Management Policy to ensure an effective risk management programme and control system is in place and thereby facilitating the Company in meeting all its business objectives.

iv. Succession Planning

The Board has entrusted the Nomination and Remuneration Committee with the responsibility to review and recommend to the Board, candidates for top management position. The candidates go through a rigorous assessment prior to being recruited to ensure that they have the sufficient experience and are the right fit for the Company.

The Company has in place a talent management programme which is handled at the holding company level to ensure the Company has talents to meet its future needs besides having a pipeline of successors for mission critical positions.

v. Oversee the development and implementation of a shareholder communication policy

The Board values the dialogue with shareholders and appreciates the keen interest of shareholders on the Company's performance. In this regard, the Board at its meeting held on 13 December 2012 has established a Shareholder and Investor Communication Policy to meet or otherwise communicate with the shareholders of the Company.

vi. Review the adequacy and integrity of the management information and internal control systems

The Board is fully aware of the responsibilities to maintain a sound internal control system. The Board's responsibilities for the Company's system of internal controls cover not only financial aspects of the business but also operational, regulatory compliance as well as risk management matters. Details pertaining to the Company's internal control system and the review of its effectiveness are set out in the Statement on Risk Management and Internal Control in the Annual Report on pages 47 to 49.

Recommendation 1.3
Formalise ethical standards through a code of conduct and ensure its compliance

The Company has, in place, Directors' Code of Best Practice and a Code of Conduct for employees to govern the standard of ethics and good conduct expected of Directors and employees. The Directors' Code of Best Practice includes among others, matters relating to their duties and conduct as Directors, conflict of interests and conduct in meetings. On an annual basis, the Directors are also required to submit a Directors' Confirmation Form to the Company confirming their remuneration and benefits, interest in shares and debentures and any related party transactions with the Company.

The Company has in place a Code of Conduct which commits the Company to ethical values and standards of conduct expected of the Company. It is based upon the CCM Group's vision, mission and core values and embodies the principles contained in various policies adopted by the CCM Group and gives guidance on how employees and other people affected by the Code of Conduct should apply the core values to the Company's businesses and activities.The Code of Conduct covers among others, all aspects of the business operations such as confidentiality of information, dealings in securities, conflict of interest, gifts, gratuities, bribes and sexual harassment.

As part of best practices in good corporate governance, the Company has adopted the CCM Group's "Whistle-Blowing" policy to encourage employees to report any major concerns over any wrongdoing within the Company relating to unlawful conduct, financial malpractice 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.

Recommendation 1.4
Strategies promoting sustainability

The Board understands the importance of sustainability in operating its businesses and is committed towards achieving sustainability that shall benefit stakeholders, environment, our people and the community. In achieving this, the Board has adopted the CCM Group's Corporate Sustainability policy focusing on stakeholder and marketplace expectation, environment, workplace sustainability and community needs.

As part of the CCM Group, the Company has conducted the group-wide activities on sustainability to achieve the four focus areas above which included E3R programme (Eliminate, Reuse, Reduce, Recycle) and SET3 Programme. E3R focuses on the Company's effort to reduce natural resources dependence by 10% while the SET3 Programme encourages staff to take a few minutes to observe safety hazards within his/her boundaries. Detail report on Sustainability and Safety is presented in this Annual Report on page 12.

Recommendation 1.5
Access to Information and Advice

The Chairman is primarily responsible for ensuring that sufficient information is provided to the Board members to assist them in their deliberation. He ensures that all relevant issues and quality information to facilitate decision making and effective running of the Company's business are included in the board meeting agenda. In doing so, the Chairman will liaise with the Chief Executive Officer and the Company Secretary on the agenda for board meetings. Board meetings are scheduled a year ahead in order to enable full attendance at Board meetings. A minimum of four (4) Board meetings were held during the year. Additional meetings were held as and when required.

There is a formal agenda for all scheduled meetings and Board papers are prepared and submitted in advance to ensure adequate information is available to assist deliberation by Board members. The Board papers include, among others, the following:

- Minutes of Meetings;
- Reports from the respective Board Committees;
- Business plan and direction;
- Current operations and business issues;
- Annual budget review, forecasts and projections;
- Quarterly and annual financial reports;
- Potential acquisitions and disposal of assets of substantial value;
- Major investment and financial decisions;
- Key policies, procedures and authority limits.

During the financial year, seven (7) Board Meetings were held. Details of the Directors' meeting attendance during the financial year are as follows:-

Name of Directors	No. of Meetings Attended
Tan Sri Dato' Dr. Abu Bakar bin Suleiman Chairman, Non-Independent Non-Executive Director	7/7
Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam Independent Non-Executive Director	6/7
Datuk Alias bin Ali Non-Independent Non-Executive Director	7/7
Haji Ghazali bin Awang Senior Independent Non-Executive Director	6/7
Amirul Feisal bin Wan Zahir Non-Independent Non-Executive Director	7/7

Statement on CORPORATE GOVERNANCE cont'd

All Directors have the same right of access to all information within the Company and the duty to make further enquiries which they may require in discharging their duties including seeking independent professional advice, if necessary, at the Company's expense. 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 and are accessible to all Directors.

The Company also provides a platform for dialogue between the Board and Management either at Board meetings or during business unit visits. This will assist the Board in arriving at business and strategic decisions relating to the Company. The Directors also have access to the Company Secretary who is available to provide them with the appropriate advice and services and also to ensure that the relevant procedures are followed. The Directors are regularly updated on the latest developments in the legislations including statutory and regulatory requirements relating to the duties and responsibilities of Directors. When necessary, the Directors also visit locations of business units which would assist the Board to make effective decisions relating to the Company.

Recommendation 1.6
Qualified and Competent Company Secretary

The appointment or removal of Company Secretary or Secretaries of the Board shall be the prerogative of the Board as a whole. The Board is currently assisted by a qualified and competent Company Secretary in ensuring that Board procedures are followed and the applicable rules and regulations for the conduct of the affairs of the Board are complied with. The Company Secretary also plays an important role as a gatekeeper of corporate governance. All Board Members, particularly the Chairman, have unrestricted access to the advice and services of the Company Secretary for the purposes of the Board's affairs and business.

Recommendation 1.7
Board Charter

The Board Charter sets out the authority, responsibilities, membership and operation of the Board of the Company, in adopting principles of good corporate governance and practice, that is in accordance with applicable laws. The document clearly states the roles and responsibilities of the Board and Board Committees and the processes and procedures for convening their meetings. It also serves as a reference for all Board members as well as a primary induction literature for newly appointed board members in providing insights into the fiduciary and leadership functions of the Board.

The Board endeavours to comply at all times with the principles and practices set out in this Charter. Any updates to the principles and practices set out in the Charter will be made available on the Company's website.

PRINCIPLE 2

STRENGTHEN COMPOSITION

The Company's Articles of Association stipulates that the minimum and maximum number of directors on the Board shall not be less than three (3) and more than nine (9). An alternate director shall not be counted in the determination of minimum or maximum number of directors on the Board.

The Directors, with their different backgrounds and specialisations, collectively bring with them a wide range of experience and expertise to enable the Board to lead and control the Company effectively. A brief description on the background of the Directors is presented in the Board of Directors' Profile section of this Annual Report on pages 18 to 22.

Haji Ghazali bin Awang has been appointed as Senior Independent Non-Executive Director to whom concerns relating to the Company may be conveyed by the shareholders and other stakeholders.

The Board consists of five (5) members comprising three (3) Non-Independent Non-Executive Directors and two (2) Independent Non-Executive Directors. The composition of the Board was maintained so that not less than one-third (1/3) were independent directors at all times, in line with the Main Market Listing Requirements. This balance enables the Board to provide clear and effective leadership to the Company and to bring informed and independent judgement to many aspects of the Company's strategies so as to ensure that the highest standards of conduct and integrity are maintained.

In ensuring that the composition of the Board is strengthened, the Board has entrusted the Nomination and Remuneration Committee to implement policies and procedures with respect to selection and nomination of Board and Board Committees, review of Board's succession plans and training programmes for the Board.

Recommendation 2.1
Nomination and Remuneration Committee

The Company has in place a Nomination and Remuneration Committee (NRC) with specific terms of reference. The NRC comprise of three (3) members who are non-executive directors with the majority being independent directors. The Chair of the Committee is held by the Senior Independent Director, Haji Ghazali bin Awang.

Details pertaining to the Nomination and Remuneration Committee and its terms of reference are set out in the Annual Report on pages 44 to 46.

Recommendation 2.2
Develop, maintain and review criteria to be used in recruitment process and annual assessment of directors

i. Recruitment/Appointment of Directors

One of the terms of reference of NRC is to recommend to the Board candidates to fill all directorships and Board Committees within the Company, be it a new appointment or re-election/reappointment. In executing this role, the NRC is guided by the Board Nomination and Selection process. The Board Nomination and Selection Process outlines the skill sets, knowledge/experience, mindset and the intrinsic values required of the concerned director vis-a-vis the need of the Company. The process also provides the relevant point of reference in identifying the most suitable candidates to sit on the Board.

The NRC is responsible for reviewing, on an annual basis, the appropriate skills, experience and characteristics required for Board Members. The Chairman of the Board is required to actively participate in the selection of Board Members.

The proposed appointment of a new member to the Board as well as the proposed re-appointment and re-election of Directors seeking re-election at the Annual General Meeting (AGM) are recommended by the NRC to the Board for their approval. 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 AGM provided always that each Director shall retire at least once in every three years. The Directors to retire in each year are the Directors who have been longest in office since their appointment or re-appointment. This provides an opportunity for shareholders to renew their mandate. To assist shareholders in their decision, sufficient information such as personal profile, meeting attendance and the shareholdings in the Company of each Director standing for election are furnished in a separate statement accompanying the Notice of Annual General Meeting.

Director who is over seventy (70) years of age shall retire at every AGM and may offer himself for re-appointment to hold office until the Company's next AGM in accordance with Sections 129 (2) and 129 (6) of the Companies Act, 1965.

The Company has in place a succession planning programme which inter alia includes appointing, training, fixing of compensation and replacing Directors and senior management of the Company.

For the current year, the Board has approved the NRC's recommendation for two (2) directors, Datuk Alias bin Ali and Haji Ghazali bin Awang to retire and be re-elected at the forthcoming AGM.

ii. Induction Program

As part of the familiarisation process of newly appointed Board members, newly appointed Board members are required to undergo an Induction Programme specially designed to familiarise the directors with the business of the Company. This familiarisation process includes briefing session on the range of products and services, business structure and visits to the respective operating facilities. The visits will include briefings from the Company's management team to provide an in-depth knowledge of the latest progress of the Company and appreciation of the key drivers behind the Company's core business.

iii. Board Evaluation Assessment (BEA)

The Company has in place a Board Evaluation Assessment (BEA) which is conducted on an annual basis. The Board Evaluation criteria are based on the Green Book – Enhancing Board Effectiveness as well as guidelines and best practices issued by Bursa Malaysia and other relevant authorities which are based on the following main components:-

- Structuring a high performing board;
- Ensuring day-to-day Board operations and interactions;
- Fulfilling fundamental Board roles and responsibilities at best practice levels.

Statement on CORPORATE GOVERNANCE cont'd

The NRC is given the task to review annually the activities and effectiveness of the Board, Board Committees and the individual Board Members. The results of such evaluation will be discussed with the Committee and/or the Chairman and subsequently will be tabled to the Board. The Chairman's own position is discussed with the Nomination and Remuneration Committee. Actionable improvement programme will be developed to improve the performance of the Board.

iv. Gender Diversity

The Board recognises the value of having gender diversity in the Board. As an initial step, the Board will endeavour to ensure that gender diversity is taken into account in nominating and selecting new directors of the Company and will actively seek to identify suitable female candidates to be invited to sit on the Board.

v. Remuneration Policy

The remuneration of Directors is determined at levels which enable the Company to attract and retain Directors with the relevant experience and expertise to manage the Company successfully.

The component parts of remuneration are structured so as to link rewards to corporate and individual performance, in the case of the Chief Executive Officer. In the case of Non-Executive Directors, the Board has established a formal and transparent remuneration policy to attract and retain Directors, motivate Directors to achieve Company's objective and align interest of Directors with long term interest of shareholders. The level of remuneration for non-executive directors is based on their responsibilities in Committees and the Board.

a. Directors Remuneration

The Non-Executives Directors are entitled to directors fees. In addition, the Non-Executive Directors are also entitled to Board Committee Fees on which they sit on. The proposed directors and committees fees will be tabled at the Annual General Meeting for shareholders approval.

The Chief Executive Officer is not entitled to receive any directors' fees, board committee fees or meeting allowance. The Chief Executive Officer's remuneration comprises of a fixed component which includes a monthly salary and benefit-in-kind and a variable component in the form of performance bonus.

