FINANCIAL statements

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 2005.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding, whilst the principal activities of the subsidiary are to carry on business as manufacturer, distributor, importer and exporter of pharmaceutical products and medicines. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Net profit for the year	23,513	23,934

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the year under review.

DIVIDENDS

Since the end of the previous financial year, the Company paid a final dividend of 12% (6 sen) per share less tax totalling RM5.77 million in respect of the year ended 31 December 2004 on 18 August 2005. The dividend was based on the paid-up share capital of 133,447,500 ordinary shares of RM0.50 each.

The Directors recommend a final dividend of 35% (17.50 sen) per share less tax totalling approximately RM17.56 million in respect of the year ended 31 December 2005.

DIRECTORS OF THE COMPANY

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

Tan Sri Dato' Dr. Abu Bakar bin Suleiman
Dr. Mohd Nasir bin Hassan
Dr Mohamad Hashim bin Ahmad Tajudin (appointed on 18.11.2005)
Dato' Haji Mizanur Rahman bin S M Abdul Ghani (appointed on 18.11.2005)
Datuk Alias bin Ali (appointed on 14.3.2006)
Tuan Haji Ghazali bin Awang (appointed on 14.3.2006)
Datuk Dr Jegathesan a/l N M Vasagam @ Manikavasagam (appointed on 30.3.2006)
Chia Ting Poh @ Cheah Ting Poh (resigned on 28.11.2005)
Ang Bee Lian (resigned on 28.11.2005)
Valliyappan a/l S. Thevarayan (resigned on 14.3.2006)
Dato' Dr. Yap Thong @ Yap Yit Thong (resigned on 14.3.2006)
Lee Siew Kuan (resigned on 14.3.2006)

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

	Number of ordinary shares of RM0.50 each			
	Balance at 1.1.2005	Bought	Sold	Balance at 31.12.2005
Direct interests in the Company				
Tan Sri Dato' Dr. Abu Bakar bin Suleiman	26,400	–	–	26,400
Valliyappan a/l S. Thevarayan	30,800	135,000	(155,800)	10,000
Dato' Dr. Yap Thong @ Yap Yit Thong	183,200	56,000	(239,200)	–
Lee Siew Kuan	26,400	–	(26,400)	–
Indirect interests in the Company				
Tan Sri Dato' Dr. Abu Bakar bin Suleiman #	11,000	–	–	11,000

	Number of ordinary shares of RM1.00 each			
	Balance at 1.1.2005	Bought	Sold	Balance at 31.12.2005
Shares in the Intermediate holding company, Chemical Company of Malaysia Berhad				
Dato' Haji Mizanur Rahman bin S M Abdul Ghani				
– direct interest	209,300	–	–	209,300
– indirect interest*	2,000	–	–	2,000

Deemed interested via shareholdings held by his son, Zufar Suleiman Abu Bakar.
* Deemed interested via shareholdings held by his sons, Shazli Ghani bin Mizanur Rahman and Shahreza Ghani bin Mizanur Rahman.

The options granted to Directors in respect of the acquisition of shares pursuant to the Employees' Share Option Scheme ("ESOS") for those who were Directors at year end, are set out below:-

	Number of options over ordinary shares of RM0.50 each			
	Balance at 1.1.2005	Granted	Exercised	Balance at 31.12.2005
Share options in the Company				
Valliyappan a/l S. Thevarayan	–	135,000	(135,000)	–

	Number of Warrant B			
	Balance at 1.1.2005	Bought	Sold	Balance at 31.12.2005
Warrants in the Intermediate holding company, Chemical Company of Malaysia Berhad				
Dato' Haji Mizanur Rahman bin S M Abdul Ghani				
– direct interest	33,500	–	–	33,500
– indirect interest*	500	–	–	500

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

By virtue of their interest in the Company, the Directors are deemed to have interest in the wholly owned subsidiary.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the subsidiary company) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain former Directors who may be deemed to have derived a benefit by virtue of trading transactions in the ordinary course of business between the Company and its related corporation and a company in which the former Directors have interests.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the issue of the Employees' Share Option Scheme ("ESOS") by the Company or the warrants of the intermediate holding company.

ISSUE OF SHARES OR DEBENTURES

During the financial year, the Company issued 7,357,500 new ordinary shares of RM0.50 each at an issue price of RM2.32 per share for cash consideration pursuant to the exercise of ESOS by the employees.

There were no other changes in the 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 apart from the issue of share option pursuant to the ESOS.

Employees' Share Option Scheme

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

OPTIONS GRANTED OVER UNISSUED SHARES (CONTTINUED)

Employees' Share Option Scheme (Contidued)

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

	Number of options over ordinary shares of RM0.50 each				
Date of Offer	Exercise price	Balance at 1.1.2005	Granted	Exercised/ Lapsed	Balance at 31.12.2005
26.1.2005	RM2.32	–	7,937,500	(7,683,000)*	254,500

* During the year, the Company issued 7,357,500 new ordinary shares of RM0.50 each at an issue price of RM2.32 per share for cash consideration pursuant to the exercise of ESOS by the employees. ESOS that lapsed following the resignation of employees to whom the ESOS were originally granted amounted to 325,500 options.

