

Directors' Report for the year ended 31 December 2008

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 2008.

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

(RM'000)	Group	Company
Profit for the year	27,403	11,676

Reserves and Provisions

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

Dividends

Since the end of the previous financial year, the Company declared and paid an interim ordinary dividend of 8 sen less tax paid totalling RM11,106,000 in respect of the financial year ended 31 December 2008 on 28 October 2008.

The final ordinary dividend recommended by the Directors in respect of the year ended 31 December 2008 is 7 sen tax exempt totalling RM9,764,000.

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

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 1/1/2008	Bought	Sold	At 31/12/2008
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	10,000	-	15,000
Datuk Dr. Jegathesan a/I N. M. Vasagam @ Manikavasagam				
Interest in the Company:				
• own	34,120	-	-	34,120
Haji Ghazali bin Awang				
Interest in the Company:				
• own	45,000	-	-	45,000

* Zufar Suleiman Abu Bakar is the child 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.

None of the other Directors holding office at 31 December 2008 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

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	26.1.2005
Exercise price	RM2.32
Balance at 1/1/2008	131,000
Exercised	18,000
Forfeited	13,500
Balance at 31/12/2008	99,500

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. None of the option holders was granted 110,000 options and above as at 31 December 2008.

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. 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, other than those disclosed in the financial statements, the results of the operations of the Group and of the Company for the financial year ended 31 December 2008 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:

Haji Ghazali bin Awang

Dato' Dr. Mohamad Hashim bin Ahmad Tajudin

Kuala Lumpur

26 March 2009

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 046 to 068 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia and so as to give a true and fair view of the financial position of the Group and of the Company at 31 December 2008 and of their financial performance and cash flows for the year then ended.

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

Haji Ghazali bin Awang

Dato' Dr. Mohamad Hashim bin Ahmad Tajudin

Kuala Lumpur

26 March 2009

Statutory Declaration Pursuant to Section 169(16) of the Companies Act, 1965

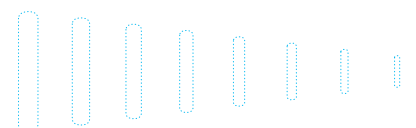
I, Chek Wu Kong, the officer primarily responsible for the financial management of CCM Duopharma Biotech Berhad, do solemnly and sincerely declare that the financial statements set out on pages 046 to 068 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur in the State of Wilayah Persekutuan on 26 March 2009

Chek Wu Kong

Before me:

26 March 2009



Independent Auditors' Report to the members of CCM Duopharma Biotech Berhad

Report on the Financial Statements

We have audited the financial statements of CCM Duopharma Biotech Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 046 to 068.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2008 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- a. In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b. We are satisfied that the accounts of the subsidiary that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- c. Our audit reports on the accounts of the subsidiary did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

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

KPMG

Firm Number: AF 0758
Chartered Accountants

Hasman Yusri Yusoff

Approval Number: 2583/08/10(J)
Chartered Accountant

Petaling Jaya

26 March 2009

Balance Sheets at 31 December 2008

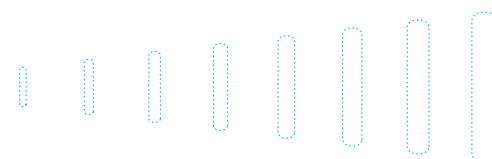
(RM'000)	Note	Group		Company	
		2008	2007	2008	2007
Assets					
Property, plant and equipment	3	55,369	53,488	-	-
Investment properties	4	-	6,087	-	-
Investment in a subsidiary	5	-	-	40,187	40,187
Total non-current assets		55,369	59,575	40,187	40,187
Receivables, deposits and prepayments	6	33,854	33,827	63,279	59,407
Inventories	7	33,581	24,547	-	-
Current tax assets		1,021	-	61	-
Assets classified as held for sale	8	8,131	-	-	-
Cash and cash equivalents	9	18,424	9,386	422	3,824
Total current assets		95,011	67,760	63,762	63,231
Total assets		150,380	127,335	103,949	103,418
Equity					
Share capital		69,739	69,730	69,739	69,730
Reserves		12,591	12,558	12,142	12,109
Retained profits		48,222	31,925	21,773	21,203
Total equity attributable to shareholders	10	130,552	114,213	103,654	103,042
Liabilities					
Deferred tax liabilities	11	3,787	3,746	-	-
Total non-current liabilities		3,787	3,746	-	-
Payables and accruals	12	16,041	9,208	295	311
Current tax liabilities		-	168	-	65
Total current liabilities		16,041	9,376	295	376
Total liabilities		19,828	13,122	295	376
Total equity and liabilities		150,380	127,335	103,949	103,418