Details of Directors' remuneration paid by the Company for the financial year ended 31 December 2012 are as follows:-

Non-Executive Directors	RM'000
Fees	242

Note: * Fees include Board Committee fees

Number of Directors whose remuneration falls within the following bands:

	Executive Directors	Non-Executive Directors	Total
RM50,000	-	4	4
RM50,001 to RM100,000	-	1	1

b. Indemnification and Directors and Officers Insurance

In addition to the directors remuneration above, the directors are provided with a Directors and Officers Liability Insurance in respect of any liabilities arising in the course of discharging directors' duties provided always that such wrongful acts occur in good faith and not as a result of dishonesty, fraud, insider trading, malicious conduct, fines, penalties, liabilities arising from intentional breach of contract and liquidated, punitive or exemplary damages.

PRINCIPLE 3

REINFORCE INDEPENDENCE

The Independent Non-Executive Directors provide an unbiased and independent view in ensuring that the strategies proposed by Management are fully deliberated and examined in the interest of the Company, minority shareholders, employees and the business communities in which the Company conducts its business.

Recommendation 3.1
Annual Assessment of Independent Directors

The Board consists of five (5) Non-Executive Directors, two (2) of which are independent. In ensuring that independent judgments are not compromised, the Board has adopted a policy on assessment of independence on its independent directors which is conducted on an annual basis or as and when a disclosure is made by any Director in respect of any new interest or relationship. The policy makes reference to Chapter 1 and Practice Note 13 of Bursa Malaysia's Main Market Listing Requirements.

Based on the assessment conducted recently, the Board is generally satisfied with the level of independence demonstrated by the independent directors and their ability to act in the best interest of the Company.

Recommendations 3.2 and 3.3
Tenure of Independent Director

One of the recommendations under the Code is to limit the tenure of independent directors to not more than nine (9) years, cumulatively. The recommendation is based on the view that the independence of an independent director may be affected if his tenure exceeds a cumulative term of nine years either in a consecutive service of nine years or cumulative service of nine years interval. The Board may, upon the completion of the nine years, re-designate the independent directors to a non-independent director if it is so determined that the expertise and experience of the independent director is still relevant to the Company or the Group (Recommendation 3.2). Currently, the tenure of all directors on the Board has not exceeded nine (9) years (Recommendation 3.3).

Recommendations 3.4 and 3.5
Position of Chairman and CEO and Board Balance

There is a division of responsibility between the Chairman and the Chief Executive Officer to ensure a balance of power and authority. The roles of the Chairman and the Chief Executive Officer are separated and clearly defined. As part of good corporate governance, the Chairman is responsible for ensuring board effectiveness and conduct. He ensures that all relevant issues and quality information to facilitate decision making and effective running of the Group's business are included in the meeting agenda. In doing so, the Chairman will liaise with the Chief Executive Officer and the Company Secretary on agenda for board meetings. The Chairman encourages healthy debates on issues raised at meetings and gives opportunity to directors who wish to speak on the motions, either for or against them. Every Board resolution is then put to a vote which would reflect the collective decision of the Board and not the views of an individual or an interested group. The Chairman also chairs the meeting of shareholders of the Company. At the general meetings of the Company, the Chairman will ensure that the shareholders are given the opportunity to enquire on the Company's affairs. The Chief Executive Officer focuses on the business and the day-to-day management of the Company. He is the conduit between the Board and Management in ensuring the success of the Company's governance and management functions. The Chief Executive Officer implements the policies, strategies and decisions adopted by the Board (Recommendation 3.4).

The Board is chaired by a Non-Independent Non-Executive Chairman. Whilst the Company supports the recommendations made under the Code, the Company maintains that the Chairmanship of the Board shall continue to be held by a Non-Executive Non-Independent Director for the time being. The Board is of the view that the Chairman will remain objective in expressing his views and will allow all Board members the opportunity to participate and express their views in deliberations and decision making in the Board without fear or favour. In addition, any decision arrived at the Board is made on consensus. The Board will endeavour that the composition of the independent directors comprise of more than one third (1/3) of the Board to ensure balance of power and authority on the Board (Recommendation 3.5).

PRINCIPLE 4

FOSTER COMMITMENT

Recommendation 4.1
Time Commitment

The Board has established a formal and transparent policy on the appointment of Directors. In recommending or nominating a candidate to fill the position of Director in the Company, the Board will consider the candidate's ability to devote sufficient time to effectively discharge the duties as a director of the Company. This includes attendance of at least 50% of all board of directors and board committee meetings, or as determined

Statement on CORPORATE GOVERNANCE cont'd

from time to time by the Board. Appointed directors are also expected to devote their time to other matters involving the Company's affairs. In addition to the policy above, the time commitment required of the Directors are also incorporated as one of the terms in their appointment letter to the Board.

Any Board Member, while holding office, is at liberty to accept other Board appointments (outside the Company) so long as the appointment is not in conflict with the business of the Company or does not detrimentally affect the director's performance as a Board member. All such appointments must first be discussed with the Chairman or the Board before being accepted.

In line with the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad, Directors are also required to comply with the requirements of maximum five (5) directorships in listed companies. This allows them to devote their time and discharge their duties effectively with the companies in which they are directors. Board meetings are scheduled a year ahead in order to enable full attendance at Board meetings.

Recommendation 4.2
Continuing Education Programme

The Board acknowledges the importance of continuous education and training to enable effective discharge of its responsibility.

All Board members have attended the Mandatory Accreditation Programme (MAP) as prescribed by the Main Market Listing Requirements and the costs are borne by the Company.

The Continuous Education Programme focuses on business specific issues relating to the Company and the latest development within the related industries and is conducted in-house at least two (2) times per year. The programme is extended to all Directors and Senior Management of the Company. The Directors can also on their own initiatives, request to attend ad-hoc trainings, seminars or conferences conducted by third party providers to enhance their knowledge or skills in specific areas. The costs of attending such training/ forums are borne by the Company. Among of the trainings attended by the Directors cover the areas of law, corporate governance, finance, healthcare and risk management.

During the year, the directors of the Company have attended in-house seminars on "Lean Six Sigma - Executive Overview" and "Highlights of Key Provisions in the Proposed Companies Bill" which were organised by the CCM Group. The seminars were facilitated by industry expert as part of the Continuing Education Programme.

The Lean Six Sigma - Executive Awareness training was held with the objective to provide the Board with an overview of the Lean Six Sigma concepts, methodology and practical applications. In respect of the training on "Highlights of Key Provisions in Proposed Companies Bill" which was held on 19 October 2012, the Board was appraised on the new Companies Bill which is expected to replace the existing Companies Act, 1965.

PRINCIPLE 5

UPHOLD INTEGRITY IN FINANCIAL REPORTING

Recommendation 5.1
Compliance with applicable reporting standards

The Board is aware of its responsibilities to shareholders and the requirement to present a balanced and comprehensive assessment of the Company's financial position and prospects. In this regard, the Board has delegated to the Audit and Risk Management Committee (ARMC) to ensure that the preparation of financial statements comply with Companies Act, 1965 and approved Malaysia Financial Reporting Standards and that the accounts gives a true and fair view of the state of affairs of the Company at the end of the financial year.

The ARMC meets on a quarterly basis to review the integrity and reliability of the financial statements in the presence of the Chief Financial Controller and the Group Internal Auditor prior to recommending them to the Board for approval.

The ARMC, with the assistance and assurance of the Group Internal Auditor also reviews the internal control within the organisation in ensuring effective and efficient utilisation of the Company's assets.

Recommendation 5.2
Suitability and Independence of External Auditors

The ARMC will review the performance of the External Auditor on an annual basis after completion of the year-end audit on the suitability and independence of the External Auditors. In evaluating the suitability and effectiveness of external audit, the ARMC will review the overall comprehensive external audit plan, the timeliness and quality of deliverables and the competency/ adequacy of the resources to achieve the scope outlined in the audit plan.

The Board has also approved a policy on External Auditors' Independence whereby the ARMC is given the task to review and assess the independence of the External Auditor annually at the time the External Auditor presents its annual audit plan. It is expected that the External Auditor will rigorously comply with its own internal policies on independence and all relevant professional guidance on independence. The ARMC will further ensure that the policies governing the provision of non-audit fees are observed.

The ARMC held two (2) meetings with the External Auditors without the presence of the management during the financial year under review.

PRINCIPLE 6

RECOGNISE AND MANAGE RISKS

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

Recommendation 6.1
Establish sound framework to manage risks

The Board, through the ARMC, determines the Company's level of risk tolerance and actively identify, assess and monitor key business risks to safeguard shareholders' investment and the Company's assets.

The Company's risk management function is performed by the Group Risk Department who reports the results of the risk management activities to ARMC. The Department facilitates the risk management processes within the Company.

The Company's current ERM Framework which is currently automated has been aligned with the methodologies of ISO 31000 guidelines on managing risks which includes quantification of risks, review of CCM Risk Universe and adopting a KPI linked risk reporting.

A Risk Management Policy has been established by the Company to ensure an effective risk management programme and control systems and thereby facilitating the Company in meeting all its business objectives.

Recommendation 6.2
Internal Audit Function

The Company has established an internal audit function which is performed in-house by the Group Internal Audit Department that reports to the ARMC. The internal audit function is independent of the activities performed with impartiality, proficiency and due professional care.

The internal audit function is well resourced and critically reviews all aspects of the Company's activities and internal controls. Comprehensive audits of the practices, procedures, expenditure and internal controls of all business and support units and subsidiaries are undertaken on a regular basis.

The Group Internal Auditor has direct access to the Board through the Chairman of ARMC.

The function of the Group Internal Audit Department on the systems of internal control is to assist the ARMC 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 ARMC and Management.

Details of the Company's internal control system and framework are set out in the Audit and Risk Management Committee Report and Statement on Risk Management and Internal Control of this Annual Report on pages 39 to 43 and 47 to 49 respectively.

PRINCIPLE 7

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Recommendation 7.1
Corporate Disclosure Policy

The Company has long observed the continuing disclosure obligation imposed upon a listed issuer by Bursa Malaysia. The Company has put in place a Corporate Disclosure Policy and Procedures for the following purposes:

a. provide shareholders, investors, analysts, media representatives and other stakeholders with comprehensive, accurate and quality information issued by the Company on a timely and even basis;

b. raise awareness and provide guidance to the Board, management, officers and employees on the Company's disclosure requirements and practices;

Statement on CORPORATE GOVERNANCE cont'd

c. ensure that the Company meets its disclosure obligations in accordance with the securities laws and regulations governing corporate disclosure and confidentiality in relation to securities listed on Bursa Malaysia;

d. ensure that the Company observes best practices in relation to disclosure as illustrated in the Corporate Disclosure Guide by Bursa Malaysia; and

e. promote investor confidence in the integrity of the Company.

The policy is applicable to the conduct of directors, officers, managers and employees of the Company and to all method that the Company uses to communicate with the investing public in the dissemination of material information especially price sensitive information.

Recommendation 7.2
Leverage on Information Technology for Effective Dissemination

The Company uses its website to disseminate information and enhance its investor relations. The Company's website, www.duopharma.com.my, contains information about the Company, its products and businesses, announcements which have been made available to the public as well as other areas of interest to the public. The website contains a section on Investor Relations which provides the investing public with all material information documents which has been released, among others, as follows:

i. Annual Reports;
ii. Quarterly Financial Results;
iii. Bursa Malaysia Announcements;
iv. Corporate proposals;
v. News releases;
vi. Investor Relations presentations;
vii. Speeches;
viii. Financial highlights for the past five years.

All timely disclosure and material information documents will be posted on the website as soon as possible after release by the news wire service.

PRINCIPLE 8

STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Recommendation 8.1
Encourage Shareholder Participation at General Meetings

Notices of general meetings and the accompanying explanatory materials are provided within the prescribed time or earlier than the minimum notice period prior to the meetings on the Bursa Malaysia website and by post to shareholders. This allows shareholders to make the necessary arrangements to attend and participate either in person, by corporate representative, by proxy or by attorney.

To encourage participation at general meetings, the Company has in 2012, removed the limit on the number of proxies to be appointed by an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account. The Company has also included a new provision in its Articles of Association in respect of the qualification and the right of a proxy to speak at general meetings. Under the new provision, any person could be appointed by the shareholders as a proxy. The proxy shall have the same rights as the shareholder to speak at the meeting.

Recommendation 8.2
Encourage poll voting

Shareholders also have the right to demand poll vote for substantive resolutions and the detailed results showing the number of votes cast for and against each resolution will be announced through Bursa Malaysia.

At the last AGM, the Company had highlighted the right of the shareholders to demand for poll voting. However, the shareholders have opted for voting to be done by show of hands and resolutions put forth for shareholders' approval at the last AGM were voted on by show of hands.

Recommendation 8.3
Effective communication and proactive engagement

The Company encourages shareholders to ask questions and provide constructive feedback on the performance of the Company. Members of the Board, the Senior Management, as well as the External Auditors will be present to answer questions about the Company's affairs. In addition to the normal agenda for the AGM, the Board also presents the progress and performance of the business as contained in the Annual Report.

