

Chairman's statement

Dear shareholders

CCM Duopharma Biotech Berhad, now in its second year as part of CCM Berhad, has reaped the benefits from its association with Malaysia's key player in the fertilizer, chemical and pharmaceutical industries. We have been able to tap upon the Group synergies to bring us forward to becoming

a leader in the
Malaysian
pharmaceutical
industry and a major
player in the
regional market.

I am therefore pleased to report, on behalf of CCM Duopharma's Board of Directors, that we have continued to perform to expectations in financial terms as well as business development. As we proceed to build upon our past and present achievements, the way forward promises to offer us more opportunities for growth.

Our business environment

The Malaysian economy, buttressed by its strong fundamentals, registered a GDP growth of 6.3% for 2007. There has been expansion in all sectors of the economy in line with the implementation of the Ninth Malaysia Plan. The services sector was the main driver of growth with lower contribution from the manufacturing sector, which was supported mainly by domestic-oriented industries. Higher input prices in the oleochemical industry had an impact on the output of household and personal care products, including pharmaceuticals.

The world economy proceeded at a moderate pace in 2007, registering growth of 5.2%. Robust growth in China, India and Russia offset dampening trends in the US and Europe. In the ASEAN region, growth ranged between 4.5% and 7%.

02.01.2007

Customer awareness with CAT

Reaching customers through health-related activities

CCM Duopharma Biotech Berhad set up the Customer Awareness Team [CAT] to create customer awareness of its over-the-counter products through health-related activities such as health screenings and product samplings at pharmacies. Such activities also help to strengthen the Company's advertising and promotional campaign as well as complement the work of its sales representatives.

Within four months of its formation, the CAT has visited 29 chain and independent pharmacies around the Klang Valley as well as a number of hospitals in Selangor and Negeri Sembilan.

At the industry level, the healthcare industry was boosted by greater public awareness of healthcare issues and increasing individual attention towards better health. Pharmaceutical companies were able to ride upon this trend, maintaining its projected growth of 8% to 10% annually.

Nonetheless, CCM Duopharma continued to operate in a competitive environment both within and outside Malaysia. A large portion of the domestic pharmaceutical market was met by imports. We have had to counter intense competition from multinational corporations, in addition to the availability of low-priced products from India, China and other Asian countries in the local market. The costs of raw materials and packaging rose during the year under review and we faced constraints in our production and warehousing capacity. At the same time, original manufacturers, i.e. ex-patent holders, adopted a new strategy of offering low prices to prevent the entry of generic manufacturers.

Notwithstanding the above, we have been successful in taking advantage of the CCM Group's capabilities in technology, knowledge, research and development, and distribution network. Together with our three-prong strategy of cost containment, productivity improvement and aggressive marketing, this has helped us to maintain our position in the marketplace.

Another good financial year

CCM Duopharma recorded yet another profitable year, posting a profit after tax of RM32.04 million for the financial year ended 31 December 2007, an increase of 10.6% from RM28.98 million of the previous year.

Revenue achieved for the 2007 financial year was RM115.55 million, a growth of 9.9% from RM105.10 million attained in 2006. The increase in revenue and profit after tax was due to the Company's initiatives in enhancing its product mix, thus resulting in higher sales and returns.

Our performance during the financial year under review resulted in an increase in our earnings per share from 20.89 sen in the previous year to 23.09 sen in 2007.

For our shareholders

Your Board of Directors had declared a first interim dividend of 14 sen [28%] per share less 27% tax based on CCM Duopharma's paid-up capital of approximately 139.5 million shares at par value of RM0.50 each in respect of the Company's financial period ended 30 June 2007. This was followed, during the third quarter, by the declaration of a special interim dividend of 34 sen [68%] per share less 27% income tax.

With the total dividend for the financial year 31 December 2007 already at 48 sen per share, the highest dividend payment to shareholders to-date, your Board will not be recommending a final dividend.

Worth noting

This being the second year as part of the CCM Group, our integration exercise into the organisational culture, philosophy and processes of CCM is well underway. This is seen not only in business and marketing terms but also in areas such as quality improvement, corporate social responsibility, safety, health and the environment, research and development as well as human capital development. We are now poised to grow our business further.

As a start, we will be benefiting from the CCM Group's acquisition of the brands and assets of Malayan Pharmaceutical during the year under review. A number of established over-the-counter [OTC] brands, such as Chewies, Milidon, Cosmos and Cosmoplast, will come under our marketing and distribution ambit.

Your Board is also proud to highlight that, in the annual KPMG/The Edge survey, CCM Duopharma was placed 27th amongst the country's top 100 companies in terms of shareholder value creation. This honour has certainly earned us greater interest from analysts and investors, and we shall strive to continue being on the radar screen of the investing community.

Sustaining future growth

Despite the feelings of uncertainty amidst fears of recessionary trends in the US, the Malaysian economy is expected to grow about 6% in 2008. This outlook is premised on favourable global growth prospects and positive contributions from all economic sectors in the country. Globally, growth is projected at about 5% in 2008, supported by a balanced expansion across the regions.

Thus far, Asian markets have exhibited some degree of resilience and we remain optimistic of our future prospects. The demand for healthcare products will remain robust and we shall maintain our strategy of expanding into selected markets overseas while continuing to build upon our domestic business. We anticipate greater recurring earnings from overseas ventures in the years to come.

With our strong operating cash flow, solid financial base, quality human capital and strategic partnerships, we are therefore set to sustain our growth into the future.

I would like to take this opportunity to welcome our new Chief Executive Officer, Encik Leonard Ariff bin Abdul Shatar, whom the Board has entrusted to spearhead the Company to greater heights in the future.

Appreciation

The success of any corporate endeavour would not be possible without the contributions of various groups of people. At CCM Duopharma, the commitment and dedication of our management and staff towards furthering the Company's objectives need to be commended.

I wish to record my appreciation to our stakeholders – shareholders, suppliers, distributors and customers, amongst others – for their belief in our mission and products. My thanks are also extended to the Malaysian Government, in particular the Ministry of Health, and other related government bodies for their support. I would like to take this opportunity to thank Dato' Haji Mizanur Rahman S M Abdul Ghani for his contributions to the Company when he was Managing Director and to wish him well for the future. Last but not least, my fellow board members deserve mention for giving the Company the benefit of their time and expertise.

**Tan Sri Dato' Dr Abu Bakar bin Suleiman
Chairman**

29.04.2007



Launch of Legarin

Herbal tablets to promote liver health

Legarin, a herbal remedy that contains *Silybum Marianum* or more commonly known as milk thistle, is now available in tablet form from CCM Duopharma Biotech Berhad. Europeans have been using milk thistle for over 2,000 years as a herbal treatment for liver disorders. Each Legarin tablet contains 70 mg of *Silybum Marianum* extract called silymarin, which is equivalent to 1,400 mg of milk thistle.

Group Managing Director of Chemical Company of Malaysia Berhad, Dato' Dr Mohd Hashim Tajudin, said that Legarin was developed to help patients with liver problems. "The introduction of this new product shows our continued commitment towards

extensive research and development to produce high quality herbal products that promote overall well-being."

"We are pleased to introduce Legarin to the market and are confident that it will receive an overall positive response from consumers who wish to lead a good quality of life," said Dato' Dr Mohd Hashim.

Legarin was launched by the Prime Minister, YAB Dato' Seri Abdullah Hj Ahmad Badawi, at 'Minggu Saham Amanah Malaysia' in Kuantan, Pahang.