The salient features of the Scheme are as follows:-

i) Eligible employees are those who have attained the age of eighteen years and have been confirmed in writing as employees of the Group for at least one year prior to the date of offer.

ii) The option is personal to the grantee and is non-assignable.

iii) The option price shall be determined by the weighted average of the market quotation of the Company's ordinary shares as shown in the daily official list issued by the Bursa Malaysia for the five trading days prior to the Date of Offer with a discount of not more than 10% or at the par value of the ordinary shares of the Company, whichever is higher.

iv) The options granted may be exercised at any time within a period of five years from the date of offer of the option or such shorter period as may be specifically stated in the offer upon giving notice in writing.

v) The options granted may be exercised in full or in lesser number of ordinary shares provided that the number shall be in multiple of 100 shares.

OPTIONS GRANTED OVER UNISSUED SHARES (CONTINUED)

Employees' Share Option Scheme (Continued)

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

			Number of options over ordinary shares of RM0.50 each			
Name of option holders	Option price RM	Date of expiry	Balance at 1.1.2005	Granted	Exercised	Balance at 31.12.2005
Chia Ting Poh @ Cheah Ting Poh	2.32	25.1.2010	–	495,000	(495,000)	–
Ang Bee Lian	2.32	25.1.2010	–	495,000	(495,000)	–
Ng Chee Leong	2.32	25.1.2010	–	217,500	(197,500)	20,000
Chek Wu Kong	2.32	25.1.2010	–	212,500	(212,500)	–
Valliyappan a/l S. Thevarayan	2.32	25.1.2010	–	135,000	(135,000)	–
Krisnakumara-Reddi a/l Kesava-Reddi	2.32	25.1.2010	–	118,500	(100,000)	18,500
Ng Chin Hoo	2.32	25.1.2010	–	114,500	(114,500)	–
Goh Chok Kwee	2.32	25.1.2010	–	112,500	(112,500)	–
Teh Seng Keat	2.32	25.1.2010	–	111,500	(111,500)	–

SIGNIFICANT EVENTS DURING THE YEAR

Change in major shareholders

The Company had on 21 July 2005 received notification from its major shareholders, Mr Chia Ting Poh @ Cheah Ting Poh and Madam Ang Bee Lian that they had on 20 July 2005 entered into a sale and purchase agreement with Tekan Maju Sdn Bhd ("TMSB"), a wholly owned subsidiary company of Chemical Company of Malaysia Berhad ("CCM"), to dispose of a total of 47,934,390 ordinary shares of RM0.50 each held by the major shareholders in Duopharma Biotech Bhd ("Duopharma") (representing approximately 36% equity interest in Duopharma at the point in time) to TMSB at RM2.80 per share or a cash consideration of RM134,216,292.

SIGNIFICANT EVENTS DURING THE YEAR (CONTINUED)

Change in major shareholders (Continued)

Arising from the above, TMSB made a conditional mandatory offer to acquire up to the remaining 92,490,610 ordinary shares of RM0.50 each in Duopharma ("Offer Shares") not already owned by TMSB and persons acting in concert for a cash offer price of RM2.80 per share ("Offer"). The Offer became unconditional as to acceptances at the close of business on 7 October 2005. On the same date, TMSB received valid acceptances resulting in TMSB and persons acting in concert holding approximately 53.05% of the issued and paid-up capital of Duopharma, rendering Duopharma to become a subsidiary of the CCM Group.

At 31 December 2005, the ownership interest of TMSB in the Company is 73.43% or equivalent to 102,332,892 ordinary shares of RM0.50 each.

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) all current assets have been stated at the lower of cost and net realisable value.

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

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

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

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

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

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

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

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

OTHER STATUTORY INFORMATION (CONTINUED)

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

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2005 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 in accordance with a resolution of the Directors:-

DR. MOHAMAD HASHIM BIN AHMAD TAJUDIN

DATO' HAJI MIZANUR RAHMAN BIN S M ABDUL GHANI

Klang,

Date: 31 March 2006

STATEMENT BY DIRECTORS

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

In the opinion of the Directors, the financial statements set out on pages 53 to 80 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2005 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:-

DR. MOHAMAD HASHIM BIN AHMAD TAJUDIN

DATO' HAJI MIZANUR RAHMAN BIN S M ABDUL GHANI

Klang,

Date: 31 March 2006

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 Duopharma Biotech Berhad, do solemnly and sincerely declare that the financial statements set out on pages 53 to 80 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Klang in the State of Selangor Darul Ehsan on 31 March 2006.

CHEK WU KONG

Before me:

We have audited the financial statements set out on pages 53 to 80. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:-

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:-

    i) the state of affairs of the Group and of the Company at 31 December 2005 and the results of their operations and cash flows for the year ended on that date; and

    ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiary have been properly kept in accordance with the provisions of the said Act.