The Board believes that management speaks for the Company. In this instance, the Company has adopted a Communication Policy to provide sufficient information to shareholders to allow them to effectively evaluate the performance of the Company. The Company has adopted the following communication channels with shareholders:

i. Annual General Meeting

The Annual General Meeting (AGM) provides a forum for dialogue with shareholders and aims to ensure that the AGM provides an important opportunity for effective communication with and constructive feedback from the Company's shareholders. Members of the Board, the Company's Senior Management, as well as the Company's auditors will be present to answer questions about the Company's affairs. In addition to the normal agenda for the AGM, the Board presents the progress and performance of the business as contained in the Annual Report and provides opportunities for shareholders to raise questions pertaining to the business activities of the Company. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. Where necessary, the Chairman or the Chief Executive Officer will undertake to provide written answers to any significant questions that cannot be readily answered at the meeting.

The turnout of shareholders at the Company's AGM has always been large. A total of 86 shareholders and 146 proxies attended the AGM in 2012.

ii. Extraordinary General Meetings

Extraordinary General Meetings (EGM) will be held as and when required. The Directors will consider requisitions by shareholders to convene EGM or any other urgent matters requiring immediate attention of the Company.

Notices of general meetings and the accompanying explanatory materials are provided within the prescribed time or earlier than the minimum notice period prior to the meetings on the Bursa Malaysia website and by post to shareholders. Shareholders also have the right to demand poll vote for substantive resolutions and the detailed results showing the number of votes cast for and against each resolution will be announced through Bursa Malaysia.

iii. 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 business activities, the Company 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 Company's website at www.duopharma.com.my

iv. Company's Website

The Company also maintains a website at www.duopharma.com.my which can be accessed by shareholders to keep abreast with the Company's development. The Board ensures the timely release of financial results on quarterly basis to provide shareholders with an overview of the Company's performance and operations in addition to the various announcements or press releases made during the year which can also be obtained from Bursa Malaysia's website. The shareholders can also leave their queries/feedbacks on the Company's website.

v. Announcement of Quarterly Results for the Financial Year Ended 31 December 2012

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 Company has consistently announced its quarterly results before Bursa Malaysia's deadlines as indicated below:

Announcement of Quarterly Results 2012	Date of Announcement
1st Quarter	17 May 2012
2nd Quarter	16 August 2012
3rd Quarter	23 November 2012
4th Quarter	25 February 2013

Statement on CORPORATE GOVERNANCE cont'd

Statement of Compliance with the Principles and Recommendations of the Code

The Company has in all material respects complied with the principles and recommendations of the Malaysian Code on Corporate Governance 2012 (the Code) throughout the financial year ended 31 December 2012 save for Recommendation 2.2 on Gender Diversity target (Principle 2) and Recommendation 3.5 on non-independent Chairman (Principle 3) which are explained earlier.

This statement is made in accordance with a resolution of the Board of Directors dated 22 March 2013.

ADDITIONAL COMPLIANCE INFORMATION

1. **Non-Audit Fees**
   During the financial year ended 31 December 2012, 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 Company involving Directors or major shareholders' interest, either subsisting at the end of the financial year ended 31 December 2012 or entered into since the end of the previous financial year.

3. **Revaluation policy**
   The Company 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 2012.

5. **Employees' Share Option Scheme (ESOS)**
   The Company has not approved any ESOS during the financial period ended 31 December 2012.

6. **Options, Warrants or Convertible Securities**
   There were no options, warrants or convertible securities issued by the Company during the financial period ended 31 December 2012.

7. **American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme**
   During the financial period ended 31 December 2012, 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 2012 by the Company.

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

11. **Recurrent Related Party Transaction of Revenue or Trading Nature**
    At an Annual General Meeting (AGM) held on 24 May 2012, the Company obtained a shareholders' mandate to allow the Company to enter into recurrent related party transactions of 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 24 May 2012 until the conclusion of the forthcoming Annual General Meeting of the Company. The disclosure of the recurrent related party transactions conducted during the financial period ended 31 December 2012 is set out on page 102 and pages 115 to 117 of the Annual Report.

    The Company 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 Company. The details of the new mandate to be sought are furnished in the Circular to Shareholders dated 17 May 2013.

Report of the AUDIT AND RISK MANAGEMENT COMMITTEE

Introduction

The Board of Directors of CCM Duopharma Biotech Berhad (the Company) is pleased to present the report of the Audit and Risk Management Committee (ARMC) for the financial year ended 31 December 2012.

COMPOSITION OF THE AUDIT AND RISK MANAGEMENT COMMITTEE AND MEETINGS

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

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

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

TERMS OF REFERENCE

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

Membership

- The Audit and Risk Management Committee shall be appointed by the Board of Directors and shall all consist of Non-Executive Directors, a majority of whom are independent.
- The Chairman of the Audit and Risk Management Committee shall be approved by the Board and shall be an Independent Non-Executive Director.
- At least one member of the Committee:-
  - i. must be a member of the Malaysian Institute of Accountants (MIA); or
  - ii. if not a member of MIA:
    - – he must have at least three years of working experience; and
    - – he must have passed the examination specified in Part I of the 1st Schedule of the Accountants Act 1967; or
    - – he must be a member of one of the Associations of Accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
  - iii. fulfils such other requirements as prescribed or approved by 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 Chief Executive Officer, Chief Financial Officer, the Group Internal Auditor and the Group Risk Officer shall normally be invited to attend the meeting.

Report of the AUDIT AND RISK MANAGEMENT COMMITTEE cont'd

- Any other Board members 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 or whenever deemed necessary.
- 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. to engage the necessary resources required to carry out its duties and to obtain independent professional advice it considers necessary;

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

In addition to the above, the ARMC will keep under review the effectiveness of Company's Risk Management system, taking into account:

i. the development and maintenance by management of a comprehensive Risk Management framework;

ii. the Company's culture of Risk Management (including awareness, education and training for all levels of staff);

iii. feedback from the Management and the External Auditors on the effectiveness of Risk Management system;

iv. changes to the Company's risk profiles, arising from the material, financial and non-financial risks facing the Company and/or any part of the Company;

v. the impact and mitigation of significant risk events.

Responsibilities

(a) Audit Function

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

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

iii. To review the quarterly and year-end financial statements of the Board, focusing particularly on:

- any change in accounting policies and practices;
- significant adjustments arising from the audit;
- the going concern assumption; and
- compliance with accounting standards and other legal requirements.

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

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

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

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

a. Review and approve the annual audit plan;

b. 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;

c. Review and endorse the audit charter which outlines the purpose, authority and responsibility of the Group Internal Audit (GIA);

d. Review the internal audit and results of these activities and where necessary, ensure that appropriate actions are taken on the recommendations of these functions;

e. Review the annual budget for GIA;

f. Review any appraisal on performance as well as competency of the GIA functions;

g. Take cognisance of resignations of internal audit staff/members and provide the resigning staff/member an opportunity to submit his 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 matters as required by the Board.

(b) Risk Function

i. To set risk appetite, approve frameworks, policies and processes for managing risk, and accept risks beyond the approval discretion provided to the Management;

ii. To recommend to the Board the Company's risk-reward strategy, monitor risk profile, risk appetite and ensure that the Company maintains an appropriate balance of Risk Transfer and Risk Control measures to address business risks;

iii. To monitor changes anticipated for the economic and business environment, including consideration of emerging risks, legislative or regulatory changes, major initiatives and other factors considered relevant to the Company's risk profile;

iv. To receive reports from the Group Risk Department (GRD) which have been duly reviewed/deliberated by respective Management and Risk Committees concerning:

a. Risk Management policies, strategies, processes and controls, status of the implementation and effectiveness thereof, within the Company and, if thought fit, approve or vary them;

b. Alignment or integration of risk management activities with other management activities/tools which include formulation of strategies, development of business plans, budgeting, forecasting and performance review, within the Company;

c. Identification and management of enterprise risks which could impact the achievement of business objectives.

v. Review any appraisal on performance as well as competency of the GRD functions;

vi. Take cognisance of resignations of risk management staff/members and provide the resigning staff/member an opportunity to submit his reasons for resigning.

Activities during the Year

i. Reviewed and approved the Company's internal audit 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 Department Officers and monitor the status of corrective actions taken by the Management to ensure all audit and risk management issues and concerns are adequately resolved on a 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;

Report of the
AUDIT AND RISK MANAGEMENT COMMITTEE cont'd

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

viii. Reviewed the related party transactions entered into by the Company and the disclosure of such transactions in the annual report and circular on recurrent related party transactions;

ix. Reviewed and recommended to the Board dividends to be declared to the Shareholders of the Company.

STATEMENT ON INTERNAL AUDIT FUNCTION

The audits on the Company's operations are undertaken by the Group Internal Audit of its holding Company. The 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 RM305,000.00.

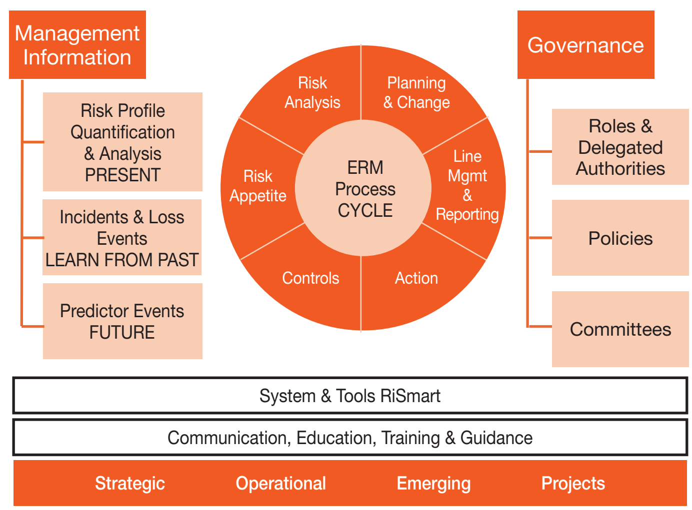
STATEMENT ON RISK MANAGEMENT FUNCTION

The Company has an in-house risk management function which is performed at CCM Group level. This Group Risk Department (GRD) is also represented at the CCM Duopharma Biotech Berhad's Audit and Risk Management Committee (ARMC). Significant risks (defined as Top Risks events with Residual Ranking Level of High to Extreme) identified throughout the year based on the CCM Group's approved risk management framework and processes are reported to CCM Duopharma Biotech Berhad's Audit and Risk Management Committee. The quarterly reports highlighted the Company's Risk Profile to enable Management to focus on key risks affecting the Company's businesses and operations and the system of internal control necessary to manage such risks.

Risk Management Function

The GRD provides risk advisory and supports in all matters of Enterprise Risk Management (ERM). The ERM provides a framework for risk management, which involves defining policy and objectives, lines of responsibilities and accountabilities, identifying particular risk events relevant to the Company and CCM Group's objectives, assessing them in terms of likelihood and magnitude of impact, evaluating them, determining response strategy, and monitoring progress of key risks faced by the Company. The ERM framework is outlined in the below diagram:

ERM Framework



The Company's risk management process establishes the context of risk in relation to the Company and CCM Group. The process includes risk identification, analysis, evaluation and treatment with continuous monitoring, review, communication and consultation. Analysis of risks based on likelihood of occurrence and significance of their consequences is consistent with the Risk Ranking of an approved Risk Matrix.

Risk Matrix

CONSEQUENCES →

LIKELIHOOD ↑					
	High	High High	Extreme	Extreme	Extreme
	Moderate	High	High High	Extreme	Extreme
	Minor	Moderate	High	High High	Extreme
	Trivial	Moderate	Moderate	High	High High
	Trivial	Minor	Moderate	High	High High

The GRD drives the implementation of the Business Continuity plan for the Company. The Company has appointed a Risk Coordinator to act as risk liaison.

Risk Management Activities during the Year

In Quarter 2 2012, an automated Enterprise Risk Management system (RiSmart) designed based on ISO 31000, which is the international guideline for managing risk, was introduced within CCM Group and simultaneously at CCM Duopharma Biotech Berhad. After a period of training and awareness, the third and fourth quarter of 2012 risk reporting was carried out via this online system. Risks are being identified by risk owners across various entities, geographical locations (within the Group), functions and by objectives. Risk information is made available to risk owners and senior management with online accessibility and improves the efficiency, consistency and accuracy of reporting.

With implementation of RiSmart in Quarters 3 and 4, the ARMC reviewed top risks comprising of Strategic, Operational and Emerging categories. The review included movements from Gross to Residual Risk Level to monitor Management's progress in implementing controls and assessing the effectiveness of measures to address the sources of risk. The reporting captures updates of risk decisions and risk acceptances made based on defined risk appetite, controls and treatment measures undertaken by risk owners. An audit trail feature within the system monitors risk reporting frequency of risk owners and the risk review feature allows the GRD to provide independent review of any aspects of risks identified.

The framework for risk management includes Risk Quantification and Key Risk Indicators (KRIs) which are areas being pursued by Management towards an integrated Enterprise Risk Management.

