

TRUST, AT THE CORE OF OUR DNA



DUOPHARMA

DUOPHARMA BIOTECH BERHAD

Registration No. 200001021664 (524271-W)





ABOUT DUOPHARMA BIOTECH BERHAD

Duopharma Biotech Group (“Duopharma Biotech” or “the Company”) began with the establishment of Duopharma (M) Sendirian Berhad in 1979. Duopharma Biotech was incorporated in 2000 and is today one of Malaysia’s leading pharmaceutical companies listed on the Main Market of Bursa Malaysia Berhad.

Duopharma Biotech has core competencies in the pharmaceutical industry inclusive of Manufacturing, Research & Development and Commercialisation & Marketing of over 300 generic drugs such as Omesec and Prelica as well as Consumer Healthcare (“CHC”) products including CHAMPS®, FLAVETTES®, PROVITON® and Uphamol, which are well-recognised and accepted by consumers in Malaysia, regionally and globally. The Company has also diversified into the biosimilars space with technology and commercialisation collaborations with credible and strong international partners.

Headquartered in Kuala Lumpur, Malaysia, Duopharma Biotech owns and operates three manufacturing plants in Klang, Bangi and Glenmarie, Selangor. Duopharma Biotech also has subsidiary companies in the Philippines and Singapore. A subsidiary of Duopharma Biotech Berhad has a representative office in Jakarta, Indonesia.

This annual report focuses on our activities, performance and results for the financial year from 1 January till 31 December 2019. It should be read together with Sustainability Report 2019 and our standalone Corporate Governance Report 2019.

The Annual Report 2019, Sustainability Report 2019 and the Corporate Governance Report 2019 can be downloaded from <https://duopharmabiotech.com/>.



OUR BRAND

VISION

**Providing Smarter
Solutions For a
Healthier Life**

MISSION

**Leading
Healthcare Group
Providing Quality
and Innovative
Solutions**

TAGLINE

*Smarter Solutions.
Healthier Life.*

OUR CORE VALUES

Duopharma Biotech Berhad Group of Companies conducts our business operations in accordance with our CORE VALUES

PASSION

P

We inspire and energise everyone to be the best

EXCELLENCE

E

We consistently deliver outstanding performance through innovative solutions

TEAMWORK

T

We succeed together because we work as one

INTEGRITY

I

We conduct ourselves with pride in being honest and ethical

RESPONSIBLE

R

We honour the trust given to us by being accountable for our actions

RESPECT

R

We value differences and sincere intentions as the basis for achieving shared aspirations

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At A Glance

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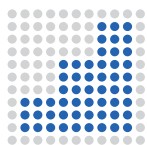
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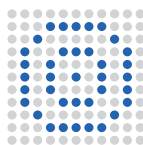
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AT A GLANCE



