



CCM DUOPHARMA BIOTECH BERHAD
(formerly known as Duopharma Biotech Bhd) (524271-W)
(Incorporated in Malaysia)
Quarterly Report On Results For The Year Ended 31 December 2006
NOTES TO INTERIM FINANCIAL REPORT

A1 Accounting Policies and Method of Computation

The interim financial report is unaudited and has been prepared in accordance with the applicable disclosure provisions of Listing Requirements of Bursa Malaysia Securities Berhad including compliance with Financial Reporting Standard (FRS) 134²⁰⁰⁴, *Interim Financial Reporting*, issued by the Malaysian Accounting Standards Board (MASB)

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2005 annual financial statements, except for the accounting policy changes as set out in Note A2 below that are reflected in the 2006 annual financial statements.

The preparation of an interim financial report in conformity with FRS 134²⁰⁰⁴, *Interim Financial Reporting* requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from those estimates.

The financial information relating to the financial year ended 31 December 2005 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2005 are available from the Company's registered office.

A2 Changes in accounting policies

The MASB has issued a number of new and revised Financial Reporting Standards (FRSs, which term collectively includes the MASB's Issues Committee's Interpretations) that are effective for accounting periods beginning on or after 1 January 2006.

In 2006, the MASB issued two revised FRSs (i.e. FRS 117, *Leases* and FRS 124, *Related Party Disclosures*). These FRSs are effective for annual periods beginning on or after 1 October 2006. The MASB has also issued FRS 139, *Financial Instruments: Recognition and Measurement* but for which the MASB has yet to announce the effective date of this standard and hence it has not been adopted by the Group.

The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2006. The FRSs that will be effective in the annual financial statements for the year ended 31 December 2006 may be affected by the issue of additional interpretation(s) or other changes announced by the MASB subsequent to the date of issuance of this interim report. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report.

The following sets out further information on the changes in accounting policies for the annual accounting period beginning on 1 January 2006 which have been reflected in this interim financial report.

- a) In accordance with FRS 3 (*Business Combination*), the Group has no longer amortises negative goodwill and has derecognised the said goodwill with effect from 1 January 2006. The impact of the change has been reflected accordingly in the financial statements.
- b) In accordance with FRS 5 (*Non-current Assets Held for Sale and Discontinued Operations*), the Group has reclassified the Investment in Associate to Non-current Asset Held for Sale in line with the Group's intention to dispose of its non-core business investment. The investment was disposed of on 24 November 2006 and the transaction does not have a material impact on the financial statements of the Group.

A3 Audit Report

The audited report of the Company's preceding annual financial statements was not qualified.

A4 Seasonal or Cyclical Factors

The business operations of the Group are not materially affected by any seasonal or cyclical factors.

A5 Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter, except for the changes in accounting policies as disclosed in Note A2 above.

A6 Changes in Estimates

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current quarter.

A7 Debts and Equity Securities

There are no issuance, cancellations, repurchases, resale and repayments of debts and equity securities for the current period to date other than the followings: -

- a) Issuance of 75,500 new ordinary shares of RM0.50 each at issue price of RM2.32 pursuant to the Employees' Share Option Scheme (ESOS) as follows:-

Month	No. of shares issued	Cash proceeds (RM '000)
Feb-06	12,000	27,840
May-06	55,500	128,760
Jun-06	2,000	4,640
Aug-06	5,000	11,600
Nov-06	1,000	2,320
Total	75,500	175,160

A8 Dividend Paid

No interim dividend was paid during the current quarter. (2005 : Nil) During the previous quarter, an interim dividend of 14% (7sen) less tax of 28% (2005 : Nil) amounting to RM6.994 million was paid on 8 June 2006.

A9 Segment Information

There is no segmental reporting as the Group's activities are principally in pharmaceutical industry; and its operations are carried out primarily in Malaysia.

A10 Property, Plant and Equipment

The valuation of property, plant and equipment used in the condensed financial statements have been brought forward without amendment from the previous annual financial statements.

A11 Post Balance Sheet Events

There are no material events after the period end up to 15 February 2007 (latest practicable date which is not earlier than 7 days from the date of issuance of this quarterly report) that have not been reflected in the financial statements for the financial period ended 31 December 2006.

A12 Changes in the Composition of the Group

On 24 November 2006, the Company has disposed of the entire investment of 1,000,000 ordinary shares of RM1.00 each in Altratec Sdn Bhd (a 40% owned associate company) for a cash consideration of RM1,325,000. The disposal does not have any material impact on the financial statements of the Group.