The notes on pages 050 to 068 are an integral part of these financial statements.

Income Statements for the year ended 31 December 2008

(RM'000)	Note	Group		Company	
		2008	2007 restated	2008	2007 restated
Revenue	13	122,872	115,551	11,900	93,500
Cost of sales		(62,242)	(52,200)	-	-
Gross profit		60,630	63,351	11,900	93,500
Other income		2,223	526	-	-
Distribution and marketing expenses		(14,221)	(12,645)	-	-
Administrative expenses		(9,696)	(8,481)	(402)	(416)
Other expenses		(3,998)	(1,801)	-	-
Results from operating activities		34,938	40,950	11,498	93,084
Interest income		402	1,591	8	170
Profit before tax	14	35,340	42,541	11,506	93,254
Tax expense	16	(7,937)	(10,498)	170	(25,295)
Profit for the year attributable to shareholders		27,403	32,043	11,676	67,959
Basic earnings per ordinary share (sen)	17	19.74	23.09		
Diluted earnings per ordinary share (sen)	17	19.74	23.09		

The notes on pages 050 to 068 are an integral part of these financial statements.



Consolidated Statement of Changes in Equity for the year ended 31 December 2008

(RM'000)	Note	Attributable to shareholders of the Company					Total
		Share capital	Share premium	Revaluation reserve	Treasury shares	Retained profits	
Group							
At 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	10	14	52	-	-	-	66
Dividends to shareholders	18	-	-	-	-	(63,326)	(63,326)
At 31 December 2007/ 1 January 2008		69,730	13,687	449	(1,578)	31,925	114,213
Total recognised income for the year							
• Profit for the year		-	-	-	-	27,403	27,403
ESOS exercised	10	9	33	-	-	-	42
Dividends to shareholders	18	-	-	-	-	(11,106)	(11,106)
At 31 December 2008		69,739	13,720	449	(1,578)	48,222	130,552

Statement of Changes in Equity for the year ended 31 December 2008

(RM'000)	Note	Non-distributable			Distributable		Total
		Share capital	Share premium	Treasury shares	Retained profits		
Company							
At 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	10		14	52	-	-	66
Dividends to shareholders	18		-	-	-	(63,326)	(63,326)
At 31 December 2007/ 1 January 2008			69,730	13,687	(1,578)	21,203	103,042
Total recognised income for the year							
• Profit for the year			-	-	-	11,676	11,676
ESOS exercised	10		9	33	-	-	42
Dividends to shareholders	18		-	-	-	(11,106)	(11,106)
At 31 December 2008			69,739	13,720	(1,578)	21,773	103,654

The notes on pages 050 to 068 are an integral part of these financial statements.



