

Directors' report

for the year ended 31 December 2007

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 2007.

Principal activities

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

Results

[In RM'000]	Group	Company
Profit for the year	32,043	67,959

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 dividends paid or declared by the Company were as follows:

[In RM'000]	
In respect of the financial year ended 31 December 2006 as reported in the Directors' report of that year:	
· Final dividend of 14.5 sen per ordinary share less tax paid on 8 June 2007	14,689
In respect of the financial year ended 31 December 2007:	
· 1st interim dividend of 14 sen per ordinary share less tax paid on 18 October 2007	14,186
· 2nd interim dividend of 34 sen per ordinary share less tax paid on 24 December 2007	34,451
	<u>63,326</u>

The Directors do not recommend any final dividend to be paid for the year under review.

Directors of the Company

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

- Tan Sri Dato' Dr Abu Bakar bin Suleiman
- Dato' Dr Mohamad Hashim bin Ahmad Tajudin
- Datuk Alias bin Ali
- Datuk Dr Jegathesan a/l N M Vasagam @ Manikavasagam
- Haji Ghazali bin Awang
- Dr Mohd Nasir bin Hassan
- Dato' Haji Mizanur Rahman bin S M Abdul Ghani [resigned on 1 January 2008]

Directors' interests

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

Number of ordinary shares of RM0.50 each

	At 1.1.2007	Bought	Sold	At 31.12.2007
Tan Sri Dato' Dr Abu Bakar bin Suleiman				
Interest in the Company:				
· Own	286,400	-	-	286,400
· Others#	11,000	-	-	11,000
Dato' Dr Mohamad Hashim bin Ahmad Tajudin				
Interest in the Company:				
· Own	-	5,000	-	5,000
Datuk Dr Jegathesan a/l N M Vasagam @ Manikavasagam				
Interest in the Company:				
· Own	34,160	-	[40]	34,120
Haji Ghazali bin Awang				
Interest in the Company:				
· Own	-	45,000	-	45,000

Shares in the intermediate holding company, Chemical Company of Malaysia Berhad

Dato' Haji Mizanur Rahman bin S M Abdul Ghani				
Interest in the Company:				
· Own	242,800	-	-	242,800
· Others*	2,500	-	-	2,500

Zufar Suleiman Abu Bakar is the son 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 in the shares of the Company and of its related corporations [other than wholly-owned subsidiaries] shall be treated as the interests of Tan Sri Dato' Dr Abu Bakar bin Suleiman also.

* Shazli Ghani bin Mizanur Rahman and Shahreza Ghani bin Mizanur Rahman are sons of Dato' Haji Mizanur Rahman bin S M Abdul Ghani. In accordance with Section 134[12][c] of the Companies Act, 1965, the interests and deemed interests of Shazli Ghani bin Mizanur Rahman and Shahreza Ghani bin Mizanur Rahman in the shares of the Company and of its related corporations [other than wholly-owned subsidiaries] shall be treated as the interests of Dato' Haji Mizanur Rahman bin S M Abdul Ghani also.

None of the other Directors holding office at 31 December 2007 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit [other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the subsidiary] by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

During the financial year, the Company issued 28,500 new ordinary shares of RM0.50 each for cash arising from the exercise of employees' share options at an issue price of RM2.32 per ordinary share.

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 year apart from the issue of options pursuant to the Employees' Share Option Scheme ["ESOS"] of the Company.

At an extraordinary general meeting held on 25 June 2004, the Company's shareholders approved the establishment of an 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.

The salient features of the ESOS 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 Securities Berhad 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.

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

Number of options over ordinary shares of RM0.50 each

Date of offer	Exercise price	Balance at 1.1.2007	Exercised	Forfeited	Balance at 31.12.2007
26.1.2005	RM2.32	170,000	[28,500]	[10,500]	131,000

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	Exercise price	Date of expiry	Granted	Balance at 1.1.2007	Exercised	Balance at 31.12.2007
Krisnakumara-Reddi a/l Kesava-Reddi	RM 2.32	25.1.2010	118,500	18,500	[18,500]	-

Other statutory information

Before the balance sheets and income 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 financial statements of the Group and the Company misleading, or
- iii. which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv. not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- i. any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii. any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

Other statutory information

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 results of the operations of the Group and of the Company for the financial year ended 31 December 2007 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:

Dato' Dr Mohamad Hashim
bin Ahmad Tajudin

Haji Ghazali bin Awang

Klang
29 February 2008

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 056 to 079 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2007 and of the results of their operations and cash flows for the year ended on that date.

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

Dato' Dr Mohamad Hashim
bin Ahmad Tajudin

Haji Ghazali bin Awang

Klang
29 February 2008

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 056 to 079 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 29 February 2008.