We are satisfied that the financial statements of the subsidiary that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

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

KPMG
Firm Number: AF 0758
Chartered Accountants

LIM HUN SOON @ DAVID LIM
Partner
Approval Number: 1514/05/06(J)

Kuala Lumpur,

Date: 31 March 2006

BALANCE SHEETS
at 31 December 2005

	Note	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Property, plant and equipment	2	**56,792**	52,058	**–**	–
Investment in a subsidiary	3	**–**	–	**40,187**	40,187
Investment in an associate	4	**1,342**	1,003	**1,000**	1,000
Current assets					
Inventories	5	**15,840**	13,762	**–**	–
Trade and other receivables	6	**25,168**	22,450	**14**	9
Amount due from a subsidiary	7	**–**	–	**53,893**	22,790
Amount due from a related company	8	**25**	–	**–**	–
Tax recoverable		**–**	1,450	**–**	–
Cash and cash equivalents	9	**52,406**	25,992	**9,338**	6,782
		93,439	63,654	**63,245**	29,581
Current liabilities					
Trade and other payables	10	**5,619**	7,374	**92**	114
Taxation		**1,269**	6	**31**	6
Provisions	11	**1,092**	1,194	**–**	–
		7,980	8,574	**123**	120
Net current assets		**85,459**	55,080	**63,122**	29,461
		143,593	108,141	**104,309**	70,648
Financed by:-					
Capital and reserves					
Share capital	12	**69,679**	66,000	**69,679**	66,000
Treasury shares	12	**(1,578)**	–	**(1,578)**	–
Reserves		**69,769**	36,968	**36,208**	4,648
Shareholders' funds		**137,870**	102,968	**104,309**	70,648
Negative goodwill	14	**2,885**	3,366	**–**	–
Long term and deferred liabilities					
Deferred taxation	15	**2,838**	1,807	**–**	–
		143,593	108,141	**104,309**	70,648

The financial statements were approved and authorised for issue by the Board of Directors on 31 March 2006.
The notes set out on pages 59 to 80 form an integral part of, and should be read in conjunction with, these financial statements.

INCOME STATEMENTS
for the year ended 31 December 2005

	Note	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Revenue					
– Sale of goods		94,298	79,140	–	–
– Dividend income		–	–	34,000	5,950
Cost of sales		(45,651)	(41,092)	–	–
Gross profit		48,647	38,048	34,000	5,950
Other operating income		1,749	796	–	–
Distribution and marketing expenses		(7,860)	(6,249)	–	–
Administrative expenses		(7,791)	(4,861)	(673)	(462)
Other operating expenses		(2,262)	(1,664)	–	–
Operating profit	16	32,483	26,070	33,327	5,488
Interest income		684	537	202	188
Financing costs	18	(90)	(104)	–	–
Share of profit of associate		382	112	–	–
Profit before taxation		33,459	26,615	33,529	5,676
Tax – Company and subsidiary		(9,903)	(3,860)	(9,595)	(1,243)
– Associate		(43)	–	–	–
Tax expense	19	(9,946)	(3,860)	(9,595)	(1,243)
Profit after taxation		23,513	22,755	23,934	4,433
Basic earnings per ordinary share (sen)	20	17.54	17.24		
Diluted earnings per ordinary share (sen)	20	17.53	–		
Dividends per ordinary share (sen) (net)		12.60	6.48		

The notes set out on pages 59 to 80 form an integral part of, and should be read in conjunction with, these financial statements.

		← Non-distributable		→	Distributable	
	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Treasury shares RM'000	Retained profits RM'000	Total RM'000
At 1 January 2004	60,000	5,086	–	–	22,118	87,204
Issue of shares						
– Bonus issue	6,000	(4,800)	–	–	(1,200)	–
Share issue expenses	–	(180)	–	–	–	(180)
Net profit for the year	–	–	–	–	22,755	22,755
Dividends (Note 21)						
– 2003 final	–	–	–	–	(3,960)	(3,960)
– 2004 interim	–	–	–	–	(2,851)	(2,851)
At 31 December 2004	66,000	106	–	–	36,862	102,968
Issue of shares						
– Exercise of ESOS	3,679	13,391	–	–	–	17,070
Net gain not recognised in the income statement:-						
Surplus on revaluation of properties		–	1,662	–	–	1,662
Share buy-back	–	–	–	(1,578)	–	(1,578)
Net profit for the year	–	–	–	–	23,513	23,513
Dividends (Note 21)						
– 2004 final	–	–	–	–	(5,765)	(5,765)
At 31 December 2005	69,679	13,497	1,662	(1,578)	54,610	137,870
	Note 12					

The notes set out on pages 59 to 80 form an integral part of, and should be read in conjunction with, these financial statements.

		← Non-distributable	→	Distributable	
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Retained profits RM'000	Total RM'000
At 1 January 2004	60,000	5,086	–	8,120	73,206
Issue of shares					
– Bonus issue	6,000	(4,800)	–	(1,200)	–
Share issue expenses	–	(180)	–	–	(180)
Net profit for the year	–	–	–	4,433	4,433
Dividends (Note 21)					
– 2003 final	–	–	–	(3,960)	(3,960)
– 2004 interim	–	–	–	(2,851)	(2,851)
At 31 December 2004	66,000	106	–	4,542	70,648
Issue of shares					
– Exercise of ESOS	3,679	13,391	–	–	17,070
Share buy-back	–	–	(1,578)	–	(1,578)
Net profit for the year	–	–	–	23,934	23,934
Dividends (Note 21)					
– 2004 final	–	–	–	(5,765)	(5,765)
At 31 December 2005	69,679	13,497	(1,578)	22,711	104,309
	Note 12			Note 13	

The notes set out on pages 59 to 80 form an integral part of, and should be read in conjunction with, these financial statements.