Cash Flow Statements for the year ended 31 December 2008

(RM'000)	Note	Group		Company	
		2008	2007	2008	2007
Cash flows from operating activities					
Profit before tax		35,340	42,541	11,506	93,254
Adjustments for:					
Depreciation of property, plant and equipment		4,750	4,600	-	-
Dividends income		-	-	(11,900)	(93,500)
Gain on disposal of property, plant and equipment		(57)	(27)	-	-
Change in fair value of investment properties		(1,859)	-	-	-
Interest income		(402)	(1,591)	(8)	(170)
Operating profit/(loss) before changes in working capital		37,772	45,523	(402)	(416)
Changes in working capital:					
Inventories		(9,034)	(3,776)	-	-
Payables and accruals		6,833	(1,487)	(16)	(3)
Receivables, deposits and prepayments		(27)	(7,083)	(3,872)	(11,569)
Cash generated from/(used in) operations		35,544	33,177	(4,290)	(11,988)
Tax paid		(9,139)	(8,080)	(10)	(30)
Tax refund		54	-	54	-
Net cash from/(used in) operating activities		26,459	25,097	(4,246)	(12,018)
Cash flows from investing activities					
Acquisition of property, plant and equipment		(6,886)	(8,504)	-	-
Dividends received		-	-	11,900	68,255
Interest received		402	1,591	8	170
Proceeds from disposal of plant and equipment		127	99	-	-
Net cash (used in)/from investing activities		(6,357)	(6,814)	11,908	68,425
Cash flows from financing activities					
Dividends paid to shareholders of the Company		(11,106)	(63,326)	(11,106)	(63,326)
Proceeds from the exercise of ESOS		42	66	42	66
Net cash used in financing activities		(11,064)	(63,260)	(11,064)	(63,260)
Net increase/(decrease) in cash and cash equivalents		9,038	(44,977)	(3,402)	(6,853)
Cash and cash equivalents at 1 January	i.	9,386	54,363	3,824	10,677
Cash and cash equivalents at 31 December	i.	18,424	9,386	422	3,824

i. Cash and Cash Equivalents

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

(RM'000)	Note	Group		Company	
		2008	2007	2008	2007
Cash and bank balances	9	6,074	7,975	72	3,824
Deposits with licensed banks	9	12,350	1,411	350	-
		18,424	9,386	422	3,824

The notes on pages 050 to 068 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

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

Principal place of business

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

The consolidated financial statements as at and for the year ended 31 December 2008 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 2008 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 during the financial year was Permodalan Nasional Berhad. All the holding companies were incorporated in Malaysia.

The financial statements were approved by the Board of Directors on 26 March 2009.

1. Basis of Preparation

a. Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards (FRS), accounting principles generally accepted and the Companies Act, 1965 in Malaysia. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

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

FRSs/Interpretations	Effective date
FRS 4, Insurance Contracts	1 January 2010
FRS 7, Financial Instruments: Disclosures	1 January 2010
FRS 8, Operating Segments	1 July 2009
FRS 139, Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9, Reassessment of Embedded Derivates	1 January 2010
IC Interpretation 10, Interim Financial Reporting and Impairment	1 January 2010

The Company plans to apply the abovementioned FRSs or Interpretations from the annual period beginning 1 January 2010.

The impact of applying FRS 7 and 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 the respective FRSs. FRS 4 is not applicable to the Group and the Company. Hence, no further disclosure is warranted. Other than the implication as discussed below, the initial application of the above standards (and its consequential amendments) and interpretations is not expected to have any material impact on the financial statements of the Group and the Company.

FRS 8, Operating Segment

FRS 8 will become effective for financial statements for the year ending 31 December 2010. Currently, segmental information is not provided as the Group is primarily engaged in the pharmaceutical industry and its operations are carried out primarily in Malaysia. Under FRS 8, the Group will present segment information in respect of its operating segments.

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
- Non-current assets held for sale

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 on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

2. Significant Accounting Policies

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

a. Basis of Consolidation

i. Subsidiaries

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

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

Investments in subsidiaries are stated in the Company's balance sheet at cost less any impairment losses, unless the investment is classified as held for sale.

ii. Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b. Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the 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 are translated at exchange rates at the dates of the transactions except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in 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 amount.

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

Recognition and Measurement (cont.)

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 and, for qualifying asset, borrowing costs are capitalised in accordance with the Group's accounting policy. 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. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until construction or development is complete, at which time it is remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement is recognised 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 the replaced part is 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 statements 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.

Investment Properties (cont.)