Crisis management and business continuity programme is consolidated to a CCM Group level Business Continuity Management framework, policy and guidelines which was launched in August 2012. Ongoing review of Business Impact Analysis (BIA) to determine key issues and exposures was done in the period and more regular and coordinated testing of the Business Continuity Plan is planned in the future.

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 2012.

COMPOSITION OF THE NOMINATION AND REMUNERATION COMMITTEE

i. The Nomination and Remuneration Committee consists of three (3) members, all of whom are Non-Executive Directors with the majority being independent directors. The quorum for the Committee shall be two (2) members, of which one should be an independent director;

ii. In the event of equality of votes, the Chairman of the Committee shall have a casting vote (except where two (2) directors form the quorum);

iii. The Chairman of the Committee shall be the Senior Independent Director. In the absence of the Chairman of the Committee, the members present shall elect one of their number to chair the meeting;

iv. The appointment of a Committee member terminates when the member ceases to be a director, or as determined by the Board.

Meetings

i. The Committee shall meet at least once a year. Additional meetings shall be scheduled as considered necessary by the Committee or Chairman. The Committee may establish any procedures from time to time to govern its meetings, keeping of minutes and its administration;

ii. The Committee shall have access to such information and advice, both from within the Group and externally, as it deems necessary or appropriate in accordance with the procedures determined by the Board and at the cost of the Group. The Committee may request other directors, members of management, counsels, consultants as applicable to participate in Committee meetings, as necessary, to carry out the Committee's responsibilities. Non-Committee directors and members of management in attendance may be required by the Chairman to leave the meetings of the Committee when the Chairman so request;

iii. The Secretary of the Committee shall be the Group Company Secretary. Committee meeting agendas shall be the responsibility of the Committee Chairman with input from Committee members. The Chairman may also request management to participate in this process. The agenda for each meeting including supporting information shall be circulated at least seven days before each meeting to the Committee members and all those who are required to attend the meeting;

iv. The Committee shall cause minutes to be duly entered in the books provided for the purpose of all resolutions and proceedings of all meetings of the Committee. Such minute shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting and if so signed, shall be conclusive evidence without any further proof of the facts thereon stated. The minutes of the Committee meeting shall be available to all Board Members;

v. The Committee, through its Chairman, shall report to the Board at the next Board of Directors' meeting after each Committee meeting. When presenting any recommendation to the Board, the Committee will provide such background and supporting information as may be necessary for the Board to make an informed decision. The Committee shall provide such information to the Board as necessary to assist the Board in making a disclosure in the Annual Report in accordance with the Best Practices of and the Principles of the Malaysian Code on Corporate Governance and the Bursa Malaysia Listing Requirements;

vi. The Chairman of the Committee shall be available to answer questions about the Committee's work at the Annual General Meeting of the Company.

The Board has appointed Haji Ghazali bin Awang as the Senior Independent Director on 13 December 2012. The current composition of the Committee stands at three (3) members.

A total of three (3) meetings were held during the year. The attendance record of each member during the year is as follows:

Members of NRC	No. of Meetings Attended
Haji Ghazali bin Awang *Chairman, Senior Independent Non-Executive Director* *(Appointed as Chairman w.e.f. 13 December 2012)*	3/3
Tan Sri Dato' Dr. Abu Bakar bin Suleiman *Member, Non-Independent Non-Executive Director*	3/3
Tan Sri Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam *Member, Independent Non-Executive Director*	3/3

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, expertise and gender 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 package of the Executive Directors or Chief Executive Officer;

Report of the NOMINATION AND REMUNERATION COMMITTEE cont'd

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;

xiii. To consider other matters as referred to the Committee by the Board.

Activities during the Year

During the year, the Committee:

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

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

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

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

v. Reviewed and recommend to the Board, the appointment and renewal of the contract of service of Chief Executive Officer of the Company;

vi. Recommended the re-appointment of non-executive directors to the Board.

Statement on RISK MANAGEMENT AND INTERNAL CONTROL

RESPONSIBILITY

The Board is responsible for the review of the adequacy and effectiveness of the Group's system of risk management and internal controls, which includes financial, operational and compliance controls. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives. Accordingly, it can only provide reasonable and not absolute assurance against material misstatement or loss.

The risk management and control processes are implemented by the Management, led by the Chief Executive Officer and Senior Management of the Group, who collectively is responsible for good business practices and governance.

RISK MANAGEMENT

The Board confirms that as an integral part of the system of internal control, there is an on-going group-wide risk management process for identifying, evaluating and managing the significant risks faced by the Group. Day-to-day risk management resides at the business entities and departments and practised within the Group on an iterative basis. All new and major investments have to observe a process approval that includes an assessment of the associated risks. During the year under review, the Group has implemented an improved Enterprise Risk Management Framework (named *RiSmart*) which is based on ISO 31000, premised on international guideline for managing risk. *RiSmart* defines, highlights, report and manage the key business and operational risks anticipated by business departments of the Group.

The group-wide risk management process is subjected to regular review by the Board. The Group has an Audit and Risk Management Committee to provide oversight and added impetus to the risk management process.

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 profiles and risk treatment measures determined from this process are documented in risk registers with each business or operations area having its respective risk register. The overall process is facilitated by the Group Risk Department which is dedicated to the role.

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

KEY ELEMENTS OF THE GROUP'S SYSTEM OF INTERNAL CONTROLS

The key elements of the Group's system of internal controls are described below:

Board Committees

The delegation of responsibilities to the various committees of the Board of Directors is clearly defined. At present, the committees which are established are the Audit and Risk Management Committee and the Nomination and Remuneration Committee.

Statement on
RISK MANAGEMENT AND INTERNAL CONTROL cont'd

Assignment of Authority and Responsibility
Clearly defined lines of authority within the Group's organisation structure have been established to facilitate the supervision and monitoring of conduct and operations of individual business units and support services departments. The Board has approved a defined and documented Limits of Authority (LOA) which is used consistently throughout the Group. These LOAs specify clear division and delegation of responsibilities from the Board to the Board Committees and to members of management and the authorisation levels of various aspects of operations. These are regularly reviewed and updated to resolve operational effectiveness and challenges and to reflect changing risks. Additionally, the Group's holding Company has a Project Review Committee to provide added assurance to the Group's Finance and Investment Committee in the feasibility evaluation of project/ investment proposals and subsequent evaluation of the progress and results of endorsed project/investment through a process of due scrutiny. The Project Review Committee is chaired by the Group Managing Director and members include the Group Senior Management.

Planning, Monitoring & Reporting
The Group undertakes a strategic and budgeting planning process annually to establish plans and targets against which performance is monitored. These business plan and budgets are subjected to evaluation and assessment by the Senior Management Group and the Group's Finance and Investment Committee before it is recommended to the Board for approval. Monthly review is carried out by the Management to ensure that the businesses are operating according to the plans, as well as to monitor adherence to the internal control procedures established. Management reports are presented to the Board each quarter providing financial information including key performance and risk indicators. The information is reviewed by the Audit and Risk Management Committee before it is presented to the Board for consideration and approval.

Policies & Procedures
There are policies and procedures in place to ensure compliance with controls, and relevant laws and regulations. These policies and procedures are periodically reviewed and updated to reflect changes in business structure and processes. In various instances, these documents form an integral part of the Integrated Quality Management Systems (IQMS).

During the year under review, the Group has implemented SAP as part of the Group initiative to establish best practices across key business functions promoting greater visibility, transparency and efficiency.

Annual assurance is provided by the Chief Executive Officer and senior management team to the Board on the adequacy and effectiveness of controls in the business processes.

Business Continuity Management (BCM)
A framework on BCM has been established to ensure continuity of business in the event of a disaster.

Human Resource Management
Key Performance Indicators are used to measure the achievement of staff in achieving the business and operational objectives. To enhance the competencies of the Group's talent pool, staff are kept updated with required training programmes ensuring their capabilities to carry out duties and responsibilities towards achieving Group's objectives.

To ensure unsatisfactory performance and workplace conflicts are properly dealt with, the Group has in place guidelines for handling misconduct and disciplinary matters which includes breach of integrity and other misconduct which do not comply with the terms and conditions of service whether expressed or implied.

Internal Audit

The Group's holding Company Internal Audit Department (GIA) independently reviews the adequacy and integrity of the system of internal control in managing the key risks, and reports accordingly to the Audit and Risk Management Committee of the Board on a quarterly basis. 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 GIA to assess the status of implementation thereof by management. In carrying out its work, GIA focuses on areas of priority as directed and approved by the Audit and Risk Management Committee of the Board.

The Board remains committed towards maintaining a sound system of internal control and believe that a balanced achievement of the Group's business objectives and operational efficiency can be attained. The Group continues to take measures to further strengthen the internal control environment.

Board Assessment

The Board is of the view that the Group's overall risk management and internal control systems are operating adequately and effectively, in all material aspects, and have received the same assurance from both the Chief Executive Officer and Chief Financial Officer of the Group.

The Board confirms that the risk management process in identifying, evaluating and managing significant risks faced by the Group has been in place throughout 2012 up to the date of approval of this statement.

For the financial year 2012, the Board is of the view that the system of internal controls was adequate and effective and has not resulted in any material loss, contingency or uncertainty that would require disclosure in the Annual Report 2012.

PROGRESS

CCM's constant investment in innovations and new methodologies to exceed customers' expectations and ensure our steady growth.

Chairman's STATEMENT cont'd

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 2012.

PRINCIPAL ACTIVITIES

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

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to owners of the Company	26,014	20,924

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 9.71 sen per share, tax exempt under the single-tier system and ordinary dividend of 1.55 sen per ordinary share less tax at 25% (1.16 sen net per ordinary share) totalling RM15,097,000 in respect of the financial year ended 31 December 2011 on 29 June 2012; and

ii) an interim ordinary dividend of 3.50 sen per share, tax exempt under the single-tier system totalling RM4,859,000 in respect of the year ended 31 December 2012 on 9 November 2012.

The ordinary dividends recommended by the Directors in respect of the financial year ended 31 December 2012 is 10.50 sen per ordinary share, tax exempt under the single-tier tax system, totalling RM14,576,000.

DIRECTORS OF THE COMPANY

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

Tan Sri Dato' Dr. Abu Bakar bin Suleiman
Tan Sri Dato' Dr. Jegathesan a/l N M Vasagam @ Manikavasagam
Datuk Alias bin Ali
Haji Ghazali bin Awang
Amirul Feisal bin Wan Zahir

DIRECTORS' INTERESTS IN SHARES

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

	Number of ordinary shares of RM0.50 each			
	At 1.1.2012	**Bought**	**Sold**	**At 31.12.2012**
Tan Sri Dato' Dr. Abu Bakar bin Suleiman				
Interest in the Company:				
– own	286,400	-	-	286,400
– others#	22,000	-	-	22,000
Tan Sri Dato' Dr. Jegathesan a/l N M Vasagam @ Manikavasagam				
Interest in the Company:				
– own	34,120	-	-	34,120
Haji Ghazali bin Awang				
Interest in the Company:				
– own	72,000	15,000	-	87,000

\# 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 companies (other than wholly-owned subsidiaries) shall also be treated as the interests of Tan Sri Dato' Dr. Abu Bakar bin Suleiman.

None of the other Directors holding office as at 31 December 2012 had any interest in the ordinary shares of the Company and of its related companies during the financial year.