Chek Wu Kong

Before me:
29 February 2008

Report of the auditors

to the members of CCM Duopharma Biotech Berhad

We have audited the financial statements set out on pages 056 to 079. 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 content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. 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 Financial Reporting Standards issued by the Malaysian Accounting Standards Board 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 2007 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

Hasman Yusri Yusoff

Partner
Approval Number:
2583/08/08[J]

Kuala Lumpur,
29 February 2008

Balance sheets

at 31 December 2007

[In RM'000]	Note	Group		Company	
		2007	2006	2007	2006
Assets					
Property, plant and equipment	3	53,488	49,656	-	-
Investment properties	4	6,087	6,087	-	-
Investment in a subsidiary	5	-	-	40,187	40,187
Total non-current assets		59,575	55,743	40,187	40,187
Receivables, deposits and prepayments	6	33,827	26,744	59,407	47,838
Inventories	7	24,547	20,771	-	-
Current tax assets		-	1,387	-	-
Cash and cash equivalents	8	9,386	54,363	3,824	10,677
Total current assets		67,760	103,265	63,231	58,515
Total assets		127,335	159,008	103,418	98,702
Equity					
Share capital		69,730	69,716	69,730	69,716
Reserves		12,558	12,506	12,109	12,057
Retained profits		31,925	63,208	21,203	16,570
Total equity attributable to shareholders	9	114,213	145,430	103,042	98,343
Liabilities					
Deferred tax liabilities	10	3,746	2,838	-	-
Total non-current liabilities		3,746	2,838	-	-
Payables and accruals	11	9,208	10,695	311	314
Current tax liabilities		168	45	65	45
Total current liabilities		9,376	10,740	376	359
Total liabilities		13,122	13,578	376	359
Total equity and liabilities		127,335	159,008	103,418	98,702

The notes on pages 061 to 079 are an integral part of these financial statements.

Income statements

for the year ended 31 December 2007

[In RM'000]	Note	Group		Company	
		2007	2006	2007	2006
Revenue	12	115,551	105,100	93,500	25,500
Cost of sales		[52,200]	[48,150]	-	-
Gross profit		63,351	56,950	93,500	25,500
Other income		526	523	-	325
Distribution and marketing expenses		[9,108]	[9,672]	-	-
Administrative expenses		[11,397]	[9,088]	[416]	[546]
Other expenses		[2,422]	[2,070]	-	-
Results from operating activities		40,950	36,643	93,084	25,279
Interest income		1,591	1,451	170	274
Profit before tax	13	42,541	38,094	93,254	25,553
Tax expense	15	[10,498]	[9,115]	[25,295]	[7,215]
Profit for the year attributable to shareholders		32,043	28,979	67,959	18,338
Basic earnings per ordinary share [sen]	16	23.09	20.89		
Diluted earnings per ordinary share [sen]	16	23.09	20.88		

The notes on pages 061 to 079 are an integral part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2007

[In RM'000]	Note	Attributable to shareholders of the Company					Total
		Non-distributable			Treasury shares	Distributable	
		Share capital	Share premium	Revaluation reserve		Retained profits	
Group							
At 1 January 2006		69,679	13,497	449	[1,578]	58,708	140,755
Total recognised income for the year							
· Profit for the year		-	-	-	-	28,979	28,979
ESOS exercised	9	37	138	-	-	-	175
Dividends to shareholders	17	-	-	-	-	[24,479]	[24,479]
At 31 December 2006/ 1 January 2007		69,716	13,635	449	[1,578]	63,208	145,430
Total recognised income for the year							
· Profit for the year		-	-	-	-	32,043	32,043
ESOS exercised	9	14	52	-	-	-	66
Dividends to shareholders	17	-	-	-	-	[63,326]	[63,326]
At 31 December 2007		69,730	13,687	449	[1,578]	31,925	114,213

Statement of changes in equity

for the year ended 31 December 2007

[In RM'000]	Note	Non-distributable			Treasury shares	Distributable	Total
		Share capital	Share premium	Revaluation reserve		Retained profits	
		Company					
At 1 January 2006		69,679	13,497		[1,578]	22,711	104,309
Total recognised income for the year							
· Profit for the year		-	-	-	-	18,338	18,338
ESOS exercised	9	37	138	-	-	-	175
Dividends to shareholders	17	-	-	-	-	[24,479]	[24,479]
At 31 December 2006/ 1 January 2007		69,716	13,635		[1,578]	16,570	98,343
Total recognised income for the year							
· Profit for the year		-	-	-	-	67,959	67,959
ESOS exercised	9	14	52	-	-	-	66
Dividends to shareholders	17	-	-	-	-	[63,326]	[63,326]
At 31 December 2007		69,730	13,687		[1,578]	21,203	103,042

The notes on pages 061 to 079 are an integral part of these financial statements.

Cash flow statements

for the year ended 31 December 2007

[In RM'000]	Note	Group		Company	
		2007	2006	2007	2006
Cash flows from operating activities					
Profit before tax		42,541	38,094	93,254	25,553
Adjustments for:					
Depreciation of property, plant and equipment		4,600	4,656	-	-
Dividends income		-	-	[93,500]	[25,500]
Gain on disposal of property, plant and equipment		[27]	[48]	-	-
Loss/[Gain] on disposal of an associate		-	17	-	[325]
Interest income		[1,591]	[1,451]	[170]	[274]
Operating profit/[loss] before changes in working capital		45,523	41,268	[416]	[546]
Changes in working capital:					
Inventories		[3,776]	[4,931]	-	-
Payables and accruals		[1,487]	3,984	[3]	222
Receivables, deposits and prepayments		[7,083]	[1,551]	[11,569]	6,069
Cash generated from/[used in] operations		33,177	38,770	[11,988]	5,745
Tax paid		[8,080]	[11,726]	[30]	[61]
Net cash from/[used in] operating activities		25,097	27,044	[12,018]	5,684
Cash flows from investing activities					
Acquisition of property, plant and equipment		[8,504]	[4,601]	-	-
Dividends received		-	-	68,255	18,360
Interest received		1,591	1,451	170	274
Proceeds from disposal of an associate		-	1,325	-	1,325
Proceeds from disposal of plant and equipment		99	1,042	-	-
Net cash [used in]/from investing activities		[6,814]	[783]	68,425	19,959
Cash flows from financing activities					
Dividends paid to shareholders of the Company		[63,326]	[24,479]	[63,326]	[24,479]
Proceeds from the exercise of ESOS		66	175	66	175
Net cash used in financing activities		[63,260]	[24,304]	[63,260]	[24,304]
Net [decrease]/increase in cash and cash equivalents		[44,977]	1,957	[6,853]	1,339
Cash and cash equivalents at 1 January	[i]	54,363	52,406	10,677	9,338
Cash and cash equivalents at 31 December	[i]	9,386	54,363	3,824	10,677

