

# Directors' Report

for the year ended 31 December 2009

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 2009.

## PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holdings activities, whilst the principal activities of the subsidiary is as stated in note 4 to the financial statements. There has been no significant change in the nature of these principal activities during the financial year.

## RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to shareholders	30,233	18,185

## 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:

- i) a final tax exempt ordinary dividend of 7.00 sen per ordinary share totalling RM9,717,505 in respect of the year ended 31 December 2008 on 26 June 2009; and
- ii) an interim tax exempt ordinary dividend of 6.00 sen per ordinary share totalling RM8,329,290 in respect of the year ended 31 December 2009 on 23 October 2009.

The Directors recommend a gross final dividend of 7.00 sen (less 25% tax) per ordinary share (5.25 sen nett per ordinary share) and final tax exempt dividend of 5.00 sen totaling RM14,229,000 for the financial year ended 31 December 2009.

## 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 (resigned on 4.2.2010)

## DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the ordinary shares 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 31.12.2009
	At 1.1.2009	Bought	Sold	
Tan Sri Dato' Dr. Abu Bakar bin Suleiman				
Interest in the Company:				
– own	286,400	-	-	286,400
– others#	11,000	2,000	-	13,000
Dato' Dr. Mohamad Hashim bin Ahmad Tajudin				
Interest in the Company:				
– own	15,000	-	-	15,000
Datuk Dr. Jegathesan a/l N. M. Vasagam @ Manikavasagam				
Interest in the Company:				
– own	34,120	-	-	34,120
Haji Ghazali bin Awang				
Interest in the Company:				
– own	45,000	-	-	45,000

# Zufar Suleiman bin Abu Bakar and Halina Jael binti Abu Bakar are the children of Tan Sri Dato' Dr. Abu Bakar bin Suleiman. In accordance with Section 134(12)(c) of the Companies Act, 1965, the interests and deemed interests of Zufar Suleiman bin Abu Bakar and Halina Jael binti 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 2009 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 changes in the authorised, issued and paid-up capital of the Company during the financial year. There were no debentures issued during the financial year.

### OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

### OTHER STATUTORY INFORMATION

Before the 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, the financial performance of the Group and of the Company for the financial year ended 31 December 2009 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**

Kuala Lumpur,

26 March 2010

## Statement by Directors

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

In the opinion of the Directors, the financial statements set out on pages 57 to 90 are 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 at 31 December 2009 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.

**Dato' Dr. Mohamad Hashim bin Ahmad Tajudin**

**Haji Ghazali bin Awang**

Kuala Lumpur,

26 March 2010

## 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 57 to 90 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 26 March 2010.

**Chek Wu Kong**

Before me:

26 March 2010

# Independent auditors' report

to the members of CCM Duopharma Biotech Berhad

(Company No. 524271-W)

(Incorporated in Malaysia)

## 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 2009 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 57 to 90.

### ***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 2009 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

**Mohamed Raslan Abdul Rahman**

Approval Number: 1825/05/11(J/PH)  
Chartered Accountant

Petaling Jaya,

26 March 2010

# Balance Sheets

at 31 December 2009

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Assets</b>					
Property, plant and equipment	3	74,840	55,369	-	-
Investment in a subsidiary	4	-	-	40,187	40,187
Receivables, deposits and prepayments	5	-	-	63,426	-
<b>Total non-current assets</b>		<b>74,840</b>	<b>55,369</b>	<b>103,613</b>	<b>40,187</b>
Receivables, deposits and prepayments	5	35,109	33,854	-	63,279
Inventories	6	36,353	33,581	-	-
Current tax assets		63	1,021	67	61
Assets held for sale	7	-	8,131	-	-
Cash and cash equivalents	8	26,999	18,424	432	422
<b>Total current assets</b>		<b>98,524</b>	<b>95,011</b>	<b>499</b>	<b>63,762</b>
<b>Total assets</b>		<b>173,364</b>	<b>150,380</b>	<b>104,112</b>	<b>103,949</b>
<b>Equity</b>					
Share capital		69,739	69,739	69,739	69,739
Reserves		12,591	12,591	12,142	12,142
Retained earnings		60,408	48,222	21,911	21,773
<b>Total equity attributable to shareholders</b>	9	<b>142,738</b>	<b>130,552</b>	<b>103,792</b>	<b>103,654</b>
<b>Liabilities</b>					
Loan and borrowing	10	9,175	-	-	-
Deferred tax liabilities	11	4,466	3,787	-	-
<b>Total non-current liabilities</b>		<b>13,641</b>	<b>3,787</b>	<b>-</b>	<b>-</b>
Loan and borrowing	10	6,251	-	-	-
Payables and accruals	12	10,734	16,041	320	295
<b>Total current liabilities</b>		<b>16,985</b>	<b>16,041</b>	<b>320</b>	<b>295</b>
<b>Total liabilities</b>		<b>30,626</b>	<b>19,828</b>	<b>320</b>	<b>295</b>
<b>Total equity and liabilities</b>		<b>173,364</b>	<b>150,380</b>	<b>104,112</b>	<b>103,949</b>

The notes on pages 63 to 90 are an integral part of these financial statements.