A13 Related Parties Transactions

Significant related parties transactions of the Group for the year ended 31 December 2006 are as follows:-

	<u>RM '000</u>
a) With CCM Pharmaceuticals (S) Pte Ltd (formerly known as Duopharma Trading (S) Pte Ltd), a company held via a wholly owned subsidiary of Chemical Company of Malaysia Berhad (intermediate holding company)	
-Sales of goods	<u>2,409</u>
b) With CCM Chemicals Sdn Bhd, a company in which Chemical Company of Malaysia Berhad (intermediate holding company) has a direct interest of 80.0%	
-Purchase of goods	<u>688</u>

ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS

B1 Review of Performance

The Group recorded a revenue and profit before tax (PBT) of RM23.98 million and RM7.49 million respectively for current quarter ended 31 December 2006 as compared to RM22.90 million and RM8.42 million for the corresponding quarter last year. The growth in revenue is mainly due to the Group's continuous efforts to enhance products mix whilst the decrease in PBT is mainly attributable to upgrading of Information Technology infrastructure and more aggressive promotional activities undertaken during current quarter.

B2 Comparison with the Preceding Quarter's Results

	Qtr 4 (31/12/06) RM'000	Qtr 3 (30/09/06) RM'000	Variance	
			RM'000	%
Revenue	23,975	26,218	(2,243)	(8.56)
Profit before tax	7,491	9,685	(2,194)	(22.65)
Profit after tax	6,240	7,367	(1,127)	(15.30)

The Group recorded revenue and profit after tax (PAT) of RM23.98 million and RM6.24 million respectively for the current financial quarter as compared to RM26.22 million and RM7.37 million respectively for the preceding financial quarter. The decrease in revenue and hence PAT as compared to the previous quarter is mainly due to decrease in sales to private sector and increase in expenditure as stated above.

B3 Prospects for the Next Financial Year

The Board expects the Group to achieve satisfactory results for the next financial year under a normal business environment.

B4 Profit Forecast

No commentary is made on any variance between actual profit from forecast profit as it does not apply to the Group.

B5 Taxation

Details of taxation are as follows :-

	Current Year	Current Year
	Quarter 31/12/06 RM'000	To Date 31/12/06 RM'000
Based on results for the quarter/year	1,557	9,115
Transfer to/(from) deferred tax	(306)	-
	<u>1,251</u>	<u>9,115</u>

The Group's effective tax rate is lower than the statutory tax rate mainly due to the utilisation of reinvestment allowances in a subsidiary.

B6 Unquoted Investments and Properties

Please refer to Note A12 for details of disposal of unquoted investment.

During the previous financial quarter, the Government has acquired a portion of the following vacant industrial land situated in Mukim and District of Klang for development purposes. As the compensation awarded is less than the book value of said land, the Group has incurred a total loss of RM6,460 which has been incorporated into the financial statements. The Board of Directors is of the opinion that it is not cost effective to appeal against the compensation awarded.

The above acquisition is completed as the Group has received the compensation awarded by the Government.

Lot No.	Area of Lot	Area to be acquired	Loss on compulsory acquisition (RM)
2555	1.214 hectares	0.0372 hectare	3217
2556	1.214 hectares	0.0375 hectare	3243

B7 Quoted Investments

There was no purchase or disposal of quoted securities during the current financial quarter.

B8 Status of corporate proposals.

There were no new corporate proposal announced as at the date of the report.

B9 Borrowings and Debt Securities

The Group does not have any borrowings as at the end of the current financial quarter.

B10 Off Balance Sheet Financial Instruments

The Group does not have any off balance sheet financial instruments as at the date of issue of this quarterly report.

B11 Material litigation

There was no material litigation up to 15 February 2007 (latest practicable date which is not earlier than 7 days from the date of issuance of this quarterly report).

B12 Dividend

a) For the current financial year ended 31 December 2006, the Board of Directors recommends a final dividend of 29% (14.5 sen) per share less 27% tax (2005: A first and final dividend of 35% (17.5 sen) per share less 28% tax) as a result of the continued good performance of the Group. The final dividend is subject to shareholders' approval at the forthcoming Annual General Meeting (AGM) of the Company. The date of the AGM and book closure in respect of the final dividend will be announced in due course.

b) The total dividend for the current financial year is 43% (21.5 sen) per share (a final dividend of 29% (14.5 sen) per share less 27% tax and an interim dividend of 14% (7sen) less 28% tax) amounting to approximately RM21.8million (2005: A first and final dividend of 35% (17.5sen) per share less 28% tax amount to RM17.6 million).

B13 Earnings per Share

	Current year quarter 31/12/06	Current year to date 31/12/06
a) Basic EPS		
Net profit (RM'000)	6,240	28,979
Weighted average number of ordinary shares in issue ('000)		
- Balance b/f	138,774	138,700
-Weighted average number of shares arising from options exercised during the period	1	49
	138,775	138,749
Basic EPS (sen)	4.50	20.89
b) Dilutive EPS		
Adjusted weighted average number of ordinary shares in issue ('000)		
-In issue during the period	138,775	138,749
-Dilutive impact of unexercised share options	19	23
	138,794	138,772
Dilutive EPS (sen)	4.50	20.88

B14 Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 22 February 2007.

By Order of the Board

Saw Bee Lean
Secretary
Kuala Lumpur
22 February 2007