Cash flow statements [contd.]

for the year ended 31 December 2007

i. Cash and cash equivalents

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

[In RM'000]	Note	Group		Company	
		2007	2006	2007	2006
Cash and bank balances	8	7,975	9,402	3,824	1,005
Deposits with licensed banks	8	1,411	44,961	-	9,672
		9,386	54,363	3,824	10,677

The notes on pages 061 to 079 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 Board of the Bursa Malaysia Securities Berhad. The addresses of its registered office and principal place of business are as follows:

Registered office

9th Floor, Wisma Sime Darby
14, Jalan Raja Laut
50350 Kuala Lumpur.

Principal place of business

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

The consolidated financial statements as at and for the year ended 31 December 2007 comprise the Company and its subsidiary [together referred to as the Group]. The financial statements of the Company as at and for the year ended 31 December 2007 do not include other entities.

The Company is principally engaged in investment holding while 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 respectively. The ultimate holding company was Permodalan Nasional Berhad. All the holding companies were incorporated in Malaysia.

The financial statements were approved by the Board of Directors on 29 February 2008.

1. Basis of preparation

a. Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved Financial Reporting Standards [FRSs] issued by the Malaysian Accounting Standards Board [MASB], accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The accounting policies adopted by the Group and the Company are consistent with those adopted in the previous year except for the adoption of the new and revised FRSs issued by MASB that are effective for the financial period beginning on 1 January 2007 as follows:

- FRS 117, Leases
- FRS 124, Related Party Disclosures
- Amendment to FRS 119, Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures

Other than the expanded disclosure requirements as shown in Notes 20, the adoption of FRS 117, FRS 124 and Amendment to FRS 119 do not have any significant financial impact on the Group and the Company.

The MASB has also issued the following FRSs and Interpretations that are effective for annual periods beginning after 1 January 2007 and that have not been applied in preparing these financial statements:

Standard/Interpretation	Effective date
FRS 139, Financial Instruments: Recognition and Measurement	To be announced
Amendment to FRS 121, The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation	1 July 2007
IC Interpretation 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2, Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7, Applying the Restatement Approach under FRS 129, Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8, Scope of FRS 2	1 July 2007

Standard/Interpretation	Effective date
FRS 107, Cash Flow Statement	1 July 2007
FRS 111, Construction Contracts	1 July 2007
FRS 112, Income Taxes	1 July 2007
FRS 118, Revenue	1 July 2007
FRS 120, Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
FRS 134, Interim Financial Reporting	1 July 2007
FRS 137, Provisions, Contingent Liabilities and Contingent Assets	1 July 2007

The Group and the Company plan to apply the rest of the abovementioned FRSs and Interpretations for the annual period beginning 1 January 2008 except for FRS 111, IC Interpretation 2, IC Interpretation 5, IC Interpretation 6 and IC Interpretation 7 as explained below and FRS 139 which the effective date has yet to be announced.

The impact of applying FRS 139 on the financial statements upon first adoption as required by paragraph 30[b] of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemptions given in FRS 139.103AB.

FRS 111, IC Interpretation 2, IC Interpretation 5, IC Interpretation 6 and IC Interpretation 7 are not applicable to the Group and the Company. Hence, no further disclosure is warranted.

The initial application of the other FRSs and Interpretations are not expected to have any material impact on the financial statements of the Group and the Company.

b. Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following assets as explained in their respective accounting policy notes:

- Property, plant and equipment
- Investment property

c. Functional and presentation currency

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

d. Use of estimates and judgements

The preparation of financial statements 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 estimate is revised and in any future periods affected.

2. Significant accounting policies

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

a. Basis of consolidation

i. Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiary is consolidated using the purchase method of accounting.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses, unless the investment is classified as held for sale [or included in a disposal group that is classified as held for sale].

ii. Transactions eliminated on consolidation

Intra-group balances, 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 Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies 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 the income statements.

c. Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are stated at cost/valuation less any accumulated depreciation and any impairment losses.

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

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 statements.

Cost includes expenditure that are directly attributable to the acquisition of the asset, 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. 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.