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 an 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. Non-current Assets Held for Sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Gains are not recognised in excess of any cumulative impairment loss.

i. Cash and Cash Equivalents

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

j. Impairment of Assets

The carrying amounts of assets except for inventories, investment properties that are measured at fair value and financial assets (other than investment 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 market 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

Impairment of Assets (cont.)

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 statements 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.

k. Equity Instruments

All equity instruments are stated at cost on initial recognition and are not remeasured subsequently.

i. Issue Expenses

Incremental costs directly attributable to issue of equity instruments 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 re-valued 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 re-sale in the open market, the difference between the sales

consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

l. Employee Benefits

i. Short Term Employee Benefits

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

A 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 2008 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.

m. Provisions

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

n. **Contingent Liabilities**

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

o. **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.

p. **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.

q. **Interest Income**

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

r. **Tax Expense**

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statements 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 substantively 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.

Unutilised reinvestment allowance and investment tax allowance are treated as tax base of assets and are recognised as a reduction of tax expense as and when they are utilised.

s. **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.

t. **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

(RM'000)	Freehold land	Buildings	Plant and machineries	Office equipment, furniture and fittings
Group				
Cost / Valuation				
At 1 January 2007	6,624	22,323	40,953	2,909
Additions	3,702	71	4,416	167
Transfer	-	-	1,138	-
Disposals	-	-	-	-
At 31 December 2007/1 January 2008	10,326	22,394	46,507	3,076
Additions	480	592	2,234	146
Transfer to investment properties	-	-	-	-
Disposals	-	-	-	(21)
At 31 December 2008	10,806	22,986	48,741	3,201
Depreciation				
At 1 January 2007	-	587	23,200	1,421
Depreciation for the year	-	476	3,590	370
Disposals	-	-	-	-
At 31 December 2007/1 January 2008	-	1,063	26,790	1,791
Depreciation for the year	-	480	3,777	368
Disposals	-	-	-	(6)
At 31 December 2008	-	1,543	30,567	2,153
Carrying amounts				
At 1 January 2007	6,624	21,736	17,753	1,488
At 31 December 2007/1 January 2008	10,326	21,331	19,717	1,285
At 31 December 2008	10,806	21,443	18,174	1,048

Motor vehicles	Renovations	Capital work-in- progress	Total
1,353	258	1,328	75,748
-	-	148	8,504
-	-	(1,138)	-
(249)	-	-	(249)
1,104	258	338	84,003
411	80	2,943	6,886
-	-	(185)	(185)
(397)	-	-	(418)
1,118	338	3,096	90,286
632	252	-	26,092
159	5	-	4,600
(177)	-	-	(177)
614	257	-	30,515
121	4	-	4,750
(342)	-	-	(348)
393	261	-	34,917
721	6	1,328	49,656
490	1	338	53,488
725	77	3,096	55,369

3. Property, Plant and Equipment (cont.)

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 RM10,536,000 (2007 - RM10,056,000) and RM20,812,000 (2007 - RM21,278,000) respectively.

4. Investment Properties

(RM'000)	Group	
	2008	2007
Freehold land		
At 1 January	6,087	6,087
Building under construction transfer from property, plant and equipment	185	-
Change in fair value	1,859	-
Transfer to assets held for sale	(8,131)	-
	-	6,087

5. Investment in a Subsidiary

(RM'000)	Company	
	2008	2007
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 %	
			2008	2007
Duopharma (M) Sendirian Berhad	Malaysia	Manufacturing, distributing, importing and exporting of pharmaceutical products and medicines	100	100

6. Receivables, Deposits and Prepayments

(RM'000)	Group		Company	
	2008	2007	2008	2007
Trade				
Trade receivables	31,705	32,912	-	-
Less: Allowance for doubtful debts	(500)	(631)	-	-

Receivables, Deposits and Prepayments (cont.)