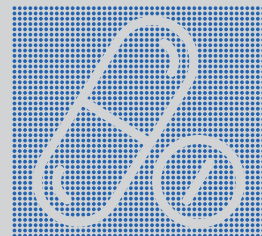
REVENUE
+ 15.6% to
RM576.46
million



PROFIT BEFORE TAX
+ 18.7% to
RM70.81
million

NO.1

Pharmaceutical
company in Malaysia
in terms of volume



56 Operational Excellence projects

completed resulting in savings of

RM6.76 million

Obtained approval for

**Malaysia's first
fill and finish line**

for a biosimilar

**Launched
two
biosimilar
products –
Erysaa,
for renal
anaemia;
and Zuhera,
for breast
cancer**

Malaysia's first

**Highly potent Active
Pharmaceutical
Ingredients (“HAPI”)
plant**

now producing a cancer treatment drug

Women make up roughly

**half of our
workforce
and 55% of
mid-senior
management**

91% Employee Engagement Score

4 percentage points higher than our 2018 score and

9 percentage points higher than the global pharmaceutical norm

Reduced energy intensity by

17.6% yoy

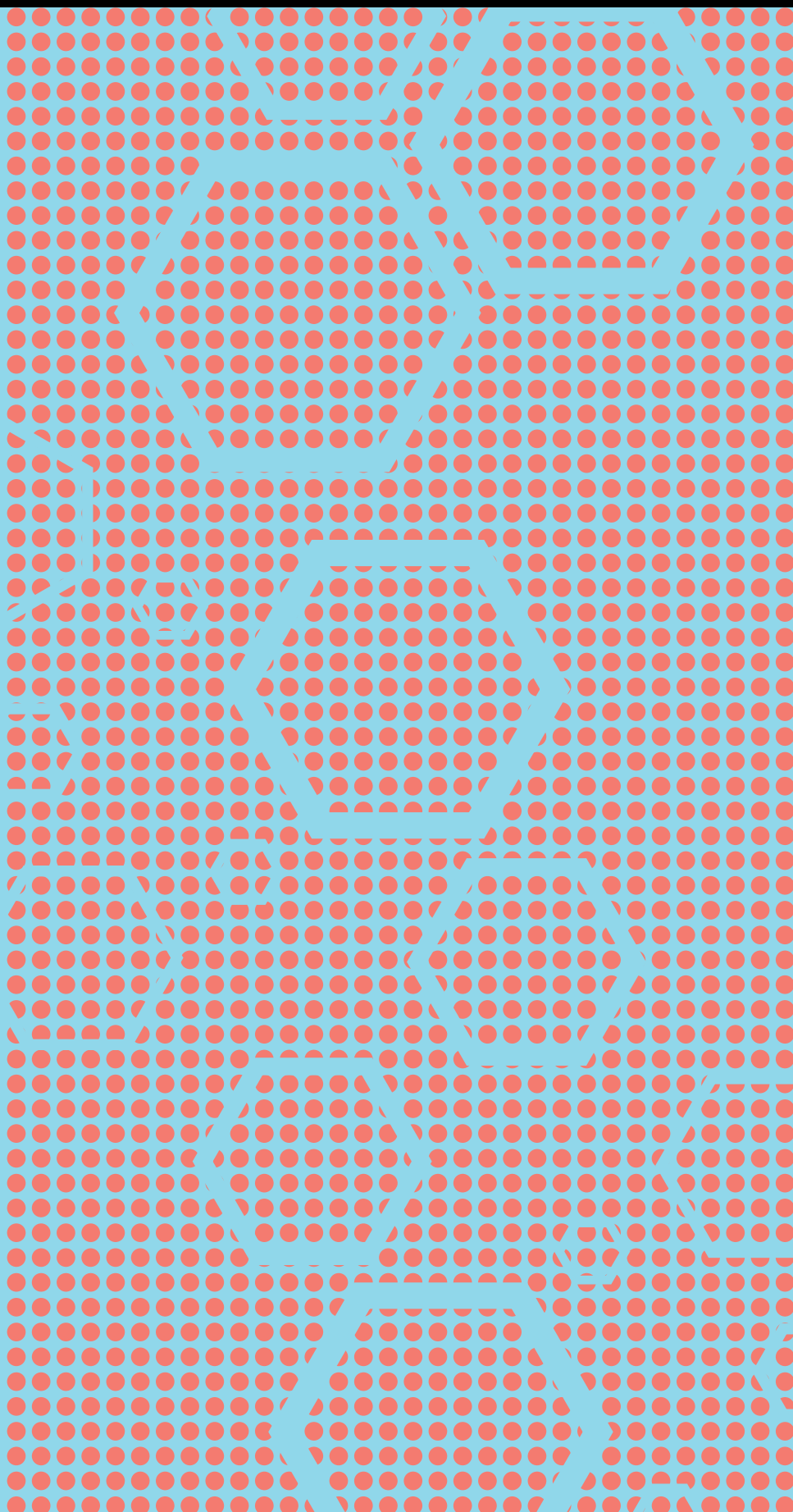
from 21,677.0 kwh/mil units produced to

17,867.2 kwh/mil units

Section 01

ABOUT US

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CORPORATE INFORMATION

BOARD OF DIRECTORS

**Tan Sri Datin Paduka
Siti Sa'diah Binti Sh Bakir**
Non-Independent
Non-Executive Chairman

**Leonard Ariff
Bin Abdul Shatar**
Group Managing Director,
Executive Director

**Dato' Mohamad Kamarudin
Bin Hassan**
Senior Independent
Non-Executive Director

Razalee Bin Amin
Independent
Non-Executive Director

Zaiton Binti Jamaluddin
Independent
Non-Executive Director

Dato' Eisah Binti A.Rahman
Independent
Non-Executive Director

**Datuk Nik Moustpha
Bin Hj Nik Hassan**
Independent
Non-Executive Director

**Datuk Mohd Radzif
Bin Mohd Yunus**
Non-Independent
Non-Executive Director

**Dato' Dr. Zaki Morad
Bin Mohamad Zaher**
Independent
Non-Executive Director

COMPANY SECRETARY

Ibrahim Hussin Salleh
License No.: LS0009121
SSM Practicing Certificate No.:
201908001032

REGISTERED OFFICE

Suite 18.06, Level 18
Kenanga International
No. 26, Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia
Tel No. : 03-2162 0218
Fax No. : 03-2161 0507

BUSINESS ADDRESS

Lot 2599
Jalan Seruling 59, Kawasan 3
Taman Klang Jaya
41200 Klang
Selangor Darul Ehsan
Malaysia
Tel No. : 03-3323 2759
Fax No. : 03-3323 3923
Website : www.duopharmabiotech.com
E-mail : cs@duopharmabiotech.com

AUDITORS

**Messrs. KPMG PLT
(LLP0010081-LCA & AF 0758)**
Chartered Accountants
Level 10, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Malaysia

PRINCIPAL BANKERS

AmBank (M) Berhad
No.1, Ground Floor
Lorong Sanggul 1F
Bandar Puteri Klang
41200 Klang
Selangor Darul Ehsan
Malaysia

OCBC Bank (Malaysia) Berhad
No.19, Jalan Stesen
41000 Klang
Selangor Darul Ehsan
Malaysia

Sumitomo Mitsui Banking Corporation Malaysia Berhad

Suite 22-03, Level 22
Integra Tower
The Intermark
348 Jalan Tun Razak
50400 Kuala Lumpur
Malaysia

Malayan Banking Berhad

No 7 & 9, Jalan 9/9C
Section 9
43650 Bandar Baru Bangi
Selangor Darul Ehsan
Malaysia

Hong Leong Bank

68, Lorong Batu Nilam 4A
Bandar Bukit Tinggi
41200 Klang
Selangor Darul Ehsan
Malaysia

RHB Islamic Bank Berhad

Level 7, Tower 2, RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur
Malaysia

Oversea-Chinese Banking Corporation Limited

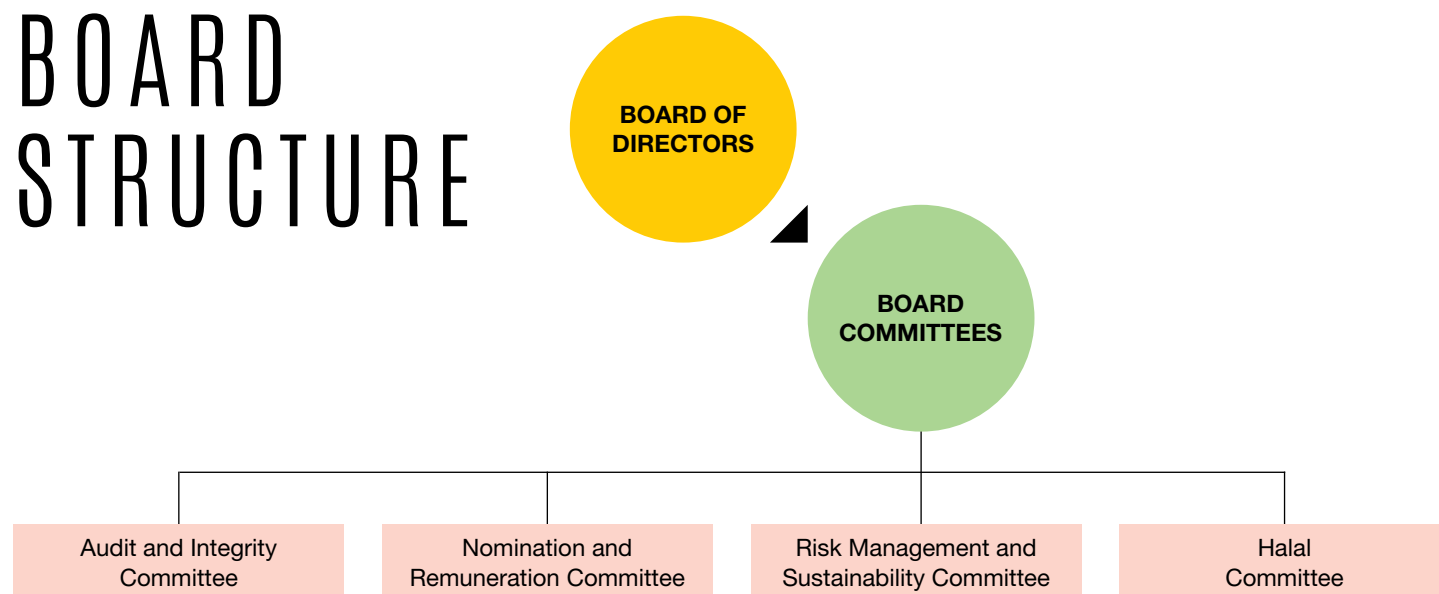
Labuan Branch
Level 8 (C), Main Office Tower
Financial Park Labuan
Jalan Merdeka
87000 Labuan
Sabah
Malaysia

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn. Bhd.