Gain and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other operating expenses" respectively in the income statements.

ii. Subsequent costs

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

iii. Depreciation

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

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

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

The depreciation amount is determined after deducting the residual value. Depreciation methods, useful lives and residual values are reassessed at the reporting date.

d. 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 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 statements as an expense as incurred. Capitalised development expenditure is stated at cost less any accumulated amortisation and any impairment losses.

e. Investment properties

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both. These include land held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment property are measured initially at cost and subsequently at fair value with any change therein recognised in the income statements.

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 directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in

the income statement. Upon disposal of the investment property, any surplus previously recorded in equity is transferred to retained profits; the transfer is not made through the income statements.

The Directors of the Company value the Group's investment property portfolio every year. An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, will be used whenever there is indication of significant changes in fair values of the investment properties. 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, prudently and without compulsion.

f. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and 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 selling expenses.

g. Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

h. 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 cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

i. Impairment of assets

The carrying amounts of assets except for inventories, investment properties that are measured at fair value and, financial assets [other than investments in subsidiary] are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

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 assessments of the time value of money and the risks specific to the asset. 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 group of assets [the "cash-generating unit"].

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses are recognised in the income statements. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit [groups of units] on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date 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. 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 the income statement in the year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation surplus. Where an impairment loss on the same revalued asset was previously recognised in the income statements, a reversal of that impairment loss is also recognised in the income statements.

j. Share capital

i. Shares issue expenses

Incremental costs directly attributable to issue of shares and share options classified as equity are recognised as a deduction from equity.

ii. Repurchases of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity and is not revalued for subsequent changes in the fair value or market price of shares. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

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

Where treasury shares are reissued by resale 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.

k. 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 provision 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.

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

ii. Share-based payment transactions

The share option programme allows Group employees to acquire shares of the Company. In the previous years, share options granted to employees is not recognised as an employee cost. Following the adoption of FRS 2, Share-based Payment, the grant date fair value of share options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The change in accounting policy is applied retrospectively only for those shares options granted after 31 December 2004 and have not vested as of 1 January 2007 as provided in the transitional provision of FRS 2. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

l. 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.

m. Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

n. Revenue

i. Goods sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

ii. Dividend income

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

o. Interest income

Interest income is recognised as it accrues, using the effective interest method.

p. Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax 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 recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. 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 [tax 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 balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

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

Additional taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

q. Earnings per share

The Group presents basic and diluted earnings per share [EPS] data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

r. Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services [business segment], or in providing products or services within a particular economic environment [geographical segment], which is subject to risks and rewards that are different from those of other segments.

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

3. Property, plant and equipment

[In RM'000]	Freehold land	Buildings	Plant and machineries	Office equipment, furniture and fittings	Motor vehicles	Renovations	Capital work-in-progress	Total
Group								
Cost /Valuation								
At 1 January 2006	6,787	22,016	37,724	1,779	2,551	258	1,887	73,002
Additions	-	34	1,529	1,130	464	-	1,444	4,601
Transfer	30	273	1,700	-	-	-	[2,003]	-
Disposals	[193]	-	-	-	[1,662]	-	-	[1,855]
At 31 December 2006/ 1 January 2007	6,624	22,323	40,953	2,909	1,353	258	1,328	75,748
Additions	3,702	71	4,416	167	-	-	148	8,504
Transfer	-	-	1,138	-	-	-	[1,138]	-
Disposals	-	-	-	-	[249]	-	-	[249]
At 31 December 2007	10,326	22,394	46,507	3,076	1,104	258	338	84,003
Depreciation								
At 1 January 2006	-	116	19,461	1,142	1,332	246	-	22,297
Depreciation for the year	-	471	3,739	279	161	6	-	4,656
Disposals	-	-	-	-	[861]	-	-	[861]
At 31 December 2006/ 1 January 2007	-	587	23,200	1,421	632	252	-	26,092
Depreciation for the year	-	476	3,590	370	159	5	-	4,600
Disposals	-	-	-	-	[177]	-	-	[177]
At 31 December 2007	-	1,063	26,790	1,791	614	257	-	30,515
Carrying amounts								
At 1 January 2006	6,787	21,900	18,263	637	1,219	12	1,887	50,705
At 31 December 2006/ 1 January 2007	6,624	21,736	17,753	1,488	721	6	1,328	49,656
At 31 December 2007	10,326	21,331	19,717	1,285	490	1	338	53,488

The Group's freehold land and buildings were revalued in November 2005 by independent professional qualified valuers using an open market value method.

Had the freehold land and buildings been carried under the cost model, their carrying amounts would have been RM10,056,000 [2006 - RM 6,354,000] and RM21,278,000 [2006 - RM21,673,000] respectively.

4. Investment properties

[In RM'000]	Group	
	2007	2006
Freehold land		
At 1 January/At 31 December	6,087	6,087

5. Investment in a subsidiary

[In RM'000]	Company	
	2007	2006
Unquoted share, at cost	40,187	40,187

Details of the subsidiary are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest [%]	
			2007	2006
Duopharma [M] Sendirian Berhad	Malaysia	Manufacturing, distributing, importing and exporting of pharmaceutical products and medicines	100	100

6. Receivables, deposits and prepayments

[In RM'000]	Group		Company	
	2007	2006	2007	2006
Trade				
Trade receivables	32,912	26,077	-	-
Less: Allowance for doubtful debts	[631]	[781]	-	-
	32,281	25,296	-	-
Amount due from related corporations	1,057	1,206	-	-
	33,338	26,502	-	-
Non-trade				
Amount due from a subsidiary	-	-	59,407	47,820
Other receivables	420	177	-	18
Deposits	69	65	-	-
	489	242	59,407	47,838
	33,827	26,744	59,407	47,838

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

The amount due from a subsidiary is unsecured, interest free and repayable on demand.