# Income Statements

for the year ended 31 December 2009

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Revenue</b>	13	<b>123,766</b>	122,872	<b>18,700</b>	11,900
Cost of sales		<b>(61,876)</b>	(62,242)	-	-
<b>Gross profit</b>		<b>61,890</b>	60,630	<b>18,700</b>	11,900
Other income		<b>327</b>	2,223	-	-
Distribution and marketing expenses		<b>(11,379)</b>	(14,221)	-	-
Administrative expenses		<b>(9,831)</b>	(9,696)	<b>(522)</b>	(402)
Other expenses		<b>(3,224)</b>	(3,998)	-	-
<b>Results from operating activities</b>		<b>37,783</b>	34,938	<b>18,178</b>	11,498
Interest income		<b>432</b>	402	<b>8</b>	8
<b>Profit before tax</b>	14	<b>38,215</b>	35,340	<b>18,186</b>	11,506
Tax (expense)/benefit	16	<b>(7,982)</b>	(7,937)	<b>(1)</b>	170
<b>Profit for the year attributable to shareholders</b>		<b>30,233</b>	27,403	<b>18,185</b>	11,676
<b>Basic earnings per ordinary share (sen)</b>	17	<b>21.78</b>	19.74		
<b>Diluted earnings per ordinary share (sen)</b>	17	<b>21.78</b>	19.74		

The notes on pages 63 to 90 are an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

for the year ended 31 December 2009

Group	Note	← Attributable to shareholders of the Company →					Total RM'000
		Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Treasury shares RM'000	Distributable Retained earnings RM'000	
<b>At 1 January 2008</b>		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	9	9	33	-	-	-	42
Dividends to shareholders	18	-	-	-	-	(11,106)	(11,106)
<b>At 31 December 2008/ 1 January 2009</b>		69,739	13,720	449	(1,578)	48,222	130,552
Total recognised income for the year							
- Profit for the year		-	-	-	-	30,233	30,233
Dividends to shareholders	18	-	-	-	-	(18,047)	(18,047)
<b>At 31 December 2009</b>		69,739	13,720	449	(1,578)	60,408	142,738

The notes on pages 63 to 90 are an integral part of these financial statements.

# Statement of Changes in Equity

for the year ended 31 December 2009

Company	Note	← Non-distributable →			Distributable	Total
		Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Retained earnings RM'000	
<b>At 1 January 2008</b>		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	9	9	33	-	-	42
Dividends to shareholders	18	-	-	-	(11,106)	(11,106)
<b>At 31 December 2008/ 1 January 2009</b>		69,739	13,720	(1,578)	21,773	103,654
Total recognised income for the year						
- Profit for the year		-	-	-	18,185	18,185
Dividends to shareholders	18	-	-	-	(18,047)	(18,047)
<b>At 31 December 2009</b>		69,739	13,720	(1,578)	21,911	103,792

# Cash Flow Statements

for the year ended 31 December 2009

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Cash flows from operating activities</b>					
Profit before tax		38,215	35,340	18,186	11,506
Adjustments for:					
Change in fair value of investment properties		-	(1,859)	-	-
Depreciation of property, plant and equipment		5,091	4,750	-	-
Dividends income		-	-	(18,700)	(11,900)
Gain on disposal of property, plant and equipment		(1)	(57)	-	-
Interest income		(432)	(402)	(8)	(8)
Property, plant and equipment written off		7	-	-	-
<b>Operating profit/(loss) before changes in working capital</b>		<b>42,880</b>	<b>37,772</b>	<b>(522)</b>	<b>(402)</b>
Changes in working capital:					
Inventories		(2,772)	(9,034)	-	-
Payables and accruals		(5,307)	6,833	25	(16)
Receivables, deposits and prepayments		(1,255)	(27)	(147)	(3,872)
<b>Cash generated from/(used in) operations</b>		<b>33,546</b>	<b>35,544</b>	<b>(644)</b>	<b>(4,290)</b>
Tax paid		(6,345)	(9,139)	(7)	(10)
Tax refund		-	54	-	54
<b>Net cash from/(used in) operating activities</b>		<b>27,201</b>	<b>26,459</b>	<b>(651)</b>	<b>(4,246)</b>
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment		(24,572)	(6,886)	-	-
Dividends received		-	-	18,700	11,900
Interest received		432	402	8	8
Proceeds from disposal of lands		8,131	-	-	-
Proceeds from disposal of plant and equipment		4	127	-	-
<b>Net cash (used in)/from investing activities</b>		<b>(16,005)</b>	<b>(6,357)</b>	<b>18,708</b>	<b>11,908</b>