DIRECTORS' REPORT cont'd

for the year ended 31 December 2012

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 company 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 financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and the Company misleading, or

OTHER STATUTORY INFORMATION (CONTINUED)

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

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2012 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: 22 March 2013

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2012

		Group			Company		
	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Assets							
Property, plant and equipment	3	98,940	95,977	100,249	-	-	-
Investment property	4	6,470	5,720	-	-	-	-
Investment in a subsidiary	5	-	-	-	40,187	40,187	40,187
Trade and other receivables	6	-	-	-	54,523	53,754	47,384
Total non-current assets		105,410	101,697	100,249	94,710	93,941	87,571
Inventories	7	41,383	45,124	34,003	-	-	-
Current tax assets		-	2,696	-	98	212	117
Trade and other receivables	6	37,098	37,679	35,755	5,372	5,000	5,000
Cash and cash equivalents	8	14,139	8,584	24,732	663	113	4,205
Assets classified as held for sale	9	-	1,740	1,740	-	-	-
Total current assets		92,620	95,823	96,230	6,133	5,325	9,322
Total assets		198,030	197,520	196,479	100,843	99,266	96,893
Equity							
Share capital		69,739	69,739	69,739	69,739	69,739	69,739
Reserves		12,142	12,142	12,142	12,142	12,142	12,142
Retained earnings		88,622	82,564	75,988	18,013	17,045	14,686
Total equity	10	170,503	164,445	157,869	99,894	98,926	96,567
Liabilities							
Loan and borrowing	11	-	2,082	10,416	-	-	-
Deferred tax liabilities	12	5,659	5,584	3,821	-	-	-
Total non-current liabilities		5,659	7,666	14,237	-	-	-
Loan and borrowing	11	5,000	8,334	8,334	-	-	-
Current tax liabilities		46	-	356	-	-	-
Trade and other payables	13	16,822	17,075	15,683	949	340	326
Total current liabilities		21,868	25,409	24,373	949	340	326
Total liabilities		27,527	33,075	38,610	949	340	326
Total equity and liabilities		198,030	197,520	196,479	100,843	99,266	96,893

The notes on pages 62 to 107 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Revenue	14	135,310	138,132	19,822	23,474
Cost of sales		(72,362)	(74,847)	-	-
Gross profit		62,948	63,285	19,822	23,474
Other income		1,356	248	-	-
Distribution and marketing expenses		(11,295)	(13,245)	-	-
Administrative expenses		(12,327)	(12,042)	(665)	(450)
Other expenses		(5,084)	(3,651)	-	-
Results from operating activities	15	35,598	34,595	19,157	23,024
Finance income	16	101	364	2,321	2,341
Finance cost	17	(401)	(231)	-	-
Profit before tax		35,298	34,728	21,478	25,365
Income tax expense	19	(9,284)	(8,023)	(554)	(2,877)
Profit for the year		26,014	26,705	20,924	22,488
Total comprehensive income for the year attributable to owners of the Company		26,014	26,705	20,924	22,488
Basic and diluted earnings per ordinary share (sen)	20	18.74	19.24		

The notes on pages 62 to 107 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2012

		Attributable to owners of the Company					
			Non-distributable			Distributable	
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**
At 1 January 2011 (FRS)		69,739	13,720	7,395	(1,578)	68,593	157,869
Effect of adopting MFRS		-	-	(7,395)	-	7,395	-
At 1 January 2011 (MFRS)		69,739	13,720	-	(1,578)	75,988	157,869
Profit for the year		-	-	-	-	26,705	26,705
Total comprehensive income for the year		69,739	13,720	-	(1,578)	102,693	184,574
Dividends on ordinary shares	21	-	-	-	-	(20,129)	(20,129)
Total distribution to owners		-	-	-	-	(20,129)	(20,129)
At 31 December 2011/ 1 January 2012		69,739	13,720	-	(1,578)	82,564	164,445
Profit for the year		-	-	-	-	26,014	26,014
Total comprehensive income for the year		69,739	13,720	-	(1,578)	108,578	190,459
Dividends on ordinary shares	21	-	-	-	-	(19,956)	(19,956)
Total distribution to owners		-	-	-	-	(19,956)	(19,956)
At 31 December 2012		69,739	13,720	-	(1,578)	88,622	170,503
		Note 10.1			Note 10.2		

The notes on pages 62 to 107 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2012

		← Attributable to the owners of the Company →				
		← Non-distributable →			Distributable	
Company	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Treasury shares RM'000**	**Retained earnings RM'000**	**Total RM'000**
At 1 January 2011		69,739	13,720	(1,578)	14,686	96,567
Profit for the year		-	-	-	22,488	22,488
Total comprehensive income for the year		-	-	-	22,488	22,488
Dividends on ordinary shares	21	-	-	-	(20,129)	(20,129)
Total distribution to owners		-	-	-	(20,129)	(20,129)
At 31 December 2011/ 1 January 2012		69,739	13,720	(1,578)	17,045	98,926
Profit for the year		-	-	-	20,924	20,924
Total comprehensive income for the year		-	-	-	20,924	20,924
Dividends on ordinary shares	21	-	-	-	(19,956)	(19,956)
Total distribution to owners		-	-	-	(19,956)	(19,956)
At 31 December 2012		69,739	13,720	(1,578)	18,013	99,894
		Note 10.1		Note 10.2		

The notes on pages 62 to 107 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
for the year ended 31 December 2012

		Group		Company	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash flows from operating activities					
Profit before tax		35,298	34,728	21,478	25,365
Adjustments for:					
Depreciation of property, plant and equipment		6,974	5,969	-	-
Dividends income		-	-	(19,822)	(23,474)
Finance income		(101)	(364)	(2,321)	(2,341)
Finance cost		401	231	-	-
Gain on disposal of asset held for sale		(601)	-	-	-
Gain on revaluation of investment properties		(750)	-	-	-
Loss on disposal of property, plant and equipment		65	-	-	-
Operating profit/(loss) before changes in working capital		41,286	40,564	(665)	(450)
Changes in working capital:					
Inventories		3,741	(11,121)	-	-
Trade and other payables		(253)	1,393	609	14
Trade and other receivables		581	(1,924)	13,819	(6,370)
Cash generated from/(used in) operations		45,355	28,912	13,763	(6,806)
Tax paid		(6,512)	(9,313)	(485)	(656)
Interest paid		(401)	(231)	-	-
Tax refund		45	-	45	-
Net cash generated from/(used in) operating activities		38,487	19,368	13,323	(7,462)
Cash flows from investing activities					
Acquisition of property, plant and equipment		(10,354)	(7,417)	-	-
Dividends received		-	-	4,862	21,158
Interest received		101	364	2,321	2,341
Proceeds from disposal of asset held for sale		352	-	-	-
Proceeds from disposal of plant and equipment		2,341	-	-	-
Net cash (used in)/generated from investing activities		(7,560)	(7,053)	7,183	23,499

The notes on pages 62 to 107 are an integral part of these financial statements.

		Group		Company	
	Note	**2012 RM'000**	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Cash flows from financing activities					
Dividends paid to owners of the Company		(19,956)	(20,129)	(19,956)	(20,129)
Repayment to loan and borrowing		(5,416)	(8,334)	-	-
Net cash used in financing activities		(25,372)	(28,463)	(19,956)	(20,129)
Net increase/(decrease) in cash and cash equivalents		5,555	(16,148)	550	(4,092)
Cash and cash equivalents at 1 January		8,584	24,732	113	4,205
Cash and cash equivalents at 31 December		14,139	8,584	663	113

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	**2012 RM'000**	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Deposits with licensed banks		4,793	8,016	-	-
Cash and bank balances		9,346	568	663	113
	8	14,139	8,584	663	113

The notes on pages 62 to 107 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 financial year ended 31 December 2012 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 financial year ended 31 December 2012 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 22 March 2013.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the Companies Act, 1965 in Malaysia. These are the Group and the Company's first financial statements prepared in accordance with MFRSs and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards has been applied.

In the previous financial years, the financial statements of the Group and the Company were prepared in accordance with Financial Reporting Standards ("FRSs") in Malaysia. The financial impacts on transition to MFRSs are disclosed in note 27.

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

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

- Amendments to MFRS 101, Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

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

- MFRS 10, Consolidated Financial Statements
- MFRS 11, Joint Arrangements
- MFRS 12, Disclosure of Interests in Other Entities
- MFRS 13, Fair Value Measurement
- MFRS 119, Employee Benefits (2011)
- MFRS 127, Separate Financial Statements (2011)
- MFRS 128, Investments in Associates and Joint Ventures (2011)
- IC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine
- Amendments to MFRS 7, Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards – Government Loans
- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 101, Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 116, Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 132, Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 134, Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 10, Consolidated Financial Statements: Transition Guidance
- Amendments to MFRS 11, Joint Arrangements: Transition Guidance
- Amendments to MFRS 12, Disclosure of Interests in Other Entities: Transition Guidance

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

- Amendments to MFRS 10, Consolidated Financial Statements: Investment Entities
- Amendments to MFRS 12, Disclosure of Interests in Other Entities: Investment Entities
- Amendments to MFRS 127, Separate Financial Statements (2011): Investment Entities
- Amendments to MFRS 132, Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

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

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

Notes to the FINANCIAL STATEMENTS cont'd

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

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

- from the annual period beginning on 1 January 2013 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2012 and 1 January 2013, except for MFRS 11, 12 and 128 and IC Interpretation 20 which are not applicable to the Company.

- from the annual period beginning on 1 January 2014 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014, except for MFRS 12 which are not applicable to the Company.

- from the annual period beginning on 1 January 2015 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2015.

The initial application of other standards, amendments and interpretations is not expected to have any material financial impacts to the current and prior periods financial statements upon their first adoption.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of financial statements in conformity with Malaysian Financial Reporting Standards ("MFRS") requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and in preparing the opening MFRS statements of financial position of the Group and of the Company at 1 January 2011 (the transition date to MFRS framework), unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control exists when the Company has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

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

(ii) Business combinations

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

Acquisitions on or after 1 January 2011

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

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

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

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

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

(iii) Accounting for business combinations

Acquisitions before 1 January 2011

As part of its transition to MFRS, the Group elected not to restate those business combinations that occurred before the date of transition to MFRSs, i.e. 1 January 2011. Goodwill arising from acquisitions before 1 January 2011 has been carried forward from the previous FRS framework as at the date of transition.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) 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 respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

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

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a cash flow hedge of currency risk, which are recognised in other comprehensive income.

(c) Financial instruments

(i) Initial recognition and measurement

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(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.

(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.

Notes to the FINANCIAL STATEMENTS cont'd

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

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.

The gain and loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" or "other expenses" respectively in profit or loss.

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component are depreciated separately.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Intangible assets

Research and development

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

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

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

Capitalised development expenditure is measured at cost less any accumulated amortisation and any impairment losses.

(f) Investment property

(i) Investment property carried at fair value

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

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

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

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

Notes to the FINANCIAL STATEMENTS cont'd

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Investment property (continued)

(ii) Reclassification to/from investment property

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

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

(iii) Determination of fair value

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

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

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

Valuations reflect, where appropriate:

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

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

(g) Inventories

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

The cost of inventories is based on the weighted average cost formula. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

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

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

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

(i) Cash and cash equivalents

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

(j) Impairment

(i) Financial assets

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

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

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

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

Notes to the FINANCIAL STATEMENTS cont'd

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment

(ii) Other assets

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

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit.

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

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

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

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(k) Equity instruments

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

(i) Issue expenses

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Equity instruments (continued)

(ii) Repurchases of share capital

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

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

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

(l) Employee benefits

(i) Short- term employee benefits

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

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

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

(m) Provisions

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

(n) Contingent liabilities

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

Notes to the FINANCIAL STATEMENTS cont'd

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Dividend income

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

(iii) Finance income

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

(p) Borrowing costs

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income tax

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

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted by the end of reporting period, and any adjustment to tax payable in respect of previous financial 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 the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(f), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

Unutilised reinvestment allowance, being a tax incentive that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

(r) Earnings per ordinary share

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

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Operating segments

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

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Buildings RM'000	Plant and machineries RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Renovations RM'000	Capital work-in-progress RM'000	Total RM'000
Cost								
At 1 January 2011	16,339	23,571	53,744	2,597	1,154	338	37,773	135,516
Additions	-	777	3,685	181	-	-	2,774	7,417
Reclassifications	2,095	29,299	8,690	-	-	-	(40,084)	-
Transfer to investment property (Note 4)	(5,537)	-	-	-	-	-	(183)	(5,720)
At 31 December 2011/ 1 January 2012	12,897	53,647	66,119	2,778	1,154	338	280	137,213
Additions	-	186	7,379	2,217	-	158	414	10,354
Reclassifications	-	-	419	-	-	-	(419)	-
Disposals	-	-	(21)	-	(687)	-	-	(708)
At 31 December 2012	12,897	53,833	73,896	4,995	467	496	275	146,859

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land RM'000	Buildings RM'000	Plant and machineries RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Renovations RM'000	Capital work-in-progress RM'000	Total RM'000
Depreciation								
At 1 January 2011	-	-	32,355	2,109	526	277	-	35,267
Depreciation for the year	-	712	4,935	216	98	8	-	5,969
At 31 December 2011/ 1 January 2012	-	712	37,290	2,325	624	285	-	41,236
Depreciation for the year	-	1,079	5,580	236	71	8	-	6,974
Disposals	-	-	(1)	-	(290)	-	-	(291)
At 31 December 2012	-	1,791	42,869	2,561	405	293	-	47,919
Carrying amounts								
At 1 January 2011	16,339	23,571	21,389	488	628	61	37,773	100,249
At 31 December 2011/ 1 January 2012	12,897	52,935	28,829	453	530	53	280	95,977
At 31 December 2012	12,897	52,042	31,027	2,434	62	203	275	98,940

The Company has no property, plant and equipment.

(i) Borrowing costs capitalised at nil% (31 December 2011: 4.1% to 4.53%; 1 January 2011: 3.49% to 4.10%) per annum.