Unit 32-01, Level 32
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia
Tel No. : 03-2783 9299
Fax No. : 03-2783 9222

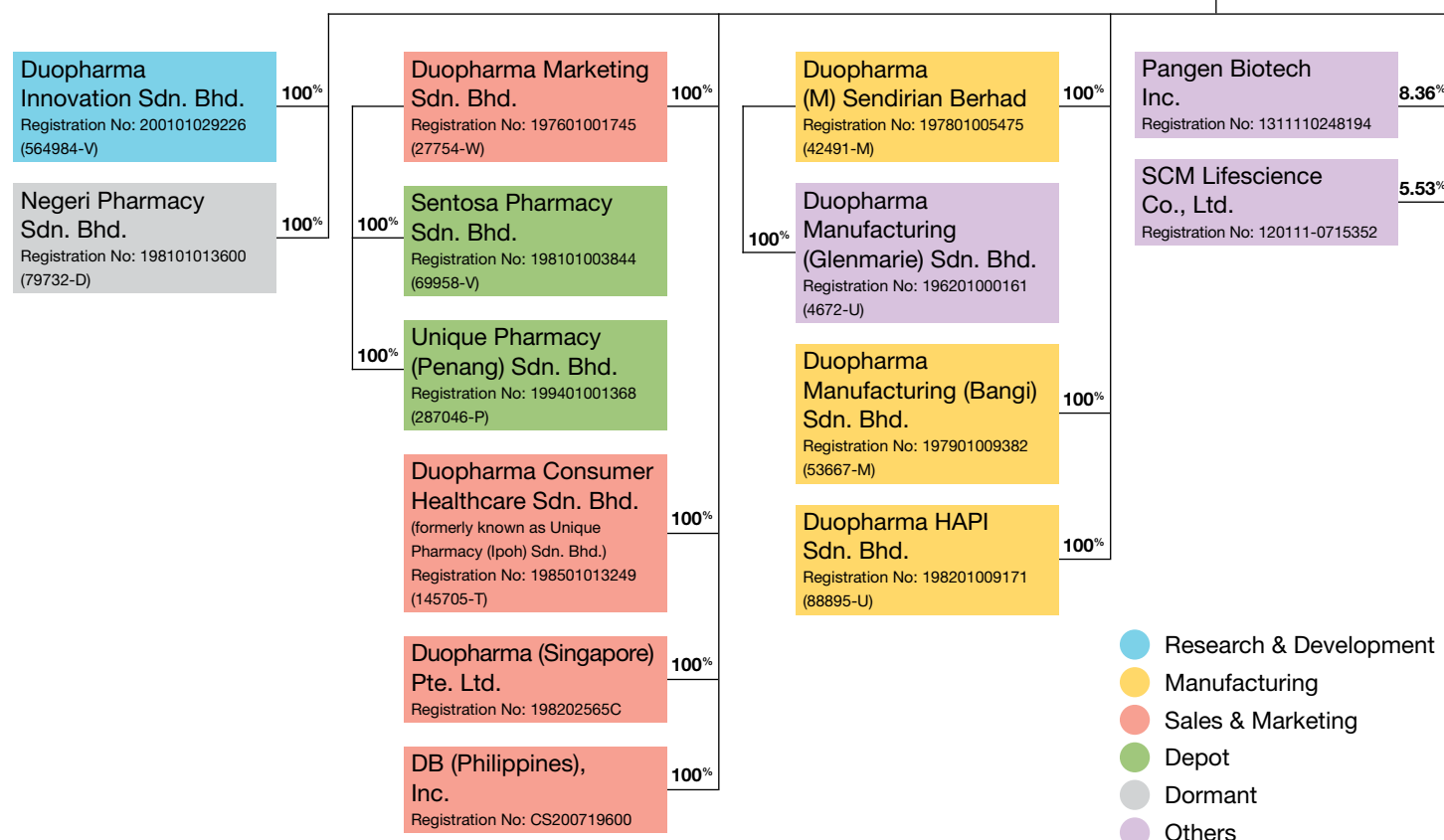
BOARD STRUCTURE



CORPORATE STRUCTURE



Duopharma Biotech Berhad
Registration No: 200001021664 (524271-W)



FINANCIAL HIGHLIGHTS

Interim Dividend

	Date
Entitlement Date	16 October 2019
Payment	14 November 2019

Quarterly Result

	Date
Quarter 1	21 May 2019
Quarter 2	30 August 2019
Quarter 3	29 November 2019
Quarter 4	13 February 2020

CONSOLIDATED FINANCIAL POSITION

	2019 RM'000	2018 RM'000
Non-Current Asset	502,596	469,048
Current Asset	417,205	367,330
Total Asset	919,801	836,378
Current Liabilities	239,442	222,445

FINANCED BY:

	2019 RM'000	2018 RM'000
Share Capital	374,404	347,188
Non-distributable Reserves	(27,600)	(27,222)
Retained Profits	182,946	161,075
Shareholders' Fund	529,750	481,041
Deferred Tax Liabilities and Other Payables	10,871	11,242
Loans and Borrowings	139,738	121,650

CONSOLIDATED INCOME STATEMENT

	2019 RM'000	2018 RM'000
Turnover	576,462	498,722
Profit Before Tax	70,809	59,666
Taxation	(15,536)	(12,025)
Profit After Taxation	55,273	47,641
Profit Attributable to Shareholders	55,273	47,641
Dividends	(33,276)	(26,666)
Transfer to Retained Profits	21,997	20,975

FINANCIAL HIGHLIGHTS



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Dear Stakeholders

It gives me great pleasure to present this Annual Report showcasing the performance of Duopharma Biotech Berhad (“Duopharma Biotech” or “the Company”) for the year 2019. It was without doubt a very challenging year across the board due to the global economic slowdown. Even so, we did not just produce a stellar financial scorecard; we also achieved a couple of milestones. We became the first generics pharmaceutical company to launch a fill and finish biosimilar in Malaysia. Building our specialty portfolio, we were also the first in the country to produce a cancer drug at our Highly potent Active Pharmaceutical Ingredients (“HAPI”) plant. The drug, Letrozole, is to be launched soon.