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Cash flows from financing activities</b>					
Dividends paid to shareholders of the Company		<b>(18,047)</b>	(11,106)	<b>(18,047)</b>	(11,106)
Proceeds from the exercise of ESOS		-	42	-	42
Proceeds of loan and borrowing		<b>15,426</b>	-	-	-
<b>Net cash used in financing activities</b>		<b>(2,621)</b>	(11,064)	<b>(18,047)</b>	(11,064)
Net increase/(decrease) in cash and cash equivalents		<b>8,575</b>	9,038	<b>10</b>	(3,402)
Cash and cash equivalents at 1 January		<b>18,424</b>	9,386	<b>422</b>	3,824
<b>Cash and cash equivalents at 31 December</b>	<i>(i)</i>	<b>26,999</b>	18,424	<b>432</b>	422

i) *Cash and cash equivalents*

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

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Cash and bank balances	8	<b>5,499</b>	6,074	<b>82</b>	72
Deposits with licensed banks	8	<b>21,500</b>	12,350	<b>350</b>	350
		<b>26,999</b>	18,424	<b>432</b>	422

# Notes to the Financial Statements

CCM Duopharma Biotech Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The addresses of its registered office and principal place of business are as follows:

## **Registered office**

13<sup>th</sup> 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 2009 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 2009 do not include other entities.

The Company is principally engaged in investment holding activities 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 (a public listed company), respectively. The ultimate holding company during the financial year was Permodalan Nasional Berhad. All the holding companies were incorporated in Malaysia.

The financial statements were approved by the Board of Directors on 26 March 2010.

## **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.

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

#### **FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2009**

- FRS 8, *Operating Segments*

#### **FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2010**

- FRS 4, *Insurance Contracts*
- FRS 7, *Financial Instruments: Disclosures*
- FRS 101, *Presentation of Financial Statements (revised)*
- FRS 123, *Borrowing Costs (revised)*

## 1. BASIS OF PREPARATION (CONT.)

### (a) Statement of compliance (cont.)

- FRS 139, *Financial Instruments: Recognition and Measurement*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards* and FRS 127, *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to FRS 2, *Share-based Payment: Vesting Conditions and Cancellations*
- Amendments to FRS 101, *Presentation of Financial Statements - Puttable Financial Instruments and Obligation Arising on Liquidation*
- Amendments to FRS 132, *Financial Instruments: Presentation*
  - *Puttable Financial Instruments and Obligation Arising on Liquidation*
  - *Separation of Compound Instruments*
- Amendments to FRS 139, *Financial Instruments: Recognition and Measurement*, FRS 7, *Financial Instruments: Disclosures* and IC Interpretation 9, *Reassessment of Embedded Derivatives*
- Amendments to FRS 139, *Financial Instruments: Recognition and Measurement*
- Improvements to FRSs (2009)
- IC Interpretation 9, *Reassessment of Embedded Derivatives*
- IC Interpretation 10, *Interim Financial Reporting and Impairment*
- IC Interpretation 11, *FRS 2 - Group and Treasury Share Transactions*
- IC Interpretation 13, *Customer Loyalty Programmes*
- IC Interpretation 14, *FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction*

#### **FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 March 2010**

- Amendments to FRS 132, *Financial Instruments: Presentation – Classification of Rights Issues*

#### **FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010**

- FRS 1, *First-time Adoption of Financial Reporting Standards (revised)*
- FRS 3, *Business Combinations (revised)*
- FRS 127, *Consolidated and Separate Financial Statements (revised)*
- Amendments to FRS 2, *Share-based Payment*
- Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
- Amendments to FRS 138, *Intangible Assets*
- IC Interpretation 12, *Service Concession Agreements*
- IC Interpretation 15, *Agreements for the Construction of Real Estate*
- IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*
- IC Interpretation 17, *Distribution of Non-cash Assets to Owners*
- Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*

#### **FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011**

- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*

## 1. BASIS OF PREPARATION (CONT.)

### (a) Statement of compliance (cont.)

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

- from the annual period beginning 1 January 2010 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, except for FRS 4, IC Interpretation 13 and IC Interpretation 14 which are not applicable to the Group; and
- from the annual period beginning 1 January 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 March 2010, 1 July 2010 and 1 January 2011, except for IC Interpretation 12, IC Interpretation 15, IC Interpretation 16 and IC Interpretation 17 which are not applicable to the Group.

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively, is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption.

The impacts and disclosures as required by FRS 108.30(b), *Accounting Policies, Changes in Accounting Estimates and Errors*, in respect of applying FRS 7 and FRS 139 are not disclosed by virtue of the exemptions given in these respective FRSs.

Material impacts on initial application of a standard, an amendment or an interpretation, which will be applied retrospectively, are disclosed below:

#### **FRS 8, Operating Segments**

FRS 8 replaces FRS 114<sub>2004</sub>, *Segment Reporting* and requires the identification and reporting of operating segments based on internal reports that are regularly reviewed by the chief operating decision maker of the Group in order to allocate resources to the segment and to assess its performance. Currently, segmental information is not provided as the Group is primarily in Malaysia. Under FRS 8, the Group will present segment information in respect of its operating segments as follows: Malaysia and outside of Malaysia.

### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis unless otherwise disclosed in Note 2.

### (c) Functional and presentation currency

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

### (d) Use of estimates and judgements

The preparation of financial statements 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.

## 1. BASIS OF PREPARATION (CONT.)

### (d) Use of estimates and judgements (cont.)

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.