7. Inventories

[In RM'000]	Group	
	2007	2006
Raw materials and consumables	9,820	10,082
Work-in-progress	1,575	1,733
Packing materials	2,133	2,003
Finished goods	11,019	6,953
	24,547	20,771

In 2007, inventories recognised as cost of sales [excluding inventories written off] amounted to RM50,021,000 [2006 - RM46,583,000].

In 2007, inventories amounting to RM1,337,700 [2006 - RM1,567,000] were written off. The write-off is included in cost of sales.

8. Cash and cash equivalents

[In RM'000]	Group		Company	
	2007	2006	2007	2006
Deposits with licensed banks	1,411	44,961	-	9,672
Cash and bank balances	7,975	9,402	3,824	1,005
	9,386	54,363	3,824	10,677

9. Capital and reserves

[In RM'000]	Group		Company	
	2007	2006	2007	2006
Share capital	69,730	69,716	69,730	69,716
Non-distributable reserves				
Share premium	13,687	13,635	13,687	13,635
Revaluation reserve	449	449	-	-
Treasury shares	[1,578]	[1,578]	[1,578]	[1,578]
Retained profits [distributable]	31,925	63,208	21,203	16,570
	114,213	145,430	103,042	98,343

	Group and Company			
	Amount	Number of shares	Amount	Number of shares
	RM'000	2007 '000	RM'000	2006 '000
Share capital				
Ordinary shares of RM0.50 each				
Authorised	200,000	200,000	200,000	200,000
Issued and fully paid:				
On issue at 1 January	69,716	139,432	69,679	139,357
Issue of shares under the Employees' Share Option Scheme	14	29	37	75
On issue at 31 December	69,730	139,461	69,716	139,432

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. In respect of the Company's treasury shares that are held by the Company [on page 072], all rights are suspended until those shares are reissued.

Revaluation reserve

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

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 renewed 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 2007 after deducting treasury shares held is 138,803,000 [2006: 138,774,000].

Retained profits

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all of its retained profits at 31 December 2007 if paid out as dividends.

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

Employees' Share Option Scheme ["ESOS"]

On 25 June 2004, the Group established a share option scheme that entitles eligible employees and Directors of the Group to purchase shares in the Company. On 26 January 2005, the Company granted vested options to eligible employees and Directors at an exercise price of RM2.32 per ordinary share of RM0.50 each.

As allowed by the transitional provisions in FRS 2, the recognition and measurement principles in FRS 2 have not been applied to the options granted since it was granted and vested prior to 1 January 2006.

The terms and conditions of the grants are as follows:

Grant date	Number of options '000	Vesting conditions	Contractual life of options
26 January 2005	7,938	At least 1 year service on the Date of Offer on 26 January 2005	5 years

The number of share options is as follows:
[In '000]

	2007	2006
Outstanding at 1 January	170	254
Forfeited during the year	[10]	[9]
Exercised during the year	[29]	[75]
Outstanding and exercisable at 31 December	131	170

The options outstanding at 31 December 2007 have a remaining contractual life of approximately 2 years.

During the year, 28,500 share options were exercised [2006 - 75,500]. The weighted average share price for the year was RM2.63 [2006 - RM2.61].

10. Deferred tax liabilities

Movement in taxable/[deductible] temporary differences during the year

[In RM'000]	Property, plant and equipment	Allowance for doubtful debts	Others	Total
Group				
At 1 January 2006	3,405	[261]	[306]	2,838
Recognised in income statements	[98]	58	40	-
At 31 December 2006/1 January 2007	3,307	[203]	[266]	2,838
Recognised in income statements	802	45	61	908
At 31 December 2007	4,109	[158]	[205]	3,746

11. Payables and accruals

[In RM'000]	Group		Company	
	2007	2006	2007	2006
Trade				
Trade payables	1,993	4,078	-	-
Amount due to related corporations	2,036	75	-	-
	4,029	4,153	-	-
Non-trade				
Amount due to intermediate holding company	335	206	-	-
Other payables	140	277	125	179
Accrued expenses	4,504	5,035	186	135
Others	200	1,024	-	-
	5,179	6,542	311	314
	9,208	10,695	311	314

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

The amount due to intermediate holding company is unsecured, interest free and repayable on demand.