CHAIRMAN'S STATEMENT

TAN SRI DATIN PADUKA
SITI SA'DIAH BINTI SH BAKIR

Chairman

CHAIRMAN'S STATEMENT

As a result of our strong operational and financial performance, our share price increased by 49.5% over the course of the year.

More importantly, the quality and affordability of our products were recognised, as reflected in increased sales. This contributed to one of our best financial performances to date, with revenue crossing the half-billion Ringgit mark for the first time and net profit before tax ("PBT") coming in at RM70.8 million, resulting in an all-time high profit after tax ("PAT") of RM55.3 million.

Our performance validates the decision made to demerge from Chemical Company of Malaysia Berhad ("CCM Berhad") in order to focus on building our pharmaceuticals business. The demerger itself necessitated a number of corporate changes, and I am proud to say most of these were completed in 2019. We successfully underwent a re-branding exercise that included a change in the company's name from CCM Duopharma Biotech Berhad to Duopharma Biotech Berhad. Accordingly, our stock name on Bursa Malaysia has also changed – from CCMD BIO to DPHARMA – and we are now categorised under the Healthcare sector. Our new Vision, Mission and Core Values introduced last year enabled us to be more recognised as a healthcare provider with smart solutions. In addition, we officially launched a new logo in December 2019. To enable sufficient time for the logo to be reflected on all our products, we obtained a year's extension to use the CCM mark until end 2020.

GROWING OUR PRESENCE IN ASEAN

We are motivated to grow our business not only to assure Duopharma Biotech's sustainability but also to create more value for our stakeholders; most importantly, patients across the markets we serve. Recognising a gap in access and affordability of advanced treatments for cancer, heart and kidney diseases in ASEAN, these are the areas we are venturing into via biosimilars and cutting-edge biotherapies. Our target is to become a Top 5 pharmaceutical company in ASEAN offering a comprehensive range of treatments for increasingly prevalent medical conditions. And our performance in 2019 indicates that we are making good progress as we expand our portfolio of products as well as our regional presence.

STRENGTHENING OUR HALAL DELIVERY

While growing our conventional portfolio of products, we continue to expand our halal platform which, today, distinguishes us from our peers. We are motivated to grow the halal pharmaceutical segment both because of the



huge business potential it presents, and because we believe in offering Muslims, indeed all discerning consumers, peace of mind knowing they can avail of the best medical treatments that are halal certified under MS2424:2019. This strengthens our position as the halal pharmaceutical industry leader. I am pleased to share that no less than 94.8% of all Duopharma Biotech manufactured products are halal certified. Going a step further, we are seeking to obtain the first halal certification from JAKIM for a biosimilar, namely our erythropoietin ("EPO"), Erysaa. The same product has already been halal certified by the Korean Muslim Federation ("KMF"), which is recognised as a halal certification body by JAKIM.

CREATING STAKEHOLDER VALUE

As a result of our strong operational and financial performance, our share price increased by 49.5% over the course of the year. Adding to enhanced shareholder value, in November we paid a single tier interim dividend of 1.0 sen per share, and are now proposing a final dividend of 5.0 sen per share. If approved, this would amount to a total payout of RM41.02 million, equivalent to 74.2% of our PAT, meeting our internal target of sharing at least 50% of our PAT annually. Our shareholder returns have been acknowledged as one of the best in the

Revenue
(RM million)

RM576.5
million

Profit before tax
(PBT)

RM70.8
million

Profit after tax
(PAT)

RM55.3
million



country, contributing to Duopharma Biotech winning the Best in Dividend Yield by Focus Malaysia Best Under Billion Awards ("BUBA"). Meanwhile, it is encouraging to note a high level of confidence among our shareholders in our ability to deliver, as reflected in the take-up of the Dividend Reinvestment Plan ("DRP") we offered for the final dividend for the financial year 2018 as well as the interim dividend for the financial year 2019.

Key to growing our business and achieving our goals is to have people with the right talent and capabilities. Recognising how important our people are, we are further enhancing our employee value proposition. During the year under review, we reviewed our Training and Development framework while also outlining a structured Talent Management & Succession Planning programme. The Board acknowledges our responsibility for senior managers, and to engage more closely with our people, we have initiated luncheon sessions at which high potential talents have the opportunity to discuss work-related matters with the Directors in an informal setting.

Other than our shareholders and employees, we value our customers, business partners, suppliers, and the community at large. We engage with each stakeholder group in order to understand their expectations and build their trust in our ability to deliver. This

is complemented by maintaining the highest standards of ethics and integrity, underpinned by a robust governance framework.

ENSURING GOOD GOVERNANCE

In March 2018, we had signed the Corruption-Free Pledge introduced by the Malaysian Anti-Corruption Commission ("MACC"). This year, we further sharpened our focus on integrity by ensuring we meet all the requirements of Section 17A (Corporate Liability) under the MACC Amendment Act 2018. Reinforcing a culture of integrity, we organised our second Halal, Integrity and Sustainability Month. We also engaged the Malaysian Institute of Integrity to conduct an Integrity Assessment of the Group. We obtained an overall score of 80.53% which indicates that our ethics and integrity systems are progressing towards "best practice" levels. Moving forward, we seek to formalise our integrity systems by obtaining the ISO37001 (Anti-Bribery Management Systems) certification in 2020.

As mentioned in last year's annual report, we have put in place the required structures to uphold the highest level of corporate governance. This year, we continued to review our policies and

procedures, and made enhancements as needed. Among others, we revised the Terms of Reference for our Risk Management and Sustainability Committee.

In accordance with good governance practices, all our Board members and Group Management Committee were present at our Meeting of Members ("MOM") and Annual General Meeting ("AGM") held on 20 February and 31 May 2019, respectively. At these two meetings, shareholders and representatives of the Minority Shareholders Watch Group ("MSWG") were given the opportunity to ask questions. These, and the responses given, were recorded.