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 functional currency 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 measured at fair value, which 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

### (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.

Cost includes expenditure that are directly attributable to the acquisition of the asset, and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour 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.

#### (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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

### (c) Property, plant and equipment (cont.)

#### (iii) Depreciation (cont.)

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

• buildings	5 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.

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

### (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 of the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties 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 statements. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings. The transfer is not made through the income statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

### (e) Investment properties (cont.)

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio every year, and at shorter intervals whenever the fair value of the properties is expected to differ materially. 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 the estimated costs necessary to make the sale.

### (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 that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter, generally the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the income statements. 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 which have an insignificant risk of changes in value.

### (j) Impairment of assets

The carrying amounts of assets except for financial assets, inventories and non-current assets classified as held for sale 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, the recoverable amount is estimated usually at each reporting date.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

### (j) Impairment of assets (cont.)

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 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) Shares issue expenses

Incremental costs directly attributable to the 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 the 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

### (l) Loan and borrowing

Loan and borrowing are stated at amortised cost with any difference between cost and redemption value being recognised in the income statements over the period of the loan and borrowing using the effective interest method.

### (m) Employee benefits

#### *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.

### (n) 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.

### (o) 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.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

### (p) 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

### (q) 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.

### (r) Interest income and borrowing costs

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

All borrowing costs are recognised in the income statements using the effective interest method, in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

### (s) 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 reporting 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 reporting date.

Deferred tax liability is recognised for all taxable temporary differences.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

### (s) Tax expense (cont.)

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 is treated as the tax base of the assets and is recognised as a reduction of tax expense as and when it is utilised.

### (t) 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.

### (u) 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

Group	Freehold land RM'000	Buildings RM'000	Plant and machineries RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Renovations RM'000	Capital work-in- progress RM'000	Total RM'000
<b>Cost / Valuation</b>								
At 1 January 2008	10,326	22,394	46,507	3,076	1,104	258	338	84,003
Additions	480	592	2,234	146	411	80	2,943	6,886
Transfer to investment properties	-	-	-	-	-	-	(185)	(185)
Disposals	-	-	-	(21)	(397)	-	-	(418)
At 31 December 2008/ 1 January 2009	10,806	22,986	48,741	3,201	1,118	338	3,096	90,286
Additions	-	1,454	7,063	62	-	-	15,993	24,572
Transfer	-	2,245	898	-	-	-	(3,143)	-
Disposals	-	(3)	-	-	(35)	-	-	(38)
Write-off	-	-	-	-	-	-	(7)	(7)
At 31 December 2009	10,806	26,682	56,702	3,263	1,083	338	15,939	114,813
<b>Depreciation</b>								
At 1 January 2008	-	1,063	26,790	1,791	614	257	-	30,515
Depreciation for the year	-	480	3,777	368	121	4	-	4,750
Disposals	-	-	-	(6)	(342)	-	-	(348)
At 31 December 2008/ 1 January 2009	-	1,543	30,567	2,153	393	261	-	34,917
Depreciation for the year	-	502	4,124	349	108	8	-	5,091
Disposals	-	-	-	-	(35)	-	-	(35)
At 31 December 2009	-	2,045	34,691	2,502	466	269	-	39,973
<b>Carrying amounts</b>								
At 1 January 2008	10,326	21,331	19,717	1,285	490	1	338	53,488
At 31 December 2008/ 1 January 2009	10,806	21,443	18,174	1,048	725	77	3,096	55,369
At 31 December 2009	10,806	24,637	22,011	761	617	69	15,939	74,840

### 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 (2008- RM10,536,000) and RM 20,346,000 (2008 - RM20,812,000) respectively.

The Company has no property, plant and equipment.

### 4. INVESTMENT IN A SUBSIDIARY

	Company	
	2009 RM'000	2008 RM'000
Unquoted share, at cost	<b>40,187</b>	40,187

Details of the subsidiary are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest	
			2009 %	2008 %
Duopharma (M) Sendirian Berhad	Malaysia	Manufacturing, distributing, importing and exporting of pharmaceutical products and medicines	100	100

## 5. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Non-current</b>				
Amount due from a subsidiary	-	-	63,426	-
<b>Current</b>				
<b>Trade</b>				
Trade receivables	34,017	31,705	-	-
Less: Allowance for doubtful debts	(700)	(500)	-	-
	33,317	31,205	-	-
Amount due from related corporations	1,023	1,647	-	-
	34,340	32,852	-	-
<b>Non-trade</b>				
Amount due from a subsidiary	-	-	-	63,279
Amount due from related corporation	-	34	-	-
Other receivables	653	951	-	-
Deposits	116	17	-	-
	769	1,002	-	63,279
	35,109	33,854	-	63,279

**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:

	Group	
	2009 RM'000	2008 RM'000
<b>Foreign currency</b>		
USD	1,622	1,685

The trade receivable due from related corporations are 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.

## 6. INVENTORIES

	Group	
	2009	2008
	RM'000	RM'000
Raw materials and consumables	14,499	15,302
Work-in-progress	2,811	952
Packing materials	2,225	2,615
Finished goods	16,818	14,712
	<b>36,353</b>	33,581

In 2009, inventories amounting to RM3,326,000 (2008 - RM3,598,000) were written off. The write-off is included in cost of sales.