12. Revenue

[In RM'000]	Group		Company	
	2007	2006	2007	2006
Sale of goods	115,551	105,100	-	-
Dividend income from unquoted subsidiary	-	-	93,500	25,500
	115,551	105,100	93,500	25,500

13. Profit before tax

[In RM'000]	Group		Company	
	2007	2006	2007	2006
Operating profit is arrived at after charging:				
Auditors' remuneration				
· audit	59	59	15	15
· non-audit services	10	46	10	46
Depreciation on property, plant and equipment	4,600	4,656	-	-
Intermediate holding company management fees	2,500	1,500	-	-
Inventories written off	1,338	1,567	-	-
Loss on disposal of an associate	-	17	-	-
Net foreign exchange loss	137	-	-	-
Personnel expenses [including key management personnel]:				
· Contributions to Employees Provident Fund	1,815	1,604	-	-
· Wages, salaries and others	15,868	14,077	-	-
Rental of premises	73	102	-	-
Research and development expensed as incurred	1,318	500	-	-
and after crediting:				
Allowance for doubtful debts written back	150	150	-	-
Gain on disposal of an associate	-	-	-	325
Gain on disposal of property, plant and equipment	27	48	-	-
Net foreign exchange gain	-	9	-	-

14. Key management personnel compensation

The key management personnel compensation is as follows:

[In RM'000]	Group		Company	
	2007	2006	2007	2006
Directors				
· Fees	218	213	218	213
· Gratuity	36	-	-	-
· Remuneration	650	602	-	-
· Other short term employee benefits [including estimated monetary value of benefits-in-kind]	24	23	-	-
Other key management personnel				
· Remuneration	830	522	-	-
Total short-term employee benefits	1,758	1,360	218	213

Other key management personnel comprises 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.

15. Tax expense

Recognised in the income statement

[In RM'000]	Group		Company	
	2007	2006	2007	2006
Tax expense	10,498	9,115	25,295	7,215
Major components of tax expense include:				
Current tax expense				
Malaysian- current year	9,590	9,710	25,295	7,215
- prior year	-	[595]	-	-
Total current tax	9,590	9,115	25,295	7,215
Deferred tax expense				
Origination and reversal of temporary differences	717	-	-	-
Under provision in prior year	191	-	-	-
Total deferred tax	908	-	-	-
Total tax expense	10,498	9,115	25,295	7,215
Reconciliation of effective tax expense				
Profit for the year	32,043	28,979	67,959	18,338
Total tax expense	10,498	9,115	25,295	7,215
Profit excluding tax	42,541	38,094	93,254	25,553
Tax at Malaysian tax rate of 27% [2006 -28%]	11,486	10,666	25,179	7,155
Effect of change in tax rate*	[203]	[440]	-	-
Non-deductible expenses	159	236	38	34
Tax incentives	[312]	[163]	-	-
Utilisation of reinvestment allowance	[911]	[598]	-	-
Other items	88	9	78	26
Under/[Over] provided in prior years	191	[595]	-	-
	10,498	9,115	25,295	7,215

* The corporate tax rate are at 27% for year of assessment 2007, 26% for year of assessment 2008 and 25% for the subsequent years of assessment. Consequently, deferred tax assets and liabilities are measured using these tax rates.

16. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2007 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

[In RM'000]	2007	Group 2006
Profit for the year attributable to ordinary shareholders	32,043	28,979

Weighted average number of ordinary shares

[In '000]	2007	Group 2006
Issued ordinary shares at 1 January	139,432	139,357
Effect of treasury shares held	[658]	[658]
Effect of exercise of share option under ESOS	8	49
Weighted average number of ordinary shares at 31 December	138,782	138,748

[In sen]	2007	Group 2006
Basic earnings per ordinary share	23.09	20.89

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2007 was based on profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

[In RM'000]	2007	Group 2006
Profit for the year attributable to ordinary shareholders	32,043	28,979

Weighted average number of ordinary shares [diluted]

[In '000]	2007	Group 2006
Weighted average number of ordinary shares at 31 December	138,782	138,748
Effect of share options under ESOS on issue	18	22
Weighted average number of ordinary shares [diluted] at 31 December	138,800	138,770

[In sen]	2007	Group 2006
Diluted earnings per ordinary share	23.09	20.88

The average market value of the Company's shares for purpose of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding.

17. Dividends

Dividends recognised in the current year by the Company are:

	Sen per share [Net of tax]	Total amount RM'000	Date of payment
2007			
Interim 2007 ordinary	24.82	34,451	24 December 2007
Interim 2007 ordinary	10.22	14,186	18 October 2007
Final 2006 ordinary	10.58	14,689	8 June 2007
		63,326	
2006			
Interim 2006 ordinary	5.04	6,994	22 September 2006
Final 2005 ordinary	12.60	17,485	8 June 2006
		24,479	

18. Financial instruments

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business.

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, further transaction may not be allowed until the credit limit or credit period is regularised to appropriate levels. The Group does not require collateral.

At balance sheet date of the financial year 2007, a significant concentration of credit risk arises in respect of debts owing from 2 [2006 - 2] major customers amounting to RM11,590,000 [2006 - RM9,124,000]. The management closely monitor the Group's credit risk exposure to these major customers and are confident in recovering these amounts. The maximum exposure to credit risk for the Group is represented by the carrying amounts of the financial assets.

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.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets, the following table indicates their average effective interest rates at the balance sheet date and the periods in which they mature, or if earlier, reprice.

	Average effective interest rate %	Total RM'000	Less than 1 year RM'000	Average effective interest rate %	Total RM'000	Less than 1 year RM'000
Fixed rate instruments						
			2007			2006
Group						
Deposits with licensed banks	3.00	1,411	1,411	3.40-3.50	44,961	44,961
Company						
Deposits with licensed banks	-	-	-	3.40-3.50	9,672	9,672

Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily USD and EUR.

Fair values

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

19. Capital and other commitments

[In RM'000]	Group 2007	2006
Plant and equipment		
Authorised but not contracted for	47,000	-
Contracted but not provided for	-	2,475

20. Related parties

Identity of related parties

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

The Group has a related party relationship with its subsidiary [see note 5], holding companies, related corporations, Directors and key management personnel.