We also adhered to best disclosure practices by uploading the press releases on our MOM, AGM and external rebranding launch, as well as all presentations prepared for analyst briefings, onto our corporate website after the events.

Our efforts to maintain the highest level of governance have not gone unnoticed. Duopharma Biotech was named by Securities Commission Malaysia as one of only 12 listed companies that had adopted at least three Step Up practices of the Malaysian Code on Corporate Governance ("MCCG") in 2018. In terms of investor relations, our Group Managing Director was nominated for the Best CEO award at the 9th IR Awards Ceremony organised by the Malaysian Investor Relations Association ("MIRA") while our Chief Financial Officer ("CFO") was nominated for Best CFO for Investor Relations and the Best Investor Relations Professional.

In addition, we were presented with the 4 Petals Gold Ethics Award by Business Ethics Institute of Malaysia.

COVID-19 PANDEMIC

As we were finalising this annual report, Covid-19 began its rapid spread across the world leading to massive shutdowns and lockdowns. It is a challenging period for Malaysians and others in affected nations. Many have lost loved ones while still more people live in fear. Yet we should not lose hope. We have seen how individual responsibility has worked in countries like China, where life is slowly returning to normalcy. All Malaysians can, and should, emulate such positive actions to break the chain of infection, supporting efforts being undertaken by the government and especially the Ministry of Health ("MoH") to curb the virus.

CHAIRMAN'S STATEMENT

In response to the Movement Control Order ("MCO") imposed in Malaysia, all businesses other than those providing essential services have stopped operations. The services of pharmaceuticals, however, are even more critical now than ever; as such, Duopharma Biotech continues to operate our manufacturing sites, but with extra precautions in place, whilst adhering to the requirements as directed by the various Government agencies.

As a company, we feel fortunate to be able to play our part in serving the nation at a time of great need. However, we are also very concerned about the health and well-being of our people and are ensuring all precautions are in place at our manufacturing sites to keep them safe. We are constantly communicating safety messages to our manufacturing staff while also reminding all other employees who now work digitally from home of hygiene and social distancing measures that they must adhere to, to ensure their own well-being and that of others.

Our operations rely on sustainable supply, hence we are also working closely with all our vendors to ensure they maintain steady deliveries during these difficult times while adhering to all health and safety precautions.

Business-wise, pharmaceutical companies are in a stronger position than other segments of industry. However, there are many uncertainties in the operating landscape which we need to navigate to safeguard our financial position. This is something we are conscious of and will manage in order to secure our business sustainability. In response to Covid-19 being declared a pandemic by the World Health Organization ("WHO") on 11 March 2020, we have triggered our Pandemic Response Plan which details actions to be taken to safeguard our personnel and resources.

We are also in the midst of instituting a Business Continuity Management ("BCM") programme. Once this is completed and implemented in 2020, we will be in a much stronger position to protect our operations in times of crisis such as the present.

ACKNOWLEDGEMENTS

In the current climate of great uncertainty, it is apt to acknowledge that all Duopharma Biotech's successes are the result of the contributions of our various stakeholders. I cannot emphasise enough how much we value our shareholders, customers, business partners, suppliers, employees and the community. We also fully appreciate efforts by the Government and regulators to nurture and support a healthy pharmaceutical ecosystem. The best way we can demonstrate our appreciation of our stakeholders is to continue to operate efficiently; and this is what we stand committed to do.

I personally would like to acknowledge my colleagues on the Board for their time and wise counsel, which is even more critical in these times. To the chairmen and members of our Board Committees, thank you for your dedication and commitment to the Company. A special note of thanks goes to Datuk Seri Rohani Parkash Binti Abdullah for her contributions as an Independent Non-Executive Director before retiring on 31 May 2019. At the same time, I would like to welcome Dato' Dr. Zaki Morad Bin Mohamad Zaher, a medical doctor who joined us as an Independent Non-Executive Director as of 6 September 2019. We look forward to his contributions and fresh perspectives especially in the clinical domain.



I am also immensely grateful to the Management for their able and astute leadership, under the guidance of Encik Leonard Ariff Bin Abdul Shatar. Since the viral outbreak, our top management have demonstrated true leadership through their compassion for all our employees, something I believe will go a long way towards our being able to emerge from Covid-19 stronger and more united as an organisation.

Our employees have been pillars of strength at Duopharma Biotech all this while. My fervent wish is for all of you to stay strong and healthy until normalcy returns. To those who are keeping our production going, accept my heartfelt 'thank you' for your dedication not just to the Company, but to the nation. You embody the spirit of Duopharma Biotech, that of serving our stakeholders to the best of our ability and of creating value for the millions of lives that we touch. We look forward to welcoming everyone back once the threat of Covid-19 is over and we resume operations as the leading pharmaceutical company in Malaysia.

Finally, I would like to note my especial gratitude to the MoH, and especially all frontline staff who are working tirelessly to manage Covid-19. Duopharma Biotech will do everything that we can to support the Ministry's efforts to get the country back on our feet again. Meanwhile, to all Malaysians, stay safe and healthy.

TAN SRI DATIN PADUKA SITI SA'DIAH BINTI SH BAKIR

Chairman



2019 was a year of very promising and dynamic growth for Duopharma Biotech during which we built our key brands while expanding our portfolio of generics and higher value biotherapies. Despite a slowdown in the global and local economies, and a depreciation of the Ringgit against the US Dollar, we attained a record profit before tax (“PBT”) of RM70.8 million, 18.7% higher than in 2018.¹ In terms of revenue, we breached the half-billion Ringgit mark for the first time ever.

GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION AND ANALYSIS



LEONARD ARIFF
BIN ABDUL SHATAR

Group Managing Director

GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION AND ANALYSIS

According to The Business Research Company, the global generics market was worth an estimated USD340 billion in 2018 and is expected to balloon by about 40% to hit USD475 billion in 2024, growing at a six-year compounded annual growth rate (“CAGR”) of 5.3%.

The year saw us maintain our position as the leading pharmaceutical company in Malaysia in terms of sales volume and No.2 in terms of value. This was aided by strong performance by our Consumer Healthcare (“CHC”) business, and particularly that of Flavettes Effervescent (vitamin C) which has rapidly become the best-seller in its category. We also launched two biosimilars – Zuhera for breast cancer, and Erysaa to treat anaemia.

In addition, we provided the necessary support to enable our Korean partner, SCM Lifescience Co., Ltd (“SCM Lifescience”) to successfully complete their technical evaluation for purposes of listing on Korean Securities Dealers Automated Quotations (“KOSDAQ”).