## 7. ASSETS HELD FOR SALE

	Group	
	2009	2008
	RM'000	RM'000
Freehold land	-	8,131

On 17 September 2008, the Group 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.

	2008
	RM'000
Freehold land under investment properties:	
At 1 January	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)
	-

## 8. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks	21,500	12,350	350	350
Cash and bank balances	5,499	6,074	82	72
	<b>26,999</b>	18,424	<b>432</b>	422

## 9. SHARE CAPITAL AND RESERVES

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Share capital	<b>69,739</b>	69,739	<b>69,739</b>	69,739
Non-distributable reserves				
Share premium	<b>13,720</b>	13,720	<b>13,720</b>	13,720
Revaluation reserve	<b>449</b>	449	-	-
Treasury shares	<b>(1,578)</b>	(1,578)	<b>(1,578)</b>	(1,578)
Retained earnings (distributable)	<b>60,408</b>	48,222	<b>21,911</b>	21,773
	<b>142,738</b>	130,552	<b>103,792</b>	103,654

### SHARE CAPITAL

	← Group and Company →			
	Amount 2009 RM'000	Number of shares 2009 '000	Amount 2008 RM'000	Number of shares 2008 '000

#### Ordinary shares of RM0.50 each

Authorised	<b>100,000</b>	<b>200,000</b>	100,000	200,000
Issued and fully paid:				
On issue at 1 January	<b>69,739</b>	<b>139,479</b>	69,730	139,461
Issue of shares under the Employee Share Option Scheme	-	-	9	18
On issue at 31 December	<b>69,739</b>	<b>139,479</b>	69,739	139,479

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. 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.

## 9. SHARE CAPITAL AND RESERVES (CONT.)

### 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 2009 after deducting treasury shares held is 138,821,000 (2008 - 138,821,000).

### Retained earnings

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 earnings at 31 December 2009 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 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

## 9. SHARE CAPITAL AND RESERVES (CONT.)

The number of share options is as follows:

	2009	2008
Outstanding at 1 January	99,500	131,000
Forfeited during the year	-	(13,500)
Exercised during the year	-	(18,000)
Expired during the year	(99,500)	-
Outstanding and exercisable at 31 December	-	99,500

The options have expired on 24 June 2009.

During the year, there are no share options exercised (2008 - 18,000). The weighted average share price for the year was RM 2.37 (2008 - RM2.34).

## 10. LOAN AND BORROWING

	2009	Group 2008
	RM'000	RM'000
<b>Unsecured non-revolving loan</b>		
Non-current	9,175	-
Current	6,251	-
	15,426	-

During the year, the Group raised an unsecured non-revolving loan of RM15,426,000 (2008 – Nil).

### *Significant covenants*

The unsecured non-revolving loan is subject to fulfilment of the following significant covenants:

- (i) not to pledge any of its assets, present and future, without the prior written consent of the Bank;
- (ii) remain a subsidiary of Chemical Company of Malaysia Berhad;
- (iii) cross default to other indebtedness of the Company and its subsidiaries;
- (iv) the total liabilities to tangible net worth ratio does not exceed 1.75; and
- (v) the debt service cover ratio is at least 2.0 times.

**10. LOAN AND BORROWING (CONT.)***Terms and debt repayment schedule*

2009	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
Unsecured non- revolving loan	2013	15,426	6,251	8,334	841	-

The unsecured non-revolving loan bears interest of 0.9% per annum over the Kuala Lumpur Inter-bank Offered Rate ("KLIBOR") plus the bank's cost of reserves.

**11. DEFERRED TAX LIABILITIES****Movement in taxable/(deductible) temporary differences during the year**

Group	Property, plant and equipment RM'000	Allowance for doubtful debts RM'000	Others RM'000	Total RM'000
At 1 January 2008	4,109	(158)	(205)	3,746
Recognised in income statements	(33)	33	41	41
At 31 December 2008/1 January 2009	4,076	(125)	(164)	3,787
Recognised in income statements	732	(50)	(3)	679
At 31 December 2009	4,808	(175)	(167)	4,466

**Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2009 RM'000	2008 RM'000
Unutilised reinvestment allowances	<b>3,998</b>	-

The unutilised reinvestment allowances do not expire under current tax legislation.