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Borrowing costs	-	407	782

Notes to the
FINANCIAL STATEMENTS cont'd

4. INVESTMENT PROPERTY

	Group	
	2012 RM'000	2011 RM'000
At fair value:		
At 1 January	5,720	-
Transfer from property, plant and equipment (Note 3)	-	5,720
Change in fair value recognised in profit or loss	750	-
At 31 December	6,470	5,720
Included in the above are:		
Freehold land	6,470	5,720

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

5. INVESTMENT IN A SUBSIDIARY

	Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Unquoted share, at cost	40,187	40,187	40,187

Details of the subsidiary are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest		
			31.12.2012 %	31.12.2011 %	1.1.2011 %
Duopharma (M) Sendirian Berhad	Malaysia	Manufacturing, distributing, importing and exporting of pharmaceutical products and medicines	100	100	100

6. TRADE AND OTHER RECEIVABLES

		Group			Company		
	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Non-current							
Amount due from a subsidiary	6.1	-	-	-	54,523	53,754	47,384
Current Trade							
Trade receivables		32,460	33,896	34,203	-	-	-
Amount due from related companies	6.2	1,619	782	865	-	-	-
		34,079	34,678	35,068	-	-	-
Non-trade							
Amount due from a subsidiary	6.1	-	-	-	5,372	5,000	5,000
Amount due from a related company	6.3	-	407	-	-	-	-
Other receivables, deposits and prepayments	6.4	3,019	2,594	687	-	-	-
		3,019	3,001	687	5,372	5,000	5,000
		37,098	37,679	35,755	5,372	5,000	5,000

6.1 The non-trade receivable due from a subsidiary is unsecured, subject to interest at 4.0% (31 December 2011: 4.4%; 1 January 2011: 4.3%) per annum. The non-current amount is not repayable over the next 12 months.

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

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

6.4 Included in other receivables, deposits and prepayments is deposits for new plant and machineries amounting to RM2,770,348 (31 December 2011: RM1,793,000; 1 January 2011: RM183,000).

Notes to the
FINANCIAL STATEMENTS cont'd

7. INVENTORIES

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Raw materials and consumables	12,740	15,855	14,364
Work-in-progress	1,557	2,246	2,327
Packing materials	6,390	7,076	1,997
Finished goods	20,696	19,947	15,315
	41,383	45,124	34,003
Recognised in profit or loss:			
Inventories recognised as cost of sales	72,362	74,847	71,940

In 2012, inventories amounting to RM4,327,000 (31 December 2011: RM2,413,000; 1 January 2011: RM2,896,000) were written off. The write-off is included in cost of sales.

8. CASH AND CASH EQUIVALENTS

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Deposits with licensed banks	4,793	8,016	23,289	-	-	4,100
Cash and bank balances	9,346	568	1,443	663	113	105
	14,139	8,584	24,732	663	113	4,205

9. ASSETS CLASSIFIED AS HELD FOR SALE

In January 2012, two units of one and half storey semi-detached factory and two pieces of freehold industrial lands were sold. The gains on disposal of the assets held for sale have been credited in the statement of profit or loss and other comprehensive income.

Assets held for sale comprise the following:

	2012 RM'000	2011 RM'000
Property, plant and equipment	-	1,740
Less: Impairment loss during the year	-	-
Carrying value	-	1,740

10. SHARE CAPITAL AND RESERVES

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Share capital	69,739	69,739	69,739	69,739	69,739	69,739
Non-distributable reserves						
Share premium	13,720	13,720	13,720	13,720	13,720	13,720
Revaluation reserve	-	-	7,395	-	-	-
Treasury shares	(1,578)	(1,578)	(1,578)	(1,578)	(1,578)	(1,578)
	12,142	12,142	19,537	12,142	12,142	12,142
Retained earnings (distributable)	88,622	82,564	68,593	18,013	17,045	14,686
	170,503	164,445	157,869	99,894	98,926	96,567

10. SHARE CAPITAL AND RESERVES (CONTINUED)

10.1 Share capital

	Group and Company					
	31.12.2012		31.12.2011		1.1.2011	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Ordinary shares of RM0.50 each						
Authorised	100,000	200,000	100,000	200,000	100,000	200,000
Issued and fully paid	69,739	139,479	69,739	139,479	69,739	139,479

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

10.2 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 2012 after deducting treasury shares held is 138,821,000 (31 December 2011: 138,821,000; 1 January 2011: 138,821,000).

11. LOAN AND BORROWING

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Non-current			
Unsecured non-revolving loan	-	2,082	10,416
Current			
Unsecured non-revolving loan	-	8,334	8,334
Unsecured revolving loan	5,000	-	-
	5,000	8,334	8,334
	5,000	10,416	18,750

On 12 June 2012, the subsidiary entered into Revolving Credit Facility Agreement of RM10 million with Hong Leong Bank Berhad ("HLBB") to accommodate for working capital requirements.

Interest rates of the subsidiary's borrowings depend on the lenders' effective cost of funds plus 0.35% p.a..

12. DEFERRED TAX LIABILITIES

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets			Liabilities			Net		
Group	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Property, plant and equipment	-	-	-	(6,269)	(5,863)	(4,132)	(6,269)	(5,863)	(4,132)
Receivables	97	88	98	-	-	-	97	88	98
Other items	513	191	213	-	-	-	513	191	213
Tax assets/ (liabilities)	610	279	311	(6,269)	(5,863)	(4,132)	(5,659)	(5,584)	(3,821)

Notes to the FINANCIAL STATEMENTS cont'd

12. DEFERRED TAX LIABILITIES (CONTINUED)

Movement in temporary differences during the year

Group	At 1.1.2011 RM'000	Recognised in profit or loss RM'000 (Note 19)	At 31.12.2011 RM'000	Recognised in profit or loss RM'000 (Note 19)	At 31.12.2012 RM'000
Property, plant and equipment	4,132	1,731	5,863	(204)	6,269
Receivables	(98)	10	(88)	88	(97)
Other items	(213)	22	(191)	191	(513)
Total	3,821	1,763	5,584	75	5,659

13. TRADE AND OTHER PAYABLES

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Trade						
Trade payables	2,361	3,842	2,363	-	-	-
Amount due to related companies	-	205	367	-	-	-
	2,361	4,047	2,730	-	-	-
Non-trade						
Amount due to intermediate holding company	4,536	1,800	957	423	-	-
Amount due to related companies	470	-	-	-	-	-
Other payables	2,064	4,229	5,349	-	-	-
Accrued expenses	7,050	6,233	5,797	526	340	326
Others	341	766	850	-	-	-
	14,461	13,028	12,953	949	340	326
	16,822	17,075	15,683	949	340	326

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

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

14. REVENUE

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Sale of goods	135,310	138,132	-	-
Dividend income from an unquoted subsidiary in Malaysia	-	-	19,822	23,474
	135,310	138,132	19,822	23,474

15. RESULTS FROM OPERATING ACTIVITIES

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Operating profit is arrived at after charging:				
Auditors' remuneration:				
- Audit fees	73	73	18	18
- Non-audit fees	14	14	14	14
Depreciation on property, plant and equipment	6,974	5,969	-	-
Impairment loss:				
- trade receivables	37	52	-	-
Intermediate holding company management fees	5,649	6,010	-	-
Inventories written off	4,327	2,413	-	-
Loss on disposal of property, plant and equipment	65	-	-	-
Net realised foreign exchange loss	261	689	-	-
Personnel expenses:				
- contributions to state plans	2,133	2,031	-	-
- wages, salaries and others	17,490	16,642	-	-
Rental of premises	90	84	-	-
Research and development costs expensed as incurred	1,760	1,463	-	-
and after crediting:				
Dividend income from				
- a subsidiary in Malaysia (unquoted)	-	-	19,822	23,474
Gain on disposal of asset held for sales	601	-	-	-
Gain on revaluation of investment properties	750	-	-	-

Notes to the FINANCIAL STATEMENTS cont'd

16. FINANCE INCOME

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Interest income of financial assets that are not at fair value through profit or loss:				
- recognised before impairment	101	364	2,321	2,341
Recognised in profit or loss	101	364	2,321	2,341

17. FINANCE COSTS

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Interest expense of financial liabilities that are not at fair value through profit or loss:				
- loans	401	638	-	-
Recognised in profit or loss	401	231	-	-
Capitalised on qualifying assets:				
- property, plant and equipment	-	407	-	-
	401	638	-	-

18. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation is as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Directors				
- Fees	242	242	242	242
Other key management personnel				
- Remuneration	1,443	1,451	-	-
Total short-term employee benefits	1,685	1,693	242	242

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

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

Notes to the
FINANCIAL STATEMENTS cont'd

19. INCOME TAX EXPENSE

Recognised in profit or loss

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Income tax expense	9,284	8,023	554	2,877
Major components of income tax expense include:				
Current tax expense				
Malaysian - current year	8,388	6,082	554	2,881
- prior year	821	178	-	(4)
Total current tax recognised in profit or loss	9,209	6,260	554	2,877
Deferred tax expense				
Origination and reversal of temporary differences	95	1,625	-	-
Under/(Over) provision in prior year	(20)	138	-	-
Total deferred tax recognised in profit or loss	75	1,763	-	-
Total income tax expense	9,284	8,023	554	2,877
Reconciliation tax expense				
Profit for the year	26,014	26,705	20,924	22,488
Total income tax expense	9,284	8,023	554	2,877
Profit excluding tax	35,298	34,728	21,478	25,365
Income tax calculated using Malaysian tax rate of 25%	8,825	8,682	5,370	6,341
Non-deductible expenses	316	204	140	86
Tax exempt income	-	-	(4,956)	(3,552)
Tax incentives	(440)	(366)	-	-
Utilisation of reinvestment allowance	-	(842)	-	-
Other items	(81)	29	-	6
Non- taxable income	(137)	-	-	-
Under/(Over) provided in prior years	801	316	-	(4)
	9,284	8,023	554	2,877

20. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2012 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	
	2012 RM'000	**2011 RM'000**
Profit for the year attributable to ordinary shareholders	26,014	26,705

Weighted average number of ordinary shares

	Group	
	2012 '000	**2011 '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	
	2012 sen	**2011 sen**
Basic earnings per ordinary share	18.74	19.24

Diluted earnings per ordinary share

There is no dilution to the earnings per ordinary share as there are no dilutive potential ordinary shares, hence, the diluted earnings per share is the same of basic earnings per share.

Notes to the FINANCIAL STATEMENTS cont'd

21. DIVIDENDS

Dividends recognised by the Company are:

2012	**Sen per share (Net of tax)**	**Total amount RM'000**	**Date of payment**
Final 2011 ordinary	10.87	15,097	29 June 2012
Interim 2012 ordinary	3.50	4,859	9 November 2012
		19,956	
2011			
Final 2010 ordinary	11.00	15,270	27 June 2011
Interim 2011 ordinary	3.50	4,859	28 October 2011
		20,129	

After the reporting period, the following dividends were proposed by the Directors. These dividends will be recognised in subsequent financial period upon approval by the owners of the Company.

	Sen per share (net of tax)	**Total amount RM'000**
Final 2012 ordinary	10.50	14,576

22. FINANCIAL INSTRUMENTS

22.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:
(a) Loans and receivables ("L&R"); and
(b) Financial liabilities measured at amortised cost ("FL").

	Carrying amount 31.12.2012 RM'000	L&R 31.12.2012 RM'000	Carrying amount 31.12.2011 RM'000	L&R 31.12.2011 RM'000	Carrying amount 1.1.2011 RM'000	L&R 1.1.2011 RM'000
Financial assets						
Group						
Trade and other receivables	37,098	37,098	35,123	35,123	35,157	35,157
Cash and cash equivalents	14,139	14,139	8,584	8,584	24,732	24,732
	51,237	51,237	43,707	43,707	59,889	59,889
Company						
Trade and other receivables	59,895	59,895	58,754	58,754	52,384	52,384
Cash and cash equivalents	663	663	113	113	4,205	4,205
	60,558	60,558	58,867	58,867	56,589	56,589

	Carrying amount 31.12.2012 RM'000	FL 31.12.2012 RM'000	Carrying amount 31.12.2011 RM'000	FL 31.12.2011 RM'000	Carrying amount 1.1.2011 RM'000	FL 1.1.2011 RM'000
Financial liabilities						
Group						
Loans and borrowings	5,000	5,000	10,416	10,416	18,750	18,750
Trade and other payables	16,481	16,481	16,309	16,309	14,833	14,833
	21,481	21,481	26,725	26,725	33,583	33,583
Company						
Trade and other payables	949	949	340	340	326	326

Notes to the
FINANCIAL STATEMENTS cont'd

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.2 Net gains and losses arising from financial instruments

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Net (losses)/ gains arising on:				
Loans and receivables	101	364	2,321	2,341
Financial liabilities measured at amortised cost	(662)	(1,327)	-	-
	(561)	(963)	2,321	2,341

22.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

22.4 Credit risk

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

Receivables

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

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

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

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.4 Credit risk (continued)

Receivables (continued)

Impairment losses

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

Group	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
31 December 2012				
Not past due	28,733	-	-	28,733
Past due 0-30 days	3,138	-	-	3,138
Past due 31-120 days	589	-	-	589
Past due more than 120 days	274	-	(274)	-
	32,734	-	(274)	32,460
31 December 2011				
Not past due	25,460	-	-	25,460
Past due 0-30 days	7,445	-	-	7,445
Past due 31-120 days	861	-	-	861
Past due more than 120 days	481	-	(351)	130
	34,247	-	(351)	33,896
1 January 2011				
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

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.4 Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

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

	Group	
	2012 RM'000	**2011 RM'000**
At 1 January	351	393
Impairment loss recognised	37	52
Impairment loss reversed	-	-
Impairment loss written off	(114)	(94)
At 31 December	274	351

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

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to a 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 RM3,228,436 (2011: RM2,927,620) 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 the subsidiary would default on repayment.