Buttressing sales, we continued to ramp up our manufacturing capabilities, and were excited when our Highly potent Active Pharmaceutical Ingredients (“HAPI”) plant, the first of its kind in Malaysia, was commissioned in July 2019. On 21 August 2019, it received the Good Manufacturing Practice (“GMP”) certification from the National Pharmaceutical Regulatory Agency (“NPRA”). It is now ready for commercial production once we receive the product registration approval.

Meanwhile, we continued to reinforce our thought leadership in the halal market with more initiatives to increase awareness and knowledge of halal practices in relation to medical treatment and therapy. We are also working towards pioneering the country's first halal-certified biosimilar.

Our performance testifies not only to the resilience of the pharmaceutical industry but also to Duopharma Biotech's strong business fundamentals. Since our demerger from CCM Berhad at end 2017, we have maintained steady growth as we adhere to our strategy of product portfolio expansion and diversification, manufacturing upgrades and an extended geographic reach. In the process, we have established more partnerships in new markets and reinforced high levels of trust in our wide network of stakeholder relationships.

MACROECONOMIC ENVIRONMENT

The global economy in 2019 continued to be dragged down by geopolitical uncertainties which dampened trade and investment. Although ending on a more upbeat note with easing of trade tensions between the US and China, gross domestic product (“GDP”) growth for 2019 is expected to dip to 2.5% from 3.0% in 2018.² As an active participant in international trade, Malaysia has been impacted by the slowdown. The country's GDP also dropped, from 4.7% in 2018 to 4.3% in 2019.

The pharmaceutical industry is heterogenous, and the global recession impacts different players in different ways. While large innovator companies may experience lower demand for their high-cost drugs, the recession is generally positive for producers of generics and biosimilars as governments try to keep prices affordable. According to The Business Research Company, the global generics market was worth an estimated USD340 billion in 2018 and is expected to balloon by about 40% to hit USD475 billion in 2024, growing at a six-year compounded annual growth rate (“CAGR”) of 5.3%.

In Malaysia, the Government has announced various initiatives to promote more affordable healthcare. In January, it launched two schemes for Malaysians in the B40 (or bottom 40% income) bracket – MySalam and PeKa B40 – which was followed by an announcement in May of a move to control the pricing of drugs.

While striving to maintain affordable prices, pharmaceutical companies are having to contend with higher manufacturing costs as a result of the strengthening US Dollar. This is further compounded by increasingly stringent regulations necessitating machinery upgrades and investment in new technologies. Exporters, moreover, need to comply with a range of regulations as these differ from region to region.

A significant regulatory change for Duopharma Biotech was the revision of the MS2424:2012 halal certification which now encompasses biological drugs. As we are investing more into this class of therapeutics, and making a name for ourselves as a halal-compliant pharmaceutical company, we will have to ensure our products meet the new MS2424:2019 criteria.

¹ Duopharma Biotech Berhad's 4th Quarter Results as at 31 December 2019 announced to Bursa Securities Malaysia Berhad on 13 February 2020.

² World Bank East Asia and Pacific Economic Update, October 2019

GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION AND ANALYSIS

STRATEGY REVIEW

Following our demerger from CCM Berhad, we took the opportunity to forge a new identity as a pharmaceutical company seeking to provide smarter solutions for healthier lives. Taking short, medium and megatrends into consideration, we also outlined a new four-pronged strategy to support our refreshed vision.

We have been making steady progress in each area since our listing, with a number of successes achieved in 2019. These are outlined below.

Focus Area	Achievements in 2019
Expand Ethical and Consumer Healthcare ("CHC") product portfolios	<ul style="list-style-type: none"> Launched Flonoxin 400mg (Moxifloxacin) and Zynomax 250mg (Azithromycin) tablets. Launched Uphamol 1000mg Cold Honey Lemon dissolvable powder.
Diversify into high-value biologicals and niche products	<ul style="list-style-type: none"> Launched new biologicals: Zuhera & Erysaa. SCM Lifescience embarked on Phase 1 clinical trial for stem cell treatment for atopic dermatitis.
Upgrade manufacturing facilities into world-class assets	<ul style="list-style-type: none"> HAPI was commissioned with GMP certification and is now ready for commercial production of Letrozole tablets. Malaysia's first biological pre-filled syringe line was commissioned, producing Erysaa. New warehouse in Klang obtained Certificate of Fitness and Certificate of Completion and Compliance (CCC), and commenced full operations in March 2020. Bangi Master Plan (BMP) was finalised; softgel and liquid manufacturing line have been upgraded; and an Oral Solid Packing line is expected to be upgraded in 2021.
Enhance presence in ASEAN	<ul style="list-style-type: none"> Engaged a new distributor for Vietnam. Identified and evaluating potential partners in Laos. Business in Myanmar exceeded its target while that in Brunei achieved 99% of its target.

At our 2019 Business Strategy Review, Management and the Board agreed that our current focus areas continue to be relevant. However, we made a decision to place greater emphasis on 'Enhancing our presence in ASEAN' specifically and in the international market more generally in order to build our International Business. The objective is for each of our domestic public, domestic private and international businesses to contribute optimally to our total revenue.

FINANCIAL PERFORMANCE

Higher demand from both the private and public healthcare sectors contributed to increased sales, leading to 15.6% growth in revenue from RM498.72 million in 2018 to RM576.46 million. Along with enhanced sales, and lower provision for inventories, our profit also increased with PBT expanding 18.7% to RM70.8 million from RM59.7 million in 2018; and profit after tax ("PAT") growing by 16.2% from RM47.6 million to RM55.3 million.

Our performance was reflected in our earnings per share which came in at 8.25 sen, 13.6% higher than the 7.26 sen posted in 2018.

Segmental Performance

For the year, our domestic business continued to account for a significant part of our revenue and profit. Of our total sales of RM576.46 million, RM530.56 million (or 92.0%) was from the domestic segment. It also contributed RM 214.41 million (or 92.4%) to total gross profit of RM 232.07 million.

Capital Expenditure

During the year, we completed our HAPI Plant and K6 Warehouse while construction of K3 and K5 plants are ongoing, pursuant to our Manufacturing Optimisation Strategy. Up to end of 2019, the Group had invested RM88.18 million in these assets, which are being financed by a term loan granted by Ambank, from which we have drawn down RM87.94 million thus far.