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Cash flows from operating activities				
Profit before taxation	33,459	26,615	33,529	5,676
Adjustment for:-				
Depreciation	4,205	3,316	–	–
Gain on disposal of property, plant and equipment	(49)	(136)	–	–
Interest income	(684)	(537)	(202)	(188)
Dividend income	–	–	(34,000)	(5,950)
Interest expense	–	1	–	–
Amortisation of negative goodwill	(481)	(481)	–	–
Share of profit of associate	(382)	(112)	–	–
Operating profit/(loss) before working capital changes	36,068	28,666	(673)	(462)
Changes in working capital:-				
Inventories	(2,078)	(833)	–	–
Amount due from a subsidiary	–	–	(31,103)	2,780
Amount due from a related company	(25)	–	–	–
Trade and other receivables	(2,718)	(3,627)	(5)	1
Trade and other payables	(1,755)	1,578	(22)	37
Provision	(102)	84	–	–
Cash generated from/(used in) operations	29,390	25,868	(31,803)	2,356
Income taxes paid	(6,321)	(5,268)	(50)	(39)
Interest paid	–	(1)	–	–
Net cash generated from/(used in) operating activities	23,069	20,599	(31,853)	2,317

	Group		Company	
	2005	2004	**2005**	2004
	RM'000	RM'000	**RM'000**	RM'000
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	**49**	162	**–**	–
Increase in investment in associate	**–**	(250)	**–**	(250)
Dividend received	**–**	–	**24,480**	4,760
Purchase of property, plant and equipment	**(7,115)**	(7,359)	**–**	–
Interest received	**684**	537	**202**	188
Net cash (used in)/generated from investing activities	**(6,382)**	(6,910)	**24,682**	4,698
Cash flows from financing activities				
Proceeds from exercise of ESOS	**17,070**	–	**17,070**	–
Share buy-back	**(1,578)**	–	**(1,578)**	–
Share issue expenses	**–**	(180)	**–**	(180)
Dividends paid	**(5,765)**	(6,811)	**(5,765)**	(6,811)
Net cash generated from/(used in) financing activities	**9,727**	(6,991)	**9,727**	(6,991)
Net increase in cash and cash equivalents	**26,414**	6,698	**2,556**	24
Cash and cash equivalents at beginning of year	**25,992**	19,294	**6,782**	6,758
Cash and cash equivalents at end of year	**52,406**	25,992	**9,338**	6,782

i) Cash and cash equivalents

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

	Group		Company	
	2005	2004	**2005**	2004
	RM'000	RM'000	**RM'000**	RM'000
Deposits placed with licensed banks	**41,124**	11,759	**8,616**	6,617
Cash and bank balances	**11,282**	14,233	**722**	165
	52,406	25,992	**9,338**	6,782

The notes set out on pages 59 to 80 form an integral part of, and should be read in conjunction with, these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies are adopted by the Group and the Company and are consistent with those adopted in previous years except for adoption of a revaluation policy on the Group's properties during the financial year. The effect of the adoption of this policy is disclosed in Note 1(d) and Note 2 to the financial statements.

(a) Basis of accounting

The financial statements of the Group and the Company are prepared on the historical cost basis except as disclosed in the notes to the financial statements and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

(b) Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

A subsidiary is excluded from consolidation when either control is intended to be temporary if the subsidiary is acquired and held exclusively with a view of its subsequent disposal in the near future and it has not previously been consolidated or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the Company. Subsidiaries excluded on these grounds are accounted for as investments.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or negative goodwill as appropriate.

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

(c) Negative goodwill

Negative goodwill arising on consolidation represents the excess of the fair values of the net identifiable assets acquired over the cost of acquisition.

Negative goodwill arising on consolidation is amortised on a straight line basis over a maximum of 10 years from the date of acquisition.

(d) Property, plant and equipment

Freehold land and capital work-in-progress are stated at cost/valuation. All other property, plant and equipment are stated at cost/valuation less accumulated depreciation and accumulated impairment loss.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (Continued)

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

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

Depreciation

Freehold land and capital work-in-progress are not amortised. Depreciation is provided on a straight line basis so as to write off the cost of the other assets over their estimated useful lives at the following principal annual rates:-

Buildings	2%
Plant and machineries	10% – 20%
Office equipment, furniture and fittings	5% – 10%
Motor vehicles	10% – 25%
Renovations	10%

(e) Impairment

The carrying amount of the assets, other than inventories and financial assets (other than investments in subsidiary and associate), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised. The reversal is recognised in the income statement.

(f) Investment in a subsidiary

Investment in a subsidiary in the Company is stated at cost, less impairment losses where applicable.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investment in an associate

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies.

The consolidated financial statements include the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases.

Unrealised profits arising on transactions between the Group and its associates which are included in the carrying amount of the related assets and liabilities are eliminated partially to the extent of the Group's interests in the associates. Unrealised losses on such transactions are also eliminated partially unless cost cannot be recovered.

Investment in the associate in the Company is stated at cost, less impairment losses where applicable.

(h) Repurchase of shares

When shares are repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are reclassified as treasury shares and presented as a deduction from total equity.

(i) Inventories

Raw materials, work-in-progress, packaging materials and manufactured inventories are stated at the lower of cost and net realisable value with first-in-first-out being the main basis for cost. For work-in-progress and manufactured inventories, cost consists of materials, direct labour and an appropriate proportion of fixed and variable production overheads.

(j) Trade and other receivables

Trade and other receivables are stated at cost less allowance for doubtful debts. Bad debts are written off in the financial year in which they are identified.

(k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposit with banks.

(l) Liabilities

Trade and other payables are stated at cost.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement.

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

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

(n) Provision

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation (legal or constructive) as a result of a past event and a reliable estimate can be made of the amount.