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

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.4 Credit risk (continued)

Deposits placed with licensed banks

Risk management objectives, policies and processes for managing the risk

Investments are only allowed in placing deposits with licensed banks.

Exposure to credit risk, credit quality and collateral

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

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

The deposits with licensed banks of the Group is unsecured.

Impairment losses

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

Inter company balances

Risk management objectives, policies and processes for managing the risk

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

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.

Notes to the
FINANCIAL STATEMENTS cont'd

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.5 Liquidity risk

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

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

Maturity analysis

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

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
31 December 2012							
Non-derivative financial liabilities							
Unsecured revolving loan	5,000	3.80 % p.a.	5,190	5,190	-	-	-
Unsecured non-revolving loans	-	-	-	-	-	-	-
Trade and other payables	16,481	-	16,481	16,481	-	-	-
	21,481	-	21,671	21,671	-	-	-
31 December 2011							
Non-derivative financial liabilities							
Unsecured non-revolving loans	10,416	0.9% p.a. over the KLIBOR	10,690	8,600	2,090	-	-
Trade and other payables	16,309	-	16,309	16,309	-	-	-
	26,725	-	26,999	24,909	2,090	-	-

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.5 Liquidity risk (continued)

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
1 January 2011							
Non-derivative financial liabilities							
Unsecured non-revolving loans	18,750	0.9% p.a. over the KLIBOR	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	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
31 December 2012							
Non-derivative financial liabilities							
Trade and other payables	526	-	526	526	-	-	-
31 December 2011							
Non-derivative financial liabilities							
Trade and other payables	340	-	340	340	-	-	-
1 January 2011							
Non-derivative financial liabilities							
Trade and other payables	326	-	326	326	-	-	-

Notes to the FINANCIAL STATEMENTS cont'd

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.6 Market risk

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

22.6.1 Currency risk

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

Risk management objectives, policies and processes for managing the risk

The Group ensures that the net exposure on foreign currency risk arising from commercial transactions is kept to an acceptable level by buying and selling foreign currencies at spot rates where necessary to address short term imbalances.

Exposure to foreign currency risk

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

	Denominated in USD		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Group			
Trade receivables	189	195	898
Trade payables	(710)	(1,186)	(1,227)
Bank balance	242	127	837
Other payables	(1,126)	-	-
Net exposure in the statement of financial position	(1,405)	(864)	508

Currency risk sensitivity analysis

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

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.6 Market risk (continued)

22.6.2 Interest rate risk

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

Risk management objectives, policies and processes for managing the risk

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

Exposure to interest rate risk

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

	Group			Company		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Fixed rate instruments						
Financial assets	4,793	8,016	23,289	44,935	58,754	56,484
Floating rate instruments						
Financial liabilities	(5,000)	(10,416)	(18,750)	-	-	-

Interest rate risk sensitivity analysis

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

Notes to the FINANCIAL STATEMENTS cont'd

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.6 Market risk (continued)

22.6.2 Interest rate risk (continued)

(b) *Cash flow sensitivity analysis for variable rate instruments*

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

	Equity		Profit or loss	
Group	**50 bp increase RM'000**	**50 bp decrease RM'000**	**50 bp increase RM'000**	**50 bp decrease RM'000**
2012				
Floating rate instruments	-	-	(19)	19
2011				
Floating rate instruments	-	-	(39)	39

22.7 Fair value of financial instruments

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

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

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

Company	**Carrying amount 31.12.2012 RM'000**	**Fair value 31.12.2012 RM'000**	**Carrying amount 31.12.2011 RM'000**	**Fair value 31.12.2011 RM'000**	**Carrying amount 1.1.2011 RM'000**	**Fair value 1.1.2011 RM'000**
Amount due from subsidiary	54,523	54,523	53,754	53,754	47,384	47,384

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.7 Fair value of financial instruments (continued)

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 4.0% (2011: 4.4%).

23. CAPITAL MANAGEMENT

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

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

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

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

The Group is also required to maintain a maximum debt-to-equity ratio of nil (2011: 1.75), total liabilities-to-net worth of 1.75 and minimum debt service cover ratio of 2.0 to comply with a debt covenant, failing which, the bank may call an event of default. The Group has complied with this covenant.

24. CAPITAL AND OTHER COMMITMENTS

	Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Plant and equipment			
Authorised but not provided for	20,200	-	-
Contracted but not provided for	3,577	2,094	3,880

25. RELATED PARTIES

Identity of related parties

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

Significant related party transactions with key management personnel

Key management personnel compensation is disclosed in Note 18.

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

	Transaction value for year ended 31 December	
Group	**2012 RM'000**	**2011 RM'000**
Sale of goods to related companies	13,197	16,603
Purchases from related companies	(1,429)	(4,487)
Management fees paid to intermediate holding company	(5,649)	(6,010)
Research and development expenditure paid to related company	(1,760)	(1,274)
Company		
Dividend income received from a subsidiary	19,822	23,474
Interest income received from a subsidiary	2,321	2,284

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

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

Included in the management fee paid to the intermediate holding company is payment for services of certain key management personnel of the Company amounting to RM1,441,000 (2011: RM1,544,000).

26. OPERATING SEGMENTS

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

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

	Group	
	2012 RM'000	**2011 RM'000**
Reportable revenue from external		
Local	124,080	127,320
Export	11,230	10,812
	135,310	138,132
Operating expense		
Depreciation of property, plant and equipment	(6,974)	(5,969)
Other operating expense	(94,094)	(97,816)
Other operating income	1,356	248
Profit from operations	35,598	34,595
Finance income	101	364
Finance cost	(401)	(231)
Profit before tax	34,298	34,728
Income tax expense	(9,284)	(8,023)
Profit after tax	26,014	26,705

Major customers

Revenues from 2 major customers amount to approximately RM56,429,000 (2011: RM56,974,000) of the Group's total revenue.

Notes to the
FINANCIAL STATEMENTS cont'd

27. EXPLANATION OF TRANSITION TO MFRSs

As stated in note 1(a), these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs.

The accounting policies set out in note 2 have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2012, the comparative information presented in these financial statements for the financial year ended 31 December 2011 and in the preparation of the opening MFRS statement of financial position at 1 January 2011 (the Group's date of transition to MFRSs).

In preparing the opening consolidated statement of financial position at 1 January 2011, the Group has adjusted amounts reported previously in financial statements prepared in accordance with previous FRSs. An explanation of how the transition from previous FRSs to MFRSs has affected the Group's financial position, financial performance and cash flows is set out as follows:

27.1 Reconciliation of financial position

Group	1.1.2011			31.12.2011		
	FRSs RM'000	Effect of Transition to MFRSs RM'000	MFRSs RM'000	FRSs RM'000	Effect of Transition to MFRSs RM'000	MFRSs RM'000
Assets						
Property, plant and equipment	100,249	-	100,249	95,977	-	95,977
Investment properties	-	-	-	5,720	-	5,720
Total non-current assets	100,249	-	100,249	101,697	-	101,697
Inventories	34,003	-	34,003	45,124	-	45,124
Current tax assets	-	-	-	2,696	-	2,696
Trade and other receivables	35,755	-	35,755	37,679	-	37,679
Cash and cash equivalents	24,732	-	24,732	8,584	-	8,584
Assets classified as held for sale	1,740	-	1,740	1,740	-	1,740
Total current assets	96,230	-	96,230	95,823	-	95,823
Total assets	196,479	-	196,479	197,520	-	197,520

27. EXPLANATION OF TRANSITION TO MFRSs (CONTINUED)

27.1 Reconciliation of financial position (continued)

Group	1.1.2011 FRSs RM'000	1.1.2011 Effect of Transition to MFRSs RM'000	1.1.2011 MFRSs RM'000	31.12.2011 FRSs RM'000	31.12.2011 Effect of Transition to MFRSs RM'000	31.12.2011 MFRSs RM'000
Equity						
Share capital	69,739	-	69,739	69,739	-	69,739
Reserves	19,537	(7,395)	12,142	19,537	(7,395)	12,142
Retained earnings	68,593	7,395	75,988	75,169	7,395	82,564
Total equity	157,869	-	157,869	164,445	-	164,445
Liabilities						
Loans and borrowings	10,416	-	10,416	2,082	-	2,082
Deferred tax liabilities	3,821	-	3,821	5,584	-	5,584
Total non-current liabilities	14,237	-	14,237	7,666	-	7,666
Loans and borrowings	8,334	-	8,334	8,334	-	8,334
Current tax liabilities	356	-	356	-	-	-
Trade and other payables	15,683	-	15,683	17,075	-	17,075
Total current liabilities	24,373	-	24,373	25,409	-	25,409
Total liabilities	38,610	-	38,610	33,075	-	33,075
Total equity and liabilities	196,479	-	196,479	197,520	-	197,520

27.2 Reconciliation of profit or loss and other comprehensive income for the year ended 31 December 2011

There are no material differences between the statement of profit or loss and other comprehensive income presented under MFRSs and the statement of profit or loss and other comprehensive income presented under FRSs.

27.3 Material adjustments to the statements of cash flows for 2011

There are no material differences between the statement of cash flows presented under MFRSs and the statement of cash flows presented under FRSs.

27. EXPLANATION OF TRANSITION TO MFRSs (CONTINUED)

27.4 Notes to reconciliations

(a) Property, plant and equipment – Deemed cost exemption – previous revaluation

Under FRSs, the Group measured its land and buildings at valuation. The last valuation was carried out on 31 December 2010.

Upon transition to MFRSs, the Group elected to apply the optional exemption to use that previous revaluation as deemed cost under MFRSs. The revaluation reserve of RM7,395,000 at 1 January 2011 and 31 December 2011 was reclassified to retained earnings.

The aggregate fair value of the land and buildings at 31 December 2009 was determined to be RM35,443,000 compared to the then carrying amount of RM27,568,000 under FRSs.

The impact arising from the change is summarised as follows:

	Group		Company	
	1.1.2011 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**	**31.12.2011 RM'000**
Consolidated statement of financial position				
Revaluation reserve	7,395	7,395	-	-
Adjustment to retained Earnings	7,395	7,395	-	-

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

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

	Group		**Company**	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Total retained earnings of the Company and its subsidiary				
- realised	122,415	116,706	18,013	17,045
- unrealised	930	581	-	-
	123,345	117,287	18,013	17,045
Less: Consolidation adjustments	(34,723)	(34,723)	-	-
Total retained earnings	88,622	82,564	18,013	17,045

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

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 56 to 106 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 28 on page 107 to the financial statements has been compiled in accordance with Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

Tan Sri Dato' Dr. Abu Bakar bin Suleiman

Haji Ghazali bin Awang

Kuala Lumpur,
Date: 22 March 2013

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 56 to 107 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 on 22 March 2013.

Chek Wu Kong

Before me:

Date: 22 March 2013

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 statements of financial position as at 31 December 2012 of the Group and of the Company, and the statements of profit or loss and other 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 56 to 106.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia. The Directors also responsible for such internal control as the Directors determine is 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 judgement, 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 give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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.