(RM'000)	Group		Company	
	2008	2007	2008	2007
Amount due from related corporation	31,205	32,281	-	-
	1,647	1,057	-	-
	32,852	33,338	-	-
Non-trade				
Amount due from a subsidiary	-	-	63,279	59,407
Amount due from related corporation	34	-	-	-
Other receivables	951	420	-	-
Deposits	17	69	-	-
	1,002	489	63,279	59,407
	33,854	33,827	63,279	59,407

Analysis of foreign currency exposure for significant receivables

Significant receivables outstanding at year end that are not in the functional currency of the Company is as follow:

(RM'000)	Group	
	2008	2007
Foreign currency		
USD	1,685	593

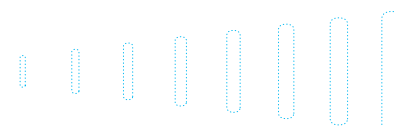
The trade receivable due from related corporation is subject to the normal trade terms.

The non-trade receivables due from a subsidiary and related corporations are unsecured, interest free and repayable on demand.

7. Inventories

(RM'000)	Group	
	2008	2007
Raw materials and consumables	15,302	9,820
Work-in-progress	952	1,575
Packing materials	2,615	2,133
Finished goods	14,712	11,019
	33,581	24,547

In 2008, inventories amounting to RM3,598,000 (2007 - RM1,338,000) were written off. The write-off is included in cost of sales.



8. Assets Held for Sale

(RM'000)	Group	
	2008	2007
Freehold lands	8,131	-

9. Cash and Cash Equivalents

(RM'000)	Group		Company	
	2008	2007	2008	2007
Deposits with licensed banks	12,350	1,411	350	-
Cash and bank balances	6,074	7,975	72	3,824
	18,424	9,386	422	3,824

10. Share Capital and Reserves

(RM'000)	Group		Company	
	2008	2007	2008	2007
Share capital	69,739	69,730	69,739	69,730
Non-distributable reserves				
Share premium	13,720	13,687	13,720	13,687
Revaluation reserve	449	449	-	-
Treasury shares	(1,578)	(1,578)	(1,578)	(1,578)
Retained profits (distributable)	48,222	31,925	21,773	21,203
	130,552	114,213	103,654	103,042

SHARE CAPITAL

Amount	Group and Company		Amount	Number of shares
	Number of shares	Number of shares		
2008	2008	2007	2007	2007
RM'000	'000	RM'000	'000	'000

Ordinary shares of RM0.50 each

Authorised	100,000	200,000	100,000	200,000
Issued and fully paid:				
On issue at 1 January	69,730	139,461	69,716	139,432
Issue of shares under the Employee Share Option Scheme	9	18	14	29
On issue at 31 December	69,739	139,479	69,730	139,461

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 (see below), all rights are suspended until those shares are reissued.

Revaluation Reserve

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

Treasury Shares

The shareholders of the Company, by a special resolution passed at the extraordinary general meeting held on 25 June 2004, approved the Company's plan to purchase its own shares and the authority was reviewed at the Fourth Annual General Meeting of the Company held on 29 June 2005. The renewal of authority for purchase of its own shares lapsed at the conclusion of the Fifth Annual General Meeting held on 18 May 2006 and no further renewal was sought.

There was no purchase of its issued share capital during the year. The number of outstanding shares as at 31 December 2008 after deducting treasury shares held is 138,821,000 (2007: 138,803,000).

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 2008 if paid out as dividends.

The Finance Act 2007 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 2008 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:

	2008	2007
Outstanding at 1 January	131,000	170,000
Forfeited during the year	(13,500)	(10,500)
Exercised during the year	(18,000)	(28,500)
Outstanding and exercisable at 31 December	99,500	131,000

The options outstanding at 31 December 2008 have a remaining contractual life of approximately one year.

During the year, 18,000 share options were exercised (2007 - 28,500). The weighted average share price for the year was RM2.34 (2007 - RM2.63).