Provision for warranties

A provision for warranties is recognised when the underlying products or services are sold. It is based on historical warranty data and a weighting of all possible outcomes against the associated probabilities.

(o) Foreign currency transactions

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

The closing rates used in the translation of foreign currency monetary assets and liabilities are as follows:-

	2005	2004
1USD	**RM3.75**	RM3.80
1EUR	**RM4.60**	RM5.22
1SGD	**RM2.20**	RM2.29

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Revenue recognition

(i) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration receivable less returns and discounts allowed and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

(ii) Dividend income

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

(q) Interest income

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

(r) Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

(ii) Financing costs

All interest and other costs incurred in connection with borrowings are expensed as incurred.

(s) Research and development expenditure

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

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred.

Capitalised development expenditure is amortised and recognised as an expense on a systematic basis so as to reflect the pattern in which the related economic benefits are recognised over 3 years.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Employee benefits

(i) Short term benefits

Wages, salaries, bonus and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group.

(ii) Defined contribution plan

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

2. 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/Valuation								
At 1 January 2005	11,357	22,523	31,733	1,576	2,578	258	1,830	71,855
Additions	–	682	2,256	203	182	–	3,792	7,115
Disposals	–	–	–	–	(209)	–	–	(209)
Transfer	–	–	3,735	–	–	–	(3,735)	–
Elimination against gross carrying amount on revaluation	–	(1,496)	–	–	–	–	–	(1,496)
Revaluation surplus	1,517	307	–	–	–	–	–	1,824
At 31 December 2005	12,874	22,016	37,724	1,779	2,551	258	1,887	79,089
Representing items at:-								
– Cost	–	–	37,724	1,779	2,551	258	1,887	44,199
– Valuation 2005	12,874	22,016	–	–	–	–	–	34,890
	12,874	22,016	37,724	1,779	2,551	258	1,887	79,089

2. 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 2005	–	1,150	16,134	1,003	1,272	238	–	19,797
Charge for the year	–	462	3,327	139	269	8	–	4,205
Disposals	–	–	–	–	(209)	–	–	(209)
Restatement of accumulated depreciation on revaluation	–	(1,496)	–	–	–	–	–	(1,496)
At 31 December 2005	–	116	19,461	1,142	1,332	246	–	22,297
Net book value								
At 31 December 2005	12,874	21,900	18,263	637	1,219	12	1,887	56,792
At 31 December 2004	11,357	21,373	15,599	573	1,306	20	1,830	52,058
Depreciation charge for the year ended 31 December 2004	–	406	2,521	125	238	26	–	3,316

2.1 Revaluation

Freehold land and buildings at net book value of RM33,066,000 was revalued by the Directors in November 2005 based on a valuation carried out by an independent professional valuer using the open market valuation basis. The market value of the freehold land and buildings is arrived at based on the comparison method and valued by Mr. Dev Kumar Nair, Registered Valuer in M. Nawawi & Co. Sdn. Bhd. Surpluses from the revaluation were credited to the revaluation reserve.

Had the land and buildings been carried at historical cost less accumulated depreciation, the carrying amount of the revalued assets that would have been included in the financial statements at the end of the year would be as follows:-

	2005 RM'000	2004 RM'000
Freehold land	**11,357**	11,357
Buildings	**21,593**	21,373
	32,950	32,730

2. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2.2 Security

The land title of the freehold land and buildings at valuation of RM27,140,000 (2004 – RM27,105,000) which are previously held under charge to banks as security for borrowings granted to the subsidiary has been released by the Land Office. The registration of the discharge with the Companies Commission of Malaysia is currently under progress.

3. INVESTMENT IN A SUBSIDIARY

	Company	
	2005 RM'000	2004 RM'000
Unquoted shares, at cost	**40,187**	40,187

Details of the subsidiary are as follows:-

Name of Company	Principal Activities	Country of Incorporation	Effective Ownership Interest 2005	2004
Duopharma (M) Sendirian Berhad	Manufacturing, distributing, importing and exporting of pharmaceutical products and medicines	Malaysia	**100%**	100%

4. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2005 RM'000	2004 RM'000	**2005 RM'000**	2004 RM'000
Unquoted shares, at cost	**1,000**	1,000	**1,000**	1,000
Share of post-acquisition profit	**342**	3	**–**	–
	1,342	1,003	**1,000**	1,000
Represented by:-				
Group's share of net assets	**1,342**	1,003	**–**	–

4. INVESTMENT IN AN ASSOCIATE (CONTINUED)

The interest in the associate is consolidated based on the associate's unaudited management accounts made up to 31 December 2005.

Details of the associate are as follows:-

Name of Company	Principal Activities	Country of Incorporation	Effective Ownership Interest	
			2005	2004
Altratec Sdn. Bhd.	Contract packing for food industries	Malaysia	40%	40%

5. INVENTORIES

	Group	
	2005 RM'000	2004 RM'000
At cost		
Raw materials	6,942	7,289
Work-in-progress	906	361
Packaging materials	1,301	1,016
Manufactured inventories	6,691	5,096
	15,840	13,762

6. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Trade receivables	26,009	24,314	–	–
Less: Allowance for doubtful debts	(931)	(2,528)	–	–
	25,078	21,786	–	–
Other receivables, deposits and prepayments	90	664	14	9
	25,168	22,450	14	9

6. TRADE AND OTHER RECEIVABLES (CONTINUED)

6.1 Bad debts written off against allowance for doubtful debts during the financial year amounted to RM593,000 (2004 – RM19,000).