## 12. PAYABLES AND ACCRUALS

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Trade</b>				
Trade payables	1,797	2,051	-	-
Amount due to related corporations	239	3,943	-	-
	<b>2,036</b>	5,994	-	-
<b>Non-trade</b>				
Amount due to intermediate holding company	777	1,314	-	-
Other payables	2,812	2,930	-	109
Accrued expenses	4,443	5,147	-	186
Others	666	656	320	-
	<b>8,698</b>	10,047	<b>320</b>	295
	<b>10,734</b>	16,041	<b>320</b>	295

The trade payables due to 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

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Sale of goods	123,766	122,872	-	-
Dividend income from unquoted subsidiary	-	-	18,700	11,900
	<b>123,766</b>	122,872	<b>18,700</b>	11,900

**14. PROFIT BEFORE TAX**

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Operating profit is arrived at after charging:</b>				
Auditors' remuneration				
- audit	71	71	16	16
- non-audit services	9	9	9	9
Allowance for doubtful debts	200	100	-	-
Depreciation on property, plant and equipment	5,091	4,750	-	-
Intermediate holding company management fees	4,833	4,162	-	-
Inventories written off	3,326	3,598	-	-
Net foreign exchange loss	190	340	-	-
Personnel expenses (including key management personnel):				
- Contributions to Employees Provident Fund	1,677	1,710	-	-
- Wages, salaries and others	15,507	16,408	-	-
Property, plant and equipment write off	7	-	-	-
Rental of premises	131	225	-	-
Research and development expensed as incurred	2,529	2,171	-	-
<b>and after crediting:</b>				
Allowance for doubtful debts written back	-	230	-	-
Gain on disposal of property, plant and equipment	1	57	-	-
Change in fair value of investment properties	-	1,859	-	-

**15. KEY MANAGEMENT PERSONNEL COMPENSATION**

The key management personnel compensation is as follows:

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Directors</b>				
- Fees	250	218	250	218
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	-	28	-	28
<b>Other key management personnel</b>				
- Remuneration	1,570	756	-	-
Total short-term employee benefits	1,820	1,002	250	246

## 15. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT.)

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 statements*

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Tax expense/(benefit)	<b>7,982</b>	7,937	<b>1</b>	(170)
Major components of tax expense include:				
<b>Current tax expense</b>				
Malaysian				
- current year	<b>7,282</b>	7,884	<b>9</b>	10
- prior year	<b>21</b>	12	<b>(8)</b>	(180)
Total current tax	<b>7,303</b>	7,896	<b>1</b>	(170)
<b>Deferred tax expense</b>				
Origination and reversal of temporary differences	<b>764</b>	141	-	-
Overprovision in prior year	<b>(85)</b>	(100)	-	-
Total deferred tax	<b>679</b>	41	-	-
Total tax expense/(benefit)	<b>7,982</b>	7,937	<b>1</b>	(170)

## 16. TAX EXPENSE (CONT.)

### Reconciliation of effective tax expense

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Profit for the year	<b>30,233</b>	27,403	<b>18,185</b>	11,676
Total tax expense	<b>7,982</b>	7,937	<b>1</b>	(170)
Profit excluding tax	<b>38,215</b>	35,340	<b>18,186</b>	11,506
Tax at Malaysian tax rate of 25% (2008 - 26%)	<b>9,554</b>	9,188	<b>4,546</b>	2,991
Effect of change in tax rate*	-	(6)	-	-
Non-deductible expenses	<b>574</b>	143	<b>47</b>	42
Income not taxable	-	(483)	-	-
Tax exempt income	-	-	<b>(4,675)</b>	(3,094)
Tax incentives	<b>(634)</b>	(519)	-	-
Utilisation of reinvestment allowance	<b>(1,499)</b>	(377)	-	-
Other items	<b>51</b>	79	<b>91</b>	71
(Over)/Under provided in prior years	<b>(64)</b>	(88)	<b>(8)</b>	(180)
	<b>7,982</b>	7,937	<b>1</b>	(170)

\* The corporate tax rate is at 25% for year of assessment 2009 and 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 2009 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2009 RM'000	2008 RM'000
Profit for the year attributable to ordinary shareholders	<b>30,233</b>	27,403

**17. EARNINGS PER ORDINARY SHARE (CONT.)**

Weighted average number of ordinary shares

	<b>2009</b>	<b>Group</b>	<b>2008</b>
	<b>'000</b>		<b>'000</b>
Issued ordinary shares at 1 January	<b>139,479</b>		139,461
Effect of treasury shares held	<b>(658)</b>		(658)
Effect of exercise of share option under ESOS	-		16
Weighted average number of ordinary shares at 31 December	<b>138,821</b>		138,819

	<b>2009</b>	<b>Group</b>	<b>2008</b>
	<b>sen</b>		<b>sen</b>
Basic earnings per ordinary share	<b>21.78</b>		19.74

**Diluted earnings per ordinary share**

The calculation of diluted earnings per ordinary share at 31 December 2009 was based on profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	<b>2009</b>	<b>Group</b>	<b>2008</b>
	<b>RM'000</b>		<b>RM'000</b>
Profit for the year attributable to ordinary shareholders	<b>30,233</b>		27,403

Weighted average number of ordinary shares (diluted)

	<b>2009</b>	<b>Group</b>	<b>2008</b>
	<b>'000</b>		<b>'000</b>
Weighted average number of ordinary shares at 31 December	<b>138,821</b>		138,819
Effect of share options under ESOS on issue	-		1
Weighted average number of ordinary shares (diluted) at 31 December	<b>138,821</b>		138,820

**17. EARNINGS PER ORDINARY SHARE (CONT.)**

	<b>Group</b>
	<b>2009</b>
	<b>2008</b>
	<b>sen</b>
	<b>sen</b>
Diluted earnings per ordinary share	<b>21.78</b>
	19.74