11. Deferred Tax Liabilities

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

(RM'000)	Property, plant and equipment	Allowance for doubtful debts	Others	Total
Group				
At 1 January 2007	3,307	(203)	(266)	2,838
Recognised in income statements	802	45	61	908
At 31 December 2007/1 January 2008	4,109	(158)	(205)	3,746
Recognised in income statements	(33)	33	41	41
At 31 December 2008	4,076	(125)	(164)	3,787

12. Payables and Accruals

(RM'000)	Group		Company	
	2008	2007	2008	2007
Trade				
Trade payables	2,004	1,993	-	-
Amount due to immediate holding company	47	-	-	-
Amount due to related corporations	3,943	2,036	-	-
	5,994	4,029	-	-
Non-trade				
Amount due to intermediate holding company	1,314	335	-	-
Other payables	2,930	140	109	125
Accrued expenses	5,147	4,504	186	186
Others	656	200	-	-
	10,047	5,179	295	311
	16,041	9,208	295	311

The trade payables due to immediate holding company and related corporations are subject to normal trade terms.

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

13. Revenue

(RM'000)	Group		Company	
	2008	2007	2008	2007
Sale of goods	122,872	115,551	-	-
Dividend income from unquoted subsidiary	-	-	11,900	93,500
	122,872	115,551	11,900	93,500

14. Profit Before Tax

(RM'000)	Group		Company	
	2008	2007	2008	2007
Operating profit is arrived at after charging:				
Auditors' remuneration				
· audit	71	59	16	15
· non-audit services	9	10	9	10
Allowance for doubtful debts	100	-	-	-
Depreciation on property, plant and equipment	4,750	4,600	-	-
Intermediate holding company management fees	2,500	2,500	-	-
Inventories written off	3,598	1,338	-	-
Net foreign exchange loss	340	137	-	-
Personnel expenses (including key management personnel):				
· Contributions to Employees Provident Fund	1,710	1,815	-	-
· Wages, salaries and others	16,408	15,868	-	-
Rental of premises	225	73	-	-
Research and development expensed as incurred	2,171	1,318	-	-
and after crediting:				
Allowance for doubtful debts written back	230	150	-	-
Gain on disposal of property, plant and equipment	58	27	-	-
Change in fair value of investment properties	1,859	-	-	-

15. Key Management Personnel Compensation

The key management personnel compensation is as follows:

(RM'000)	Group		Company	
	2008	2007	2008	2007
Directors				
· Fees	218	218	218	218
· Gratuity	-	36	-	-
· Remuneration	-	650	-	-
· Other short term employee benefits (including estimated monetary value of benefits-in-kind)	28	24	28	-
Other key management personnel				
· Remuneration	756	830	-	-
Total short-term employee benefits	1,002	1,758	246	218

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

The Group pays management fee to the intermediate holding company in relation to services of certain key management personnel of the Group as disclosed in Note 21.

16. Tax Expense

Recognised in the Income Statement

(RM'000)	Group		Company	
	2008	2007	2008	2007
Tax expense	7,937	10,498	(170)	25,295
Major components of tax expense include:				
Current tax expense				
Malaysian				
· current year	7,884	9,590	10	25,295
· prior year	12	-	(180)	-
Total current tax	7,896	9,590	(170)	25,295
Deferred tax expense				
Origination and reversal of temporary differences	141	717	-	-
(Over)/Underprovision in prior year	(100)	191	-	-
Total deferred tax	41	908	-	-
Total tax expense	7,937	10,498	(170)	25,295

Reconciliation of Effective Tax Expense

Profit for the year	27,403	32,043	11,676	67,959
Total tax expense	7,937	10,498	(170)	25,295
Profit excluding tax	35,340	42,541	11,506	93,254
Tax at Malaysian tax rate of 26% (2007 - 27%)	9,188	11,486	2,991	25,179
Effect of change in tax rate*	(6)	(203)	-	-
Non-deductible expenses	143	159	42	38
Income not taxable	(483)	-	-	-
Tax exempt income	-	-	(3,094)	-
Tax incentives	(519)	(312)	-	-
Utilisation of reinvestment allowance	(377)	(911)	-	-
Other items	79	88	71	78
(Over)/Under provided in prior years	(88)	191	(180)	-
	7,937	10,498	(170)	25,295

* The corporate tax rate are at 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.