6.2 Included in trade receivables of the Group is an amount of RM2,079,000 (2004 – RM1,889,000) due from a company in which former Directors have interest. Subsequent to the year end, the Group received total repayment of RM176,000 (2004 – RM396,000) from the customer.

7. AMOUNT DUE FROM A SUBSIDIARY – COMPANY

The amount due from a subsidiary is non-trade in nature, unsecured, interest free and has no fixed term of repayment.

8. AMOUNT DUE FROM A RELATED COMPANY

The amount due from a related company is trade in nature.

9. CASH AND CASH EQUIVALENTS

	Group		Company	
	2005	2004	**2005**	2004
	RM'000	RM'000	**RM'000**	RM'000
Deposits placed with licensed banks	**41,124**	11,759	**8,616**	6,617
Cash and bank balances	**11,282**	14,233	**722**	165
	52,406	25,992	**9,338**	6,782

10. TRADE AND OTHER PAYABLES

	Group		Company	
	2005	2004	**2005**	2004
	RM'000	RM'000	**RM'000**	RM'000
Trade payables	**3,307**	2,931	**–**	–
Other payables and accruals	**2,312**	4,443	**92**	114
	5,619	7,374	**92**	114

10. TRADE AND OTHER PAYABLES (CONTINUED)

Included in other payables and accruals of the Group for 2004 was an amount of RM3,000 due to former Directors. This amount was unsecured, interest free and has no fixed term of repayment.

11. PROVISION

	Group	
	2005	2004
	RM'000	RM'000
Balance at 1 January	**1,194**	1,109
Provision made during the year	**–**	150
Provision used during the year	**(102)**	(65)
Balance at 31 December	**1,092**	1,194

Warranties

The provision in respect of warranties relates to pharmaceutical products sold. The provision is based on estimates made from historical warranty data associated with similar products. The Group expects to incur the liability over the next 2 years.

12. SHARE CAPITAL

		Group and Company	
		2005	2004
		RM'000	RM'000
Ordinary shares of RM0.50 each:-			
Authorised		**100,000**	100,000
Issued and fully paid			
At 1 January		**66,000**	60,000
Issued during the year	– Bonus issue	**–**	6,000
	– Exercise of ESOS	**3,679**	–
At 31 December		**69,679**	66,000

12. SHARE CAPITAL (CONTINUED)

Employees' Share Option Scheme ("ESOS")

The Company's Employees' Share Option Scheme ("ESOS") was approved by the Company's shareholders on 25 June 2004. On 26 January 2005, the Company granted vested option to eligible employees and Directors of the Company to subscribe for a total of 7,937,500 new ordinary shares of RM0.50 each in the Company at an option price of RM2.32 per share. The eligible employees must have been confirmed in service and employed for at least one year on the Date of Offer on 26 January 2005. As at 31 December 2005, 7,357,500 of ESOS have been exercised and 325,500 of ESOS had lapsed following the resignation of employees to whom the ESOS were originally granted.

Movement in the number of share option held by employees are as follows:-

	2005 '000	2004 '000
At 1 January	**–**	–
Granted	**7,938**	–
Exercised	**(7,358)**	–
Lapsed	**(325)**	–
At 31 December	**255**	–

Details of share options granted during the financial year are as follows:-

Expiry date	25 January 2010
Exercise price per ordinary share	RM2.32
Aggregate proceeds if shares are issued (RM'000)	18,415

Details of share options exercised during the financial year are as follows:-

Expiry date	25 January 2010
Exercise price per ordinary share	RM2.32
Aggregate issue proceeds (RM'000)	17,070
Fair value at date of issue (RM'000)	20,351

Term of the options outstanding at 31 December 2005:-

Expiry date	Exercise price	Number of options '000
25 January 2010	RM2.32	255

12. SHARE CAPITAL (CONTINUED)

Employees' Share Option Scheme ("ESOS") (Continued)

The Group/Company received proceeds of RM17,070,000 in respect of 7,357,500 options exercised during the financial year: RM3,679,000 was credited to share capital and RM13,391,000 was credited to share premium.

Treasury shares

The shareholders of the Company, by a special resolution passed at the extraordinary annual general meeting held on 25 June 2004, approved the Company's plan to purchase its own shares.

During the year, the Company purchased 658,000 (2004 – Nil) of its issued and paid-up shares from the open market. The average price paid for the shares purchased was RM2.40 (2004 – Nil) per share. The repurchase transactions were financed by internally generated funds. The shares purchased are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965 and carried at cost. The number of outstanding shares in issue after deducting treasury shares held is 138,699,500 (2004 – 132,000,000) ordinary shares of RM0.50 each. Treasury shares have no rights to voting, dividends and participation in other distributions. No treasury shares were sold during the year.

13. RETAINED PROFITS (DISTRIBUTABLE)

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income under the Income Tax Act, 1967 to frank all of its retained profits as at 31 December 2005 if paid out as dividends.