Dividend

Based on our performance, I am pleased to share that the Board is recommending a higher final dividend of 5.0 sen per share, compared with 4.0 sen per share in 2018, which would translate to RM34.22 million. Together with an interim dividend of 1.0 sen per share paid in November 2019, our total dividend for the year will amount to 6.0 sen per share, or RM41.02 million. Out of the total distribution of RM6.8 million for the interim dividend, RM5.3 million was converted into 4,276,658 new ordinary shares of the Company at the conversion price of RM1.25 per ordinary share under our Dividend Reinvestment Plan.

Encouraging take up of the Dividend Reinvestment Plan, of close to 80%, has contributed to conserving the Group's cashflow, enhancing our cash position to RM120.7 million.

Financial Outlook

In Budget 2020, the Government has increased its allocation for the healthcare sector by 6.6% to RM30.6 billion, the highest allocation to date. In addition, the contract period of Supply Agreements for pharmaceutical and non-pharmaceutical products to government hospitals and clinics has been extended for 25 months until 31 December 2021. This augurs well for Duopharma Biotech as it stabilises a significant portion of our revenue enabling us to mobilise our resources to intensify our foray into specialty products in line with our strategy.

GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Consumer Healthcare ("CHC")

Our CHC business continued to perform well, recording 29% growth in sales compared to 2018. This was mainly due to investment into strategic commercial activities in driving consumer awareness and brand visibility. Flavettes continues to be the preferred adult vitamin C brand, based on Nielsen's Retail Audit report. Flavettes Glow received the Gold Award for Dragons of Malaysia, and Bronze Award for Dragons of Asia in the New Product Launch category. Uphamol also recorded strong growth aided by the launch of Uphamol 1,000mg Honey Lemon, an effervescent powder which provides relief for fever and pain related to cold and flu.

Champs continues to be the "Mothers' Choice for Champions", recording strong growth driven by performance of Champs Effervescent and a general re-launch of the brand. Eye Glo also continued to perform well despite the competitive nature of the eye care category. Based on Nielsen's Retail Audit report, Champs and Eye Glo continued to dominate the children's vitamin C and eye care markets in Malaysia respectively.

Given that the CHC business operates in a different manner from the Ethical business, we plan to create a separate entity for CHC to enable more focused marketing and brand building efforts to drive greater revenue.

Ethical Classic

Despite strong competition from innovators as well as local and international generics players, we grew our Ethical Classic business in terms of value by about 7% in the private sector and 17% in the public sector, maintaining our leadership with 37% and 39% market share of similar molecules in the two sectors respectively. This was aided by the launch of Flonoxin 400mg (Moxifloxacin) and Zynomax 250mg (Azithromycin), both anti-infective therapeutics. At the same time, V-Lief and Prelica continued to experience double-digit growth since being launched in 2018, exceeding targets that had been set.

We fulfilled our contract to supply Daclatasvir 60mg (Natdac 60) to government hospitals from April to August 2019, and are further expanding our treatment options for Hepatitis C with the registration of two new molecules including a combination modality. Meanwhile,

the Ministry of Health ("MoH")'s two-year extension until December 2021 for the supply of drugs under the Approved Product Purchase List ("APPL") includes 53 of our Ethical products.

Ethical Specialty

Our Specialty business performed extremely well in the private sector with triple-digit growth versus 2018. This was contributed mainly by the Cancer Care and Renal Care Franchises which grew by 269% and 103% respectively.

Under the Cancer Franchise, we launched Zuhera and Kytron tablets (anti-nausea for patients undergoing chemotherapy or radiation). Zuhera captured 54% of the intravenous trastuzumab private sector market within 10 months.

Our Renal Care Franchise introduced Erysaa, an erythropoietin ("EPO") that treats anaemia due to kidney failure, and Haemosol C, used in dialysis. MoH is reviewing the specifications of its EPO tender which is expected to be issued in the second quarter of 2020. At the same time, government hospitals and clinics



GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION AND ANALYSIS

are issuing local purchase orders for Erysaa, contributing to its gaining 18% market share. To fully leverage the market potential of Erysaa, we are working on its halal certification, which we hope to obtain in 2020. Once certified, Erysaa will be the first halal biosimilar in the world. On 10 January 2020, we obtained second-source registration approval from NPRA for the pre-filled Erysaa syringe to be manufactured in the fill and finish line in Klang.

The Diabetes Care Franchise also performed relatively well. Since the launch of Basalog One in December 2018, we have won a two-year tender up to September 2021 from MoH for the long-acting insulin glargine used in the management of Type I and Type II diabetes. During the year itself, sales of Basalog One exceeded targets. Meanwhile, the Off-Take Agreement with MoH for Insugen (human insulin) was extended a year from December 2019 to December 2020.

Our Cardiovascular Franchise grew by 14% versus 2018, far exceeding the market's growth. This was driven by strong performances in both the private and public sectors. In the former, performance was boosted by the launch of Acetan HCT 100mg/25mg, the main generic for high blood pressure, as well as strong growth of Perinace and Atorvas. In the public sector, we were awarded a two-year Cardiamed tender.

Updates on our Partnerships

Through our equity in PanGen and SCM Lifescience, we are participating in the development of cutting-edge biotherapies including biosimilars and regenerative modalities. Both Korean partners are contributing to breakthroughs at the frontiers of life sciences.

PanGen:

- PanGen obtained product registration approval for Panpoetin, the EPO biosimilar co-developed with Duopharma Biotech, from the Korean Food and Drug Administration (KFDA) on 28 November 2019.
- Discussions are ongoing on the possibility of setting up a joint biological manufacturing facility in Klang.

SCM Lifescience:

- On track with Phase II clinical study for chronic graft-versus-host disease (GVHD) and Phase I clinical study for acute pancreatitis.
- Filed for Investigational New Drug (IND) status for atopic dermatitis (eczema), and awaiting clinical trial initiation.
- Plans for initial public offering (IPO), originally targeted for March or April 2020, have been postponed due to the Covid-19 pandemic.

International

The ASEAN market contributed the most to our International Business in 2019, charting 21% growth. Within the region, Brunei experienced the highest year-on-year increase in sales, at 44%. Despite regulatory challenges, we performed fairly well in Myanmar too, recording 4% growth. As part of efforts to strengthen our presence in ASEAN, we are regaining our foothold in Vietnam and Laos. We are identifying new potential partners in both markets and product registration is ongoing.

Further afield, we entered into new distributor engagements in Lesotho and Namibia, paving our way into the African continent.