Transactions with key management personnel

Key management personnel compensation is disclosed in Note 14.

Other related party transactions

[other than disclosed elsewhere in the financial statements]

[In RM'000]	Transaction value year ended 31 December 2007	2006	Balance outstanding as at 31 December 2007	2006
Group				
Sale of goods with immediate holding company				
CCM Marketing Sdn Bhd [formerly known as Tekan Maju Sdn Bhd]	357	-	-	-
Sale of goods with related corporations				
CCM Fertilizers Sdn Bhd	2	2	2	2
CCM Pharmaceuticals [S] Pte. Ltd.	2,150	2,409	1,055	1,181
Prima Health Pharmacy [Retail] Sdn Bhd	-	119	-	23
Purchases with related corporations				
CCM Chemicals Sdn Bhd	[226]	[688]	[9]	-
CCM Pharmaceuticals Sdn Bhd	[2,803]	[148]	[73]	[75]
CCM Pharma Sdn Bhd	[1,643]	-	[1,660]	-
Management fees paid to intermediate holding company				
Chemical Company of Malaysia Berhad	[2,500]	[1,500]	[335]	[206]
Research and development expenditure paid to related corporation				
Innovax Sdn Bhd	[1,313]	[500]	[294]	-

Analysis of shareholdings

as at 31 March 2008

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

Shareholdings distribution

Size of Holdings	No. of Shareholders/ Depositors	% of Shareholders/ Depositors	No. of Shares Held	% of Issued Capital
1—99	83	4.54	3,357	0.00
100—1,000	427	23.36	373,552	0.27
1,001—10,000	1,046	57.22	4,338,459	3.11
10,001—100,000	233	12.75	7,046,360	5.05
100,001—6,973,974	38	2.08	26,827,180	19.24
6,973,975 and above	1	0.05	100,890,592	72.33
Total	1,828	100.00	139,479,500	100.00

List of top 30 shareholders/depositors

No	Name	Normal Holdings	Holdings %
1.	CCM Marketing Sdn Bhd [formerly known as Tekan Maju Sdn Bhd]	100,890,592	72.33
2.	Employees Provident Fund Board	6,335,800	4.54
3.	Amanah Raya Nominees [Tempatan] Sdn Bhd – <i>Skim Amanah Saham Bumiputera</i>	4,545,300	3.26
4.	TM Asia Life Malaysia Bhd – <i>As Beneficial Owner [PF]</i>	2,000,000	1.43
5.	CCM Marketing Sdn Bhd [formerly known as Tekan Maju Sdn Bhd]	1,442,300	1.03
6.	Alliance Group Nominees [Tempatan] Sdn Bhd – <i>PHEIM Asset Management Sdn Bhd For Employees Provident Fund</i>	1,000,000	0.72
7.	Jerneh Insurance Bhd	870,000	0.62
8.	HSBC Nominees [Tempatan] Sdn Bhd – <i>HSBC [M] Trustee Bhd For MAAKL Al-Faid [4389]</i>	809,200	0.58
9.	Mayban Nominees [Tempatan] Sdn Bhd – <i>Mayban Life Assurance Berhad [Non-par Fund]</i>	734,500	0.53
10.	Mayban Nominees [Tempatan] Sdn Bhd – <i>Mayban Life Assurance Berhad [Par Fund]</i>	730,000	0.52
11.	Bank Kerjasama Rakyat Malaysia Berhad	674,500	0.48
12.	CCM Duopharma Biotech Berhad – <i>Share Buy Back Account</i>	658,000	0.47
13.	HSBC Nominees [Tempatan] Sdn Bhd – <i>HSBC [M] Trustee Bhd For MAAKL Al-Fauzan [5170]</i>	570,000	0.41
14.	Lembaga Tabung Angkatan Tentera	530,000	0.38
15.	Alliance Group Nominees [Tempatan] Sdn Bhd – <i>Alliance Investment Management Berhad For Employees Provident Fund</i>	500,000	0.36
16.	Mayban Nominees [Tempatan] Sdn Bhd – <i>Etiqa Takaful Berhad [Family Fund]</i>	473,500	0.34

Analysis of shareholdings [contd.]

as at 31 March 2008

List of top 30 shareholders/depositors [contd.]

No	Name	Normal Holdings	Holdings %
17.	Jerneh Insurance Bhd – <i>Shareholders' Funds Account</i>	472,000	0.34
18.	Mayban Nominees [Tempatan] Sdn Bhd – <i>Etiqa Takaful Berhad [General Fund]</i>	400,900	0.29
19.	Universal Trustee [Malaysia] Berhad – <i>Alliance Optimal Income Fund</i>	321,200	0.23
20.	MCIS Zurich Insurance Berhad	315,980	0.23
21.	Aun Huat & Brothers Sdn Bhd	305,100	0.22
22.	Abu Bakar Bin Suleiman	286,400	0.21
23.	Public Nominees [Tempatan] Sdn Bhd – <i>Pledged Securities Account For Aun Huat & Brothers Sdn Berhad [E-IMO/BCM]</i>	262,100	0.19
24.	HSBC Nominees [Tempatan] Sdn Bhd – <i>HSBC [M] Trustee Bhd For Maakl Dividend Fund [5311-401]</i>	250,000	0.18
25.	Liew Wai Kiat	237,600	0.17
26.	Ruby Technique Sdn Bhd	226,000	0.16
27.	Gan Tuan Boon	200,000	0.14
28.	Mayban Nominees [Tempatan] Sdn Bhd – <i>Mayban General Assurance Berhad [Insurance Fund]</i>	200,000	0.14
29.	UOBM Nominees [Tempatan] Sdn Bhd – <i>BHLB Trustee Berhad For Prudential Capital Guaranteed Fund II</i>	165,000	0.12
30.	CIMB Trustee Berhad – <i>Amanah Saham Darul Iman</i>	164,600	0.12