17. Earnings per Ordinary Share

Basic Earnings per Ordinary Share

The calculation of basic earnings per ordinary share at 31 December 2008 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

(RM'000)	Group	
	2008	2007
Profit for the year attributable to ordinary shareholders	27,403	32,043

Weighted average number of ordinary shares

('000)	Group	
	2008	2007
Issued ordinary shares at 1 January	139,461	139,432
Effect of treasury shares held	(658)	(658)
Effect of exercise of share option under ESOS	16	8
Weighted average number of ordinary shares at 31 December	138,819	138,782

(SEN)	Group	
	2008	2007
Basic earnings per ordinary share	19.74	23.09

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2008 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:

(RM'000)	Group	
	2008	2007
Profit for the year attributable to ordinary shareholders	27,403	32,043

Weighted average number of ordinary shares (diluted)

('000)	Group	
	2008	2007
Weighted average number of ordinary shares at 31 December	138,819	138,782
Effect of share options under ESOS on issue	1	18
Weighted average number of ordinary shares (diluted) at 31 December	138,820	138,800

(SEN)	Group	
	2008	2007
Diluted earnings per ordinary share	19.74	23.09

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.

18. Dividends

Dividends recognised in the current year by the Company are:

	Sen per share (Net of tax)	Total amount RM'000	Date of payment
2008			
Interim 2008 ordinary	8.00	11,106	28 October 2008
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	

19. Financial Instruments

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

Credit Risk

The Group has a credit policy in place and the 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 2008, a significant concentration of credit risk arises in respect of debts owing from 2 (2007 - 2) major customers amounting to RM10,186,000 (2007 - RM11,590,000). 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.

	← 2008 →			← 2007 →		
	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
Group						
Deposits with licensed banks	3.40	12,350	12,350	3.00	1,411	1,411
Company						
Deposits with licensed banks	3.00	350	350	-	-	-

Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions that are denominated in a currency other than Ringgit Malaysia. Exposures to foreign currency risk is monitored on an ongoing basis. The Group does not hedge its foreign currency risk.

Liquidity Risk

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

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.

20. Capital and Other Commitments

(RM'000)	Group	
	2008	2007
Plant and machineries Authorised but not contracted for	74,660	47,000
Contracted but not provided for	792	-

21. 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.

Significant Transactions with Key Management Personnel

Key management personnel compensation is disclosed in Note 15.

Other significant related party transactions

(other than disclosed elsewhere in the financial statements)

(RM'000)	Transaction value year ended 31 December		Balance outstanding as at 31 December	
	2008	2007	2008	2007
Group				
Sale of goods with immediate holding company	247	357	(47)	-
Sale of goods with related corporations	2,839	2,152	1,647	1,057
Purchases with related corporations	(2,485)	(4,672)	(2,856)	(1,742)
Management fees paid to intermediate holding company	(4,162)	(2,500)	(1,314)	(335)
Research and development expenditure paid to related corporation	(2,048)	(1,313)	(1,087)	(294)

The terms and conditions for the above transactions are based on normal trade terms. All the amounts outstanding are unsecured and expected to be settled with cash.

Included in the management fee paid to the intermediate holding company is payment for services of certain key management personnel of the Company amounting to RM905,000 (2007:nil)

22. Significant Event

On 17 September 2008, the Group has entered into a Sale & Purchase Agreement for the sale of two pieces of vacant land at a total consideration of RM8.13 million to a third party. The Group had received full settlement for the said sale on 19 January 2009.

23. Comparative Figures

The following comparative figures have been reclassified.

(RM'000)	As restated	As previously stated
Group		
Distribution and marketing expenses	(12,645)	(9,108)
Administrative expenses	(8,481)	(11,397)
Other expenses	(1,801)	(2,422)