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:

	<b>Sen</b>	<b>Total</b>	<b>Date of</b>
<b>2009</b>	<b>per share</b>	<b>amount</b>	<b>payment</b>
	<b>(Net of tax)</b>	<b>RM'000</b>	
Final 2008 ordinary	7.00	9,718	26 June 2009
Interim 2009 ordinary	6.00	8,329	23 October 2009
		<b>18,047</b>	
<b>2008</b>			
Interim 2008 ordinary	8.00	11,106	28 October 2008

The Directors recommend a final tax exempt dividend of 5.00 sen per ordinary share and 7.00 sen per ordinary share less tax at 25% (5.25 sen net per ordinary share) totaling RM14,229,000 in respect of the year ended 31 December 2009.

**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 credit management procedures in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on new customers who require credit facility during the financial year. When the credit limit and/or credit period is exceeded, further transactions may not be allowed until the credit limit or credit period is regularised to appropriate levels. The Group does not require collateral.

## 19. FINANCIAL INSTRUMENTS (CONT.)

### Credit risk (cont.)

At balance sheet date of the financial year 2009, a significant concentration of credit risk arises in respect of debts owing from 2 (2008 - 2) major customers amounting to RM18,832,000 (2008 - RM10,186,000). The management closely monitors the Group's credit risk exposure to these major customers and are confident in recovering these amounts. The Company has an amount due from a subsidiary of RM63,426,000 (2008 – RM63,279,000). 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.

The Group's variable rate borrowing is exposed to a risk of change in cash flow due to changes in interest rate.

### Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, 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.

	← 2009 →			← 2008 →		
	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
<b>Group</b>						
<b>Floating rate instruments</b>						
Unsecured non-revolving loan	3.41	(15,426)	(15,426)	-	-	-
<b>Fixed rate instruments</b>						
Deposits with licensed banks	2.38	21,500	21,500	3.40	12,350	12,350
<b>Company</b>						
<b>Fixed rate instruments</b>						
Deposits with licensed banks	2.21	350	350	3.00	350	350

## 19. FINANCIAL INSTRUMENTS (CONT.)

### 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.

The carrying amounts of unsecured non-revolving loan approximate fair values as they are subject to variable interest rates which in turn approximates the current market interest rates for similar facilities at balance sheet date.

## 20. CAPITAL AND OTHER COMMITMENTS

	2009 RM'000	Group 2008 RM'000
<b>Plant and machineries</b>		
Authorised but not contracted for	7,020	74,660
Contracted but not provided for	18,267	792

## 21. 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.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Group, and certain members of senior management of the Group.

## 21. RELATED PARTIES (CONT.)

The significant related party transactions of the Group and Company, other than key management personnel compensation (disclosed in Note 15), are as follows:

Group	Transaction value year ended 31 December		Balance outstanding as at 31 December	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Sale of goods to immediate holding company	308	247	-	-
Sale of goods to related corporations	2,859	2,839	1,023	1,647
Purchases from related corporations	(956)	(2,485)	-	(2,856)
Management fees paid to intermediate holding company	(4,833)	(4,162)	(777)	(1,314)
Research and development expenditure paid to related corporation	(2,529)	(2,048)	(239)	(1,087)

Company	Transaction value year ended 31 December		Balance outstanding as at 31 December	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Dividend income received from a subsidiary	18,700	11,900	-	-

There is no allowance for doubtful debts made in respect of these balances outstanding at year end.

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 RM763,000 (2008 - RM906,000).

# Analysis of Shareholdings

as at 31 March 2010

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/ Securities Held	% of Issued Capital
1-99	100	4.65	3,560	0.00
100 – 1,000	459	21.33	390,508	0.28
1,001 – 10,000	1,277	59.34	5,469,680	3.92
10,001 – 100,000	278	12.92	8,143,060	5.84
100,001 – 6,973,974	37	1.72	24,582,100	17.63
6,973,975 and above	1	0.04	100,890,592	72.33
<b>Total</b>	<b>2,152</b>	<b>100.00</b>	<b>139,479,500</b>	<b>100.00</b>

## Directors' shareholding as per register of directors as at 31 March 2010

Name	Direct	No. of Shares Held		%
		* %	Indirect	
Tan Sri Dato' Dr Abu Bakar bin Suleiman	286,400	0.21	13,000	0.01
Dato' Dr. Mohamad Hashim bin Ahmad Tajudin	15,000	0.01	-	-
Haji Ghazali bin Awang	55,000	0.04	-	-
Datuk Alias bin Ali	-	-	-	-
Datuk Dr Jegathesan a/l N. M. Vasagam @ Manikavasagam	34,120	0.02	-	-
Dr. Mohd Nasir bin Hassan (Resigned w.e.f. 04.02.2010)	-	-	-	-