Directors' shareholding as per register of directors as at 31 March 2008

Name	Direct	* %	No. of Shares Held	
			Indirect	%
Tan Sri Dato' Dr Abu Bakar bin Suleiman	286,400	0.21	11,000	0.01
Dato' Dr Mohamad Hashim bin Ahmad Tajudin	5,000	0.0036	-	-
Dr Mohamad Nasir bin Hassan	-	-	-	-
Datuk Alias bin Ali	-	-	-	-
Haji Ghazali bin Awang	45,000	0.03	-	-
Datuk Dr Jegathesan a/l N M Vasagam @ Manikavasagam	34,120	0.02	-	-

Substantial shareholders as per register of substantial shareholders as at 31 March 2008

Name	Direct	* %	No. of Shares Held	
			Indirect	%
CCM Marketing Sdn Bhd [formerly known as Tekan Maju Sdn Bhd]	102,332,892	73.73	-	-
Employees Provident Fund Board	7,835,800	5.62	-	-

Note

* Excluding a total of 658,000 shares bought-back by the Company and retained as treasury shares.

List of properties

Postal address/Location of the property	Land area [acre/sq m]	Description/Existing use [Build up area]	Tenure/Approx. age of building	Date of valuation/ Methods of valuation	Net Book Value As at 31.12.2007 [In RM]
GM 1391 Lot No. 2599 Mukim and District of Klang, State of Selangor Darul Ehsan/ Lot No. 2599, Jalan Seruling 59, Kawasan 3, Taman Klang Jaya, Selangor Darul Ehsan	11,655 sq m	a. Industrial land built-upon with a double storey office block cum factory building, a single storey pump house cum boiler house, 3 parking shed, a guardhouse, a refilled chamber and a water tank, [gross built up area: approximately 94,000 sq ft] b. Four storey factory office building [gross built up area: approximately 93,000 sq ft]	Freehold/14 years old Freehold/5 years old	22 Nov 2005/ Comparison Method	23,395,337
H.S. [D] 52204 and 52205 PT Nos. 9570 and 9571, Mukim and District of Klang, State of Selangor Darul Ehsan/Nos. 29 and 27, Jalan Serunai 16, Taman Klang Jaya, 41200 Klang, Selangor Darul Ehsan	476.50 sq m each	Two units of 1½ storey semi-detached factories [Built up : 3,588 sq ft each]	Freehold/22 years old	22 Nov 2005/ Comparison Method	961,808
H.S. [D] 14330 Lot No. 9575 Mukim and District of Klang State of Selangor Darul Ehsan/No. 19 Jalan Serunai 16, Taman Klang Jaya, 41200 Klang, Selangor Darul Ehsan	431.44 sq m	1½ storey semi-detached factory [Built up: 3,120 sq ft]	Freehold/22 years old	22 Nov 2005/ Comparison Method	452,014
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	191 sq.m and 260 sq m respectively	Two units double storey terrace light industrial buildings [Built-up: 4,108 sq ft and 5,588 sq ft respectively]	Freehold 10 years old	22 Nov 2005/ Comparison Method	815,576
GM 994 Lot No. 2555, Mukim and District of Klang, State of Selangor Darul Ehsan	2.91 acres	Vacant industrial land	Freehold	22 Nov 2005/ Comparison Method	3,043,782

List of properties [contd.]

Postal address/Location of the property	Land area [acre/sq m]	Description/Existing use [Build up area]	Tenure/Approx. age of building	Date of valuation/ Methods of valuation	Net Book Value As at 31.12.2007 [In RM]
GM 1649 Lot No. 2556, Mukim and District of Klang, State of Selangor Darul Ehsan	2.91 acres	Vacant industrial land	Freehold	22 Nov 2005/ Comparison Method	3,043,007
GM 549 Lot No. 2707, Mukim and District of Klang, State of Selangor Darul Ehsan	4.38 acres	Vacant agricultural land	Freehold	22 Nov 2005/ Comparison Method	2,330,000
GM 2239, Lot No. 2600 Mukim and District of Klang, State of Selangor Darul Ehsan	2.88 acres	Vacant agricultural land	Freehold	Acquired on 2 July 2007	3,702,000

Note

1. DMSB is the registered and beneficial owner of all the above properties. The valuation was carried out on 22 Nov 2005 by an independent firm of professional valuer, M. Nawawi & Co. Sdn Bhd.
2. Part of Lot 2555 and 2556 were acquired by Government on 24 July 2006 for upgrading of road.
3. Lot No. 2600 was purchased on 2 July 2007 for business expansion purposes.