14. NEGATIVE GOODWILL

	Group	
	2005 RM'000	2004 RM'000
Cost		
At 1 January / 31 December	**4,809**	4,809
Accumulated amortisation		
At 1 January	**1,443**	962
Amortisation charge for the year	**481**	481
At 31 December	**1,924**	1,443
Net carrying value		
At 31 December	**2,885**	3,366

15. DEFERRED TAXATION

The recognised deferred tax assets and liabilities are as follows:-

	Group	
	2005	2004
	RM'000	RM'000
Property, plant and equipment		
– capital allowances	**3,243**	2,849
– revaluation	**162**	–
Provisions	**(306)**	(334)
Allowance for doubtful debts	**(261)**	(708)
	2,838	1,807

16. OPERATING PROFIT

	Group		Company	
	2005	2004	**2005**	2004
	RM'000	RM'000	**RM'000**	RM'000
Operating profit is arrived at after crediting:-				
Allowance for doubtful debts written back	**1,004**	–	**–**	–
Amortisation of negative goodwill	**481**	481	**–**	–
Dividend from unquoted subsidiary – gross	**–**	–	**34,000**	5,950
Gain on disposal of property, plant and equipment	**49**	136	**–**	–
and after charging:-				
Allowance for doubtful debts	**–**	200	**–**	–
Auditors' remuneration	**55**	50	**11**	10
Depreciation	**4,205**	3,316	**–**	–
Directors' remuneration				
– fees	**386**	390	**276**	270
– gratuity	**835**	–	**–**	–
– other emoluments	**1,458**	1,398	**–**	–
Inventories written off	**939**	1,020	**–**	–
Realised foreign exchange loss	**62**	59	**–**	–
Rental of premises	**109**	108	**–**	–
Provision for product warranty	**–**	150	**–**	–
Research and development expenditure	**546**	867	**–**	–
Estimated monetary value of Directors' benefits-in-kind	**45**	49	**–**	–

17. EMPLOYEE INFORMATION

	Group	
	2005	2004
	RM'000	RM'000
Staff costs	**12,431**	10,629

The number of employees of the Group (including Directors) at the end of the year was 425 (2004 – 338).

Staff costs include contributions to the Employees' Provident Fund of RM1,239,000 (2004 – RM949,000).

18. FINANCING COSTS

	Group	
	2005	2004
	RM'000	RM'000
Interest expense on bank overdrafts	**–**	1
Bank charges	**90**	103
	90	104

19. TAX EXPENSE

	Group		Company	
	2005	2004	**2005**	2004
	RM'000	RM'000	**RM'000**	RM'000
Income tax expense				
– current year	**7,703**	2,752	**9,595**	1,242
– under provision in prior year	**1,331**	1	**–**	1
	9,034	2,753	**9,595**	1,243
Deferred tax expense				
Origination and reversal of temporary differences	**869**	1,107	**–**	–
Tax expense on share of profit of associate	**43**	–	**–**	
	9,946	3,860	**9,595**	1,243

19. TAX EXPENSE (CONTINUED)

Reconciliation of effective tax expense

	Group		Company	
	2005	2004	**2005**	2004
	RM'000	RM'000	**RM'000**	RM'000
Profit before taxation	**33,459**	26,615	**33,529**	5,676
Income tax using Malaysian tax rates	**9,368**	7,452	**9,388**	1,589
Non-deductible expenses	**515**	242	**162**	114
Tax exempt income	**–**	–	**–**	(476)
Non-taxable income	**(135)**	(135)	**–**	–
Tax rate incentives	**(40)**	(40)	**–**	–
Utilisation of reinvestment allowances	**(1,004)**	(3,814)	**–**	–
Other items	**(132)**	154	**45**	15
	8,572	3,859	**9,595**	1,242
Under provision in prior year				
– income tax	**1,331**	1	**–**	1
Share of associate's tax	**43**	–	**–**	–
Tax expense	**9,946**	3,860	**9,595**	1,243

20. EARNINGS PER ORDINARY SHARE – GROUP

20.1 Basic earnings per ordinary share

The basic earnings per ordinary share is calculated by dividing the Group's net profit attributable to ordinary shareholders of RM23,513,000 (2004 – RM22,755,000) by the weighted average number of ordinary shares outstanding during the financial year of 134,077,002 (2004 – 132,000,000).

20. EARNINGS PER ORDINARY SHARE – GROUP (CONTINUED)

20.1 Basic earnings per ordinary share (Continued)

Weighted average number of ordinary shares is as follows:-

	Group	
	2005	2004
	'000	'000
Issued ordinary shares at beginning of the year	**132,000**	60,000
Effect of exercise of share option under ESOS	**2,532**	–
Effect of share buy-back	**(455)**	–
Conversion of ordinary shares of RM1.00 each to ordinary shares of RM0.50 each	**–**	60,000
Effect of bonus issue in July 2004	**–**	12,000
Weighted average number of ordinary shares	**134,077**	132,000

20.2 Diluted earnings per ordinary share

The diluted earnings per ordinary share is calculated by dividing the Group's net profit attributable to ordinary shareholders of RM23,513,000 by the adjusted weighted average number of ordinary shares issued and issueable of 134,106,000.

Weighted average number of ordinary shares (diluted) is as follows:-

	Group	
	2005	2004
	'000	'000
Weighted average number of ordinary shares as above	**134,077**	–
Effect of dilution on share option under ESOS	**29**	–
Weighted average number of ordinary shares	**134,106**	–

There is no dilution in earnings per share for 31 December 2004 as the ESOS was only granted during the financial year ended 31 December 2005.