## Substantial shareholders as per register of substantial shareholders as at 31 March 2010

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

## LIST OF TOP 30 SHAREHOLDERS AS AT 31 MARCH 2010

NO.	NAME	HOLDINGS	%
1	CCM MARKETING SDN BHD	100,890,592	72.33
2	EMPLOYEES PROVIDENT FUND BOARD	5,835,800	4.18
3	AMANAHRAYA TRUSTEES BERHAD - Skim Amanah Saham Bumiputera	4,545,300	3.26
4	TM ASIA LIFE MALAYSIA BHD. - As Beneficial Owner (PF)	1,995,300	1.43
5	CCM MARKETING SDN BHD	1,442,300	1.03
6	MAYBAN NOMINEES (TEMPATAN) SDN BHD - Mayban Life Assurance Berhad (Par Fund)	1,000,000	0.72
7	JERNEH INSURANCE BHD	870,000	0.62
8	MAYBAN NOMINEES (TEMPATAN) SDN BHD - Mayban Life Assurance Berhad (Non-Par Fund)	750,000	0.54
9	MAYBAN NOMINEES (TEMPATAN) SDN BHD - Etiqa Takaful Berhad (Family Fund)	686,800	0.49
10	DUOPHARMA BIOTECH BHD - Share Buy Back Account	658,000	0.47
11	HSBC NOMINEES (TEMPATAN) SDN BHD - HSBC (M) Trustee Bhd For MAAKL Al-Faid (4389)	572,300	0.41
12	MAYBAN NOMINEES (TEMPATAN) SDN BHD - Etiqa Takaful Berhad (General Fund)	500,900	0.36
13	KUMPULAN WANG SIMPANAN PEKERJA	500,000	0.36
14	JERNEH INSURANCE BHD - Shareholders' Funds Account	472,000	0.34
15	HSBC NOMINEES (TEMPATAN) SDN BHD - HSBC (M) Trustee Bhd For MAAKL Al-Fauzan (5170)	469,000	0.34

**LIST OF TOP 30 SHAREHOLDERS AS AT 31 MARCH 2010 (CONT.)**

<b>NO.</b>	<b>NAME</b>	<b>HOLDINGS</b>	<b>%</b>
16	MAYBAN NOMINEES (TEMPATAN) SDN BHD - Malaysian Trustees Berhad For AMB Smallcap Trust Fund (240165)	300,100	0.22
17	ABU BAKAR BIN SULEIMAN	286,400	0.21
18	LIM WENG HO	282,700	0.20
19	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD - Alliance Optimal Income Fund	276,200	0.20
20	AUN HUAT & BROTHERS SDN BHD	251,800	0.18
21	GAN TUAN BOON	250,000	0.18
22	MAYBAN NOMINEES (TEMPATAN) SDN BHD - Etiqa Takaful Berhad (Group Fund)	250,000	0.18
23	LIEW WAI KIAT	237,600	0.17
24	MAYBAN NOMINEES (TEMPATAN) SDN BHD - Mayban Life Assurance Berhad (Shareholders FD)	200,000	0.14
25	MAYBAN NOMINEES (TEMPATAN) SDN BHD - Etiqa Insurance Berhad (Life Annuity FD)	200,000	0.14
26	HSBC NOMINEES (TEMPATAN) SDN BHD - HSBC (M) Trustee Bhd For MAAKL Dividend Fund (5311-401)	170,000	0.12
27	MAYBAN NOMINEES (TEMPATAN) SDN BHD - Etiqa Takaful Berhad (Annuity Fund)	155,600	0.11
28	CHIA KUN JUAN	150,000	0.11
29	OH SIEW HEONG	150,000	0.11
30	OLIVE LIM SWEE LIAN	140,000	0.10



Postal address/Location of the property	Description/ Existing use (Built-up area)	Land area (acre/sq. m)	Tenure/ Approx. age of building	Open market valuation by independent valuer <sup>1</sup> /as per Sales & Purchase Agreement (RM)	Date of valuation/ Methods of valuation	Net Book value as at 31/12/09 (RM)
H.S. (M) 27455 and 27454 PT Nos. 48576 and 48575, Mukim and District of Klang, State of Selangor Darul Ehsan/ No.51 & 53, Jalan Rebana 3, off Jalan Seruling 59, Taman Klang Jaya, 41200 Klang Selangor Darul Ehsan	Two units of double storey terrace light industrial buildings (built-up: 4,108 sq. ft. and 5,588 sq. ft. respectively)	191 sq. m and 260 sq. m respectively	Freehold 12 years	840,000	22/11/05 Comparison Method	794,630
GM 549 Lot No. 2707, Mukim and District of Klang, State of Selangor Darul Ehsan	Vacant industrial land	4.38 acres	Freehold	2,330,000	22/11/05 Comparison Method	2,330,000
GM 2239 Lot No. 2600, Mukim and District of Klang, State of Selangor Darul Ehsan	Land Building/warehouse Construction in progress	2.88 acres	Freehold	NA	Acquired on 02/07/07	4,181,553 13,496,211

#### Note

- Duopharma (M) Sdn Bhd is the registered and beneficial owner of all the above properties. The valuation was carried out by an independent firm of professional valuer, M. Nawawi & Co. Sdn Bhd on 22 Nov 2005.
- Lot No. 2600 was purchased on 2 July 2007 for business expansion purposes.