INDEPENDENT AUDITORS' REPORT cont'd
to the members of CCM Duopharma Biotech Berhad

OTHER REPORTING RESPONSIBILITIES

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 28 on page 107 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 Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

OTHER MATTER

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

KPMG
Firm Number: AF 0758
Chartered Accountants

Hasman Yusri Yusoff
Approval Number: 2583/08/14(J)
Chartered Accountant

Petaling Jaya,
Date: 22 March 2013

ANALYSIS OF SHAREHOLDINGS
as at 24 April 2013

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

ANALYSIS BY SIZE OF HOLDINGS AS AT 24 APRIL 2013

Size of Holdings	No. of Holders	%	No. of Shares	%
1 - 99	134	6.21	4,139	0.00
100 - 1,000	447	20.72	358,429	0.26
1,001 - 10,000	1,215	56.33	5,279,340	3.79
10,001 - 100,000	329	15.25	9,558,200	6.85
100,001 - 6,973,974 (*)	31	1.44	21,946,500	15.73
6,973,975 and above (**)	1	0.05	102,332,892	73.37
	2,157	100	139,479,500	100

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

DIRECTORS' SHAREHOLDINGS AS PER REGISTER OF DIRECTORS AS AT 24 APRIL 2013

	No. of Shares Held			
Name	Direct	* %	Indirect	%
Tan Sri Dato' Dr. Abu Bakar bin Suleiman	286,400	0.21	22,000	0.01
Tan Sri Dato' Dr. Jegathesan a/l N. M. Vasagam @ Manikavasagam	34,120	0.02	-	-
Datuk Alias bin Ali	-	-	-	-
Haji Ghazali bin Awang	87,000	0.06	-	-
Amirul Feisal bin Wan Zahir	-	-	-	-

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 24 APRIL 2013

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

ANALYSIS OF SHAREHOLDINGS cont'd
as at 24 April 2013

TOP 30 SHAREHOLDERS AS AT 24 APRIL 2013

No.	Name	Holdings	Percentage (%)
1	CCM MARKETING SDN. BHD.	102,332,892	73.37
2.	AMANAHRAYA TRUSTEES BERHAD - Skim Amanah Saham Bumiputera	4,545,300	3.26
3.	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. - Employees Provident Fund Board	4,059,400	2.91
4.	BANK KERJASAMA RAKYAT MALAYSIA BERHAD	3,993,300	2.80
5.	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD - As Beneficial Owner (PF)	1,995,300	1.43
6.	BERJAYA SOMPO INSURANCE BERHAD	1,000,000	0.72
7.	HSBC NOMINEES (TEMPATAN) SDN. BHD. - HSBC (M) Trustee Bhd for BIMB I Dividend Fund	704,000	0.50
8.	DUOPHARMA BIOTECH BHD - Share Buy Back Account	658,000	0.47
9.	EMPLOYEES PROVIDENT FUND BOARD	500,000	0.36
10.	MAYBAN NOMINEES (TEMPATAN) SDN. BHD. - Etiqa Takaful Berhad (General Fund)	357,800	0.26
11.	LIM WENG HO	351,600	0.25
12.	GAN TUAN BOON	300,000	0.21
13.	ABU BAKAR BIN SULEIMAN	286,400	0.21
14.	CIMB ISLAMIC TRUSTEE BERHAD - Amanah Saham Darul Iman	255,300	0.18
15.	AUN HUAT & BROTHERS SDN BERHAD	251,800	0.18
16.	MAYBAN NOMINEES (TEMPATAN) SDN. BHD. - Pledged Securities Account For Su Tiing Uh	247,700	0.18

TOP 30 SHAREHOLDERS AS AT 24 APRIL 2013 (CONTINUED)

No.	Name	Holdings	Percentage (%)
17.	LIEW WAI KIAT	237,600	0.17
18.	MAYBAN NOMINEES (TEMPATAN) SDN. BHD. - Etiqa Takaful Berhad (Family PRF EQ)	207,000	0.15
19.	HSBC NOMINEES (TEMPATAN) SDN. BHD. - HSBC (M) Trustee Bhd for Zurich Insurance Malaysia Berhad (Dana Seri Mulia)	200,000	0.14
20.	HSBC NOMINEES (TEMPATAN) SDN. BHD. - HSBC (M) Trustee Bhd for Zurich Insurance Malaysia Berhad (Income Fund)	199,900	0.14
21.	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN. BHD. - Maybank Kim Eng Securities Pte. Ltd. for Lem Kim Wan & Lim Hong Gee	192,200	0.14
22.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. - Lem Hon San	150,000	0.11
23.	CIMB ISLAMIC TRUSTEE BERHAD - Amanah Saham Darul Iman	149,000	0.11
24.	Lim Pek Har	149,000	0.11
25.	Olive Lim Swee Lian	140,000	0.10
26.	Oh Siew Heong	130,000	0.09
27.	HDM NOMINEES (ASING) SDN. BHD. - UOB Kay Hian Pte. Ltd. for Ali Asan Mohamed Abdul Kareem	124,400	0.09
28.	Ooi Keng Tan	117,000	0.08
29.	CITIGROUP NOMINEES (ASING) SDN. BHD. - EXEMPT AN for OCBC Securities Private Limited (Client A/C-NR)	114,400	0.08
30.	HOO HOCK WAH	113,500	0.08

LIST OF PROPERTIES
as at 31 December 2012

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 31/12/12 (RM)
H.S.M 48648 PT Nos. 129880 Mukim and District of Klang, State of Selangor Darul Ehsan (An amalgamation of two titles known as GM1391 and GM2239)/ Lot No. 2599, Jalan Seruling 59, Kawasan 3, Taman Klang Jaya, Selangor Darul Ehsan	a. Industrial land built upon with a double storey factory building, a single storey pump house cum boiler house, 73 parking sheds, a guardhouse, a refilled chamber (gross built up area : approximately 94,000 sq ft)	5.39 acres	Freehold 19 years old	65,100,000	31/12/11 Comparison and Cost Method	64,159,122
	b. Four storey factory and office building (gross built up area: approximately 97,000 sq ft)		Freehold 10 years old			
	c. 2-storey warehouse building with 2 mezzanine office levels of high specifications for specific pharmaceutical use with a single storey canteen building and water tank (gross built up area: approximately 91,000 sq ft)		Freehold 3 years old			
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 15 years old	790,000	10/11/10 Comparison Method	779,319
GM 549 Lot No. 2707, Mukim and District of Klang, State of Selangor Darul Ehsan	Vacant industrial land	4.38 acres	Freehold	6,470,000	10/11/10 Comparison Method	6,490,653

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

Recurrent Related Party Transactions
OF A REVENUE OR TRADING NATURE

At the Annual General Meeting held on 24 May 2012, 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 2012, pursuant to the shareholders mandate are as follows:

Transaction	Vendor/ Provider	Purchaser/ Recipient	Aggregate Value (RM'000)	Related Parties
1) Purchase of raw material for pharmaceutical products	CCM Chemicals Sdn. Bhd. (CCMC)	Duopharma (M) Sdn. Bhd. (DMSB)	0	*Interested Major Shareholder:* CCM[1] *Interested Director/* *Interested Person Connected:* Amirul Feisal bin Wan Zahir[2]
2) Sale of pharmaceutical products	DMSB	CCM Pharmaceuticals (S) Pte. Ltd. (CCMPS)	1,655	*Interested Major Shareholder:* CCM[1] *Interested Directors/* *Interested Persons Connected:* Amirul Feisal bin Wan Zahir[2] Leonard Ariff bin Abdul Shatar[3]
3) Sale of pharmaceutical/ healthcare products	DMSB	CCM Marketing Sdn. Bhd. (CCMM)	338	Interested Major *Shareholder:* CCM[1] *Interested Directors/* *Interested Persons Connected:* Amirul Feisal bin Wan Zahir[2] Leonard Ariff bin Abdul Shatar[3]
4) Purchase of pharmaceutical products and raw materials	CCM Pharmaceuticals Sdn. Bhd. (CCMP)	DMSB	497	*Interested Major Shareholder:* CCM[1] *Interested Directors/* *Interested Persons Connected:* Amirul Feisal bin Wan Zahir[2] Leonard Ariff bin Abdul Shatar[3]
5) Sales of pharmaceutical products and raw materials	DMSB	CCMP	5,102	*Interested Major Shareholder:* CCM[1] *Interested Directors/* *Interested Persons Connected:* Amirul Feisal bin Wan Zahir[2] Leonard Ariff bin Abdul Shatar[3]

Recurrent Related Party Transactions
OF A REVENUE OR TRADING NATURE cont'd

Transaction	Vendor/ Provider	Purchaser/ Recipient	Aggregate Value (RM'000)	Related Parties
6) Sales of pharmaceutical products and raw materials	DMSB	UPHA Pharmaceuticals (M) Sdn. Bhd. (UPHA)	5,977	*Interested Major Shareholder:* CCM[1] *Interested Directors/ Interested Persons Connected:* Amirul Feisal bin Wan Zahir[2] Leonard Ariff bin Abdul Shatar[3]
7) Purchase of pharmaceutical products and raw materials	UPHA	DMSB	840	*Interested Major Shareholder:* CCM[1] *Interested Directors/ Interested Persons Connected:* Amirul Feisal bin Wan Zahir[2] Leonard Ariff bin Abdul Shatar[3]
8) Professional services & construction of water treatment plant, etc	CCM Water Systems Sdn. Bhd. (CCMWS)	DMSB	0	*Interested Major Shareholder:* CCM[1] *Interested Director/ Interested Person Connected:* Amirul Feisal bin Wan Zahir[2]
9) Provision of Shared Management Services[4]	CCM	CCMD	1,270	*Interested Major Shareholder:* CCM[1] *Interested Directors/ Interested Persons Connected:* Amirul Feisal bin Wan Zahir[2] Leonard Ariff bin Abdul Shatar[3]

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

Notes:-

1. CCMP and UPHA are wholly-owned subsidiaries of Chemical Company of Malaysia Berhad (CCM). CCMM, the holding company of CCMD, is also a wholly-owned subsidiary of CCM. Therefore, 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.

2. Amirul Feisal bin Wan Zahir is the Group Managing Director of CCM and is a Non-Independent Non-Executive Director of CCMD, CCMP and UPHA. He has no direct interest in CCMD and is an interested director and an interested "Person(s) connected" as defined in the Definitions Section of the Circular to Shareholders dated 17 May 2013. Therefore, he is deemed interested in the Proposed Shareholders Mandate by virtue of him being an interested Director and an interested person connected to CCM.

3. Leonard Ariff bin Abdul Shatar is the Chief Executive Officer of CCMD and is a Director of CCMD, as defined under the Definitions Section of the Circular to Shareholders dated 17 May 2013. He is a Non–Independent Non-Executive Director of CCMP and UPHA. He is also the Director of CCM's Pharmaceuticals Division. He has no direct interest in CCMD and is an interested director and an interested "Person(s) connected" as defined in the Definitions Section of the Circular to Shareholders dated 17 May 2013. Therefore, he is deemed interested in the Proposed Shareholders Mandate by virtue of him being an interested Director and an interested person connected to CCM.

4. Provision of Shared/Management Services refers to support services covering areas of accounting, treasury, procurement, security, company secretarial, corporate affairs, legal, internal audit, human resource, information technology services, etc.

Notice Of
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twelve Annual General Meeting of the Company will be held at **Premiere Hotel, Bandar Bukit Tinggi, 1/KS6, Jalan Langat, 41200 Klang, Selangor Darul Ehsan** on **Thursday, 13 June 2013** at **10.30 a.m.** for the following purposes:-

AGENDA

As Ordinary Business

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2012 together with the Reports of the Directors and Auditors thereon. — Ordinary Resolution 1

2. To approve a Final Dividend of 10.5 sen per ordinary share, tax exempt dividend under the single-tier tax system for the financial year ended 31 December 2012. — Ordinary Resolution 2

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

   (a) 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 2012. — 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 and Proposed New 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 and 2.2.5 of the Circular to Shareholders dated 17 May 2013 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 BOOK CLOSURE

NOTICE IS HEREBY GIVEN that subject to the approval of the Shareholders at the forthcoming AGM, a Final Dividend of 10.5 sen per ordinary share, tax exempt dividend under the single-tier tax system, in respect of the Company's financial year ended 31 December 2012 will be paid on 12 July 2013 to shareholders whose names appear in the Record of Depositors on 18 June 2013.

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 18 June 2013 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: 17 May 2013

Notice Of
ANNUAL GENERAL MEETING cont'd

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. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

4. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

5. 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.

6. 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.

7. Only depositors whose names appear in the Record of Depositors as at 5 June 2013 be regarded as members and entitled to attend and vote at the meeting.

EXPLANATORY NOTES ON SPECIAL BUSINESS

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

The explanatory note on Resolution 7 is set out in the Circular to Shareholders dated 17 May 2013.

Statement Accompanying

THE NOTICE OF THE TWELVE ANNUAL GENERAL MEETING OF CCM DUOPHARMA BIOTECH BERHAD

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

The details of the two (2) Directors seeking re-election are set out in their respective profiles which appear in the Directors' Profiles on pages 20 and 21 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 111 of this Annual Report.

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Proxy Form

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

I/We ____
(FULL NAME IN CAPITAL LETTERS)

of ____
(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 Twelve Annual General Meeting of the Company to be held at **Premiere Hotel, Bandar Bukit Tinggi, 1/KS6, Jalan Langat, 41200 Klang, Selangor Darul Ehsan** on **Thursday, 13 June 2013** at **10.30 a.m.** and at any adjournment thereof.

My/Our Proxy is to vote as indicated below

No.		RESOLUTION	FOR	AGAINST
1.	To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2012 together with the Reports of the Directors and Auditors thereon.	Ordinary Resolution 1	☐	☐
2.	To approve a Final Dividend of 10.5 sen per ordinary share, tax exempt dividend under the single-tier tax system for the financial year ended 31 December 2012.	Ordinary Resolution 2	☐	☐
3	To re-elect the following Directors who retire in accordance with Article 93 of the Articles of Association of the Company:-			
	(a) 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 2012.	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 and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate").	Ordinary Resolution 7	☐	☐

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

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1) (b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member of the Company appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
5. 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.
6. 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.
7. Only depositors whose names appear in the Record of Depositors as at 5 June 2013 be regarded as members and entitled to attend and vote at the meeting.

____
Signature/Seal

____
No. of shares

Signed this______ day of______ 2013.

Fold here

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

Fold here

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

Tel : + 603 3323 2759
Fax : + 603 3323 3923