21. DIVIDENDS

	Group and Company	
	2005	2004
	RM'000	RM'000
Interim paid:-		
2005 – Nil		
(2004 – 6% per share less tax)	**–**	2,851
Final paid:-		
2004 – 12% per share less tax (2003 – 5% per share less tax)	**5,765**	2,160
– Nil (2003 – 3% per share tax exempt)	**–**	1,800
	5,765	6,811

The proposed final dividend of 35% (17.50 sen) per share less tax totalling approximately RM17.56 million in respect of the year ended 31 December 2005 has not been accounted for in the financial statements.

22. CONTINGENT LIABILITIES (UNSECURED)

	Company	
	2005	2004
	RM'000	RM'000
Guarantees for banking facilities granted to a subsidiary	**22,680**	22,680

23. HOLDING COMPANIES

The immediate holding company is Tekan Maju Sdn Bhd, whilst the intermediate holding company and ultimate holding company are Chemical Company of Malaysia Berhad and Permodalan Nasional Berhad respectively. All the holding companies are incorporated in Malaysia.

24. RELATED PARTY TRANSACTIONS

Significant transactions with related parties other than those disclosed elsewhere in the financial statements are as follows:-

	Group		Company	
	2005	2004	**2005**	2004
	RM'000	RM'000	**RM'000**	RM'000
With a subsidiary				
Duopharma (M) Sendirian Berhad				
– Dividend received (gross)	**–**	–	**34,000**	5,950
With a related company				
Prima Health Pharmacy (Retail) Sdn. Bhd.				
– Sales	**36**	–	**–**	–
With a company in which former Directors, Madam Ang Bee Lian and Mr. Chia Ting Poh @ Cheah Ting Poh, have interest:-				
Duopharma Trading (S) Pte. Ltd.				
– Sales	**2,015**	1,980	**–**	–

The Directors are of the opinion that the above transactions have been entered into in the normal course of business and have been established under negotiated terms.

25. CAPITAL COMMITMENT

	Group	
	2005	2004
	RM'000	RM'000
Property, plant and equipment		
Approved and contracted for	**165**	2,036

26. SEGMENTAL INFORMATION

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

27. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, credit and liquidity risks. The Board reviews and agrees policies for managing each of these risks as summarised below:-

Interest rate risk

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

Foreign currency risk

With effect from 21 July 2005, Bank Negara Malaysia has implemented managed float currency system whereby the value of the Ringgit is now monitored against a trade-weighted basket of currencies rather than US dollar only. The Company incurs minimum foreign currency risk on its overseas sales and purchases although more than 70% of the Company's exports and imports are transacted in US dollars as the Company maintains a Foreign Currency Account for remittance of exports and to defray payments in US dollars. Besides, the fluctuation of Ringgit is closely monitored by the Bank Negara Malaysia within a tolerable range. For huge foreign purchases, the Company will hedge the purchases if the amount exceeds pre-determined thresholds.

Credit risk

The Group has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers who require credit facility. When the credit limit and/or credit period is exceeded, no further transaction will be allowed until the credit limit or credit period is regularised to appropriate levels. The Group does not require collateral.

At balance sheet date, a significant concentration of credit risk arises in respect of debts owing from 3 (2004 – 2) major customers amounting to RM9,275,000 (2004 – RM10,051,000). The management closely monitor the Group's credit risk exposure to these major customers and are confident in recovering these amount. The maximum exposure to credit risk for the Group is represented by the carrying amounts of the financial assets.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations.

27. FINANCIAL INSTRUMENTS (CONTINUED)

Effective interest rates and repricing analysis:-

The following table indicates the effective interest rates at the balance sheet date of interest-earning financial assets and the period in which they reprice.

Financial asset	Effective interest rate %	Total RM'000	Within 1 year RM'000
Group			
2005			
Deposits with licensed banks	**2.60**	**41,124**	**41,124**
2004			
Deposits with licensed banks	2.86	11,759	11,759
Company			
2005			
Deposits with licensed banks	**2.66**	**8,616**	**8,616**
2004			
Deposits with licensed banks	2.76	6,617	6,617

Fair values

Recognised financial instruments

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

28. SIGNIFICANT EVENTS DURING THE YEAR

Change in major shareholders

The Company had on 21 July 2005 received notification from its major shareholders, Mr Chia Ting Poh @ Cheah Ting Poh and Madam Ang Bee Lian that they had on 20 July 2005 entered into a sale and purchase agreement with Tekan Maju Sdn Bhd ("TMSB"), a wholly owned subsidiary company of Chemical Company of Malaysia Bhd ("CCM"), to dispose of a total of 47,934,390 ordinary shares of RM0.50 each held by the major shareholders in Duopharma Biotech Bhd ("Duopharma") (representing approximately 36% equity interest in Duopharma at the point in time) to TMSB at RM2.80 per share or a cash consideration of RM134,216,292.

Arising from the above, TMSB made a conditional mandatory offer to acquire up to the remaining 92,490,610 ordinary shares of RM0.50 each in Duopharma ("Offer Shares") not already owned by TMSB and persons acting in concert for a cash offer price of RM2.80 per share ("Offer"). The Offer became unconditional as to acceptances at the close of business on 7 October 2005. On the same date, TMSB received valid acceptances resulting in TMSB and persons acting in concert holding approximately 53.05% of the issued and paid-up capital of Duopharma, rendering Duopharma to become a subsidiary of the CCM group.

At 31 December 2005, the ownership interest of TMSB in the Company is 73.43% or equivalent to 102,332,892 ordinary shares of RM0.50 each.