Halal

Demand for halal pharmaceuticals is set to increase along with enhanced awareness and regulation, and Duopharma Biotech aims to capture as much of this growth as possible. Currently, 94.8% of Duopharma Biotech's products are halal certified, and we are looking to increase this

by also certifying our biosimilars following the halal standard revision to include biologics. We have already submitted Erysaa for certification; once approved, it will be the first biosimilar in the world to carry the halal stamp of approval.

Further enhancing the knowledge of our sales and marketing personnel, we provide training on relevant halal matters. We are also collaborating with Universiti Kebangsaan Malaysia ("UKM") on halal-related projects including one to develop guidelines for the intake of medication during Ramadhan, and another to be able to identify halal/non-halal excipients (or inactive substances) in medications.

In addition, we continued to build traffic to our Halal4pharma.com portal by organising a second six-month awareness campaign from April to September 2019. Our objective is to enable patients to make informed choices in relation to their treatment modalities.

BUILDING OUR RESOURCES

Manufacturing

We are making good progress in our Manufacturing Optimisation Strategy via automation and the adoption of cutting-edge technologies to increase operational efficiencies as well as to meet international GMP requirements. During the year, we replaced the softgel encapsulation machine at our manufacturing plant in Bangi with a new system that provides improved efficiency, fill volume accuracy and sustainability of supply to our customers.

GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION AND ANALYSIS

A number of other upgrades are still ongoing.

In Bangi:

- A new liquid production and filling line was commissioned and is expected to commence commercial operations in Q1 2021. This line will increase our production capacity by 50% once operating at full capacity.
- Automation of compression lines in the oral solid dosage ("OSD") plant is expected to be completed in Q4 2020 with the installation of new tablet press machines, followed by automation of the packing lines by late 2021.

In Klang:

- Installation of tablet inspection systems is expected to be completed in Q2 2020.
- A new OSD facility with state-of-the-art GMP design and seven-storey office block is expected to be commissioned in 2022.
- Detailed design study for a new biologics plant is expected to be completed by Q3 2020.

At the same time, we are adopting Lean practices for enhanced cost savings. To better manage our working capital, as of the fourth quarter of 2019 we are reducing our safety stocks for major products from an average of three months to two months. This enables more nimble stocks management and minimises potential write-offs. Together with other cost saving measures, we exceeded our targeted operations excellence savings of RM6 million by achieving RM6.75 million.

Digitalisation

While automating our manufacturing processes, we are leveraging digital technologies to enhance our internal and external communication. This includes use of the Consus Global system for internal procurement e-bidding auction.

During the year, we launched an app for internal use which makes available relevant data to everyone, including our sales teams who spend a large amount of time away from the office. Next, we plan to extend the app to stakeholders for improved engagement and a better customer experience. Customers will be able to place orders, keep track of their consignments, and send enquiries via the app. At the same time, consumers will be able to access product information easily and conveniently.



We are also planning to introduce an app targeted specifically at patients with diabetes, to help them better manage their treatment. We hope to launch this app, called Duopharma Digital Diabetes Management, tentatively in 2020.

The process of digitalisation at Duopharma Biotech is enabled by migration of our Systems, Applications and Products ("SAP") onto the cloud. We have signed a tripartite agreement with SAP Malaysia and CCM Berhad to transition the system we shared with our former parent company onto a new SAP IT Enterprise Architecture

Landscape. Our new architecture will greatly reduce our data storage size requirements and offer a more efficient fee structure, bringing us potential savings of RM1.7 million per annum from 2021 onwards.

Talent Management

In order to sustain our growth trajectory, and to build our specialty business, we need to have a strong pool of talent with the right knowledge and skills. Towards this end, we have established a Competency Model which defines the abilities required for different groups of employees as well as the interventions needed to develop them. In line with this new model, our entire Learning & Development framework has been revised, encompassing Onboarding, Compulsory Soft Skills, Professional Skills, Leadership and Talent Management programmes.

Our Human Resources Department ("HR") has also embarked on a Talent Management & Succession Planning exercise, through

which we have identified high-potential talents who will now be prepared for future leadership roles within the Group.

Investments into our people have been well placed, as indicated by our Employee Engagement Survey results. In 2019, we achieved an engagement score of 91%, which is four percentage points higher than our score in 2018 and nine percentage points higher than the Malaysian and global pharmaceutical norm.

Another area in our talent management I am particularly proud of is our gender equity. We have always been a meritocratic organisation and hired talent on the basis of

GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION AND ANALYSIS

their qualifications and/or experience as opposed to gender. As a measure of our gender-neutral approach to hiring, for the first time, in 2018, the number of women in mid-senior management exceeded men. In 2019, the proportion of women in this band increased even further, to 55%, which indicates we are doing certain things right in advancing and retaining our female talent.

OPERATING SUSTAINABLY

Bumiputera Empowerment

We support the Government's Bumiputera Empowerment Agenda (BEA) and participate in a number of initiatives to promote Bumiputera entrepreneurs. Key among these are the Bumiputera Vendor Development Programme ("BVDP") and PROTÉGÉ (Professional Training and Education for Growing Entrepreneurs (PROTÉGÉ) (formerly Skim Latihan 1Malaysia ("SL1M"))).

Under the BVDP, we are currently mentoring six Bumiputera small and medium-sized enterprises (SMEs). Meanwhile, two companies under our wings have become national champions under Phase 3 of the programme. We also awarded the full construction, testing and commissioning of the new OSD facility and the biologics plant in Klang to Bumiputera vendors. In total, RM16.8million worth of contracts were given to Bumiputera vendors this year, mainly for the provision of logistics and other services.

As part of PROTÉGÉ, we trained 50 graduates and subsequently offered full-time employment to 25 of them.

Building Trust-Based Relationships

Given the nature of our business, it is imperative that Duopharma Biotech builds and maintains a high level of trust among our stakeholders. To achieve this, we engage with our key stakeholders to understand their expectations and respond through appropriate initiatives. We also maintain the highest level of integrity in all our dealings and have put in place various policies that serve to guide everyone within the Group on what we mean by ethical conduct. Our values are communicated regularly via intranet and further reinforced via targeted activities during the Halal, Integrity and Sustainability (HIS) month.

MANAGING OUR RISKS

We face a multitude of risks which are discussed at length in our Statement on Risk Management and Internal Control ("SORMIC"). In the current operating environment, however, some risks are more urgent than others and are potentially more damaging to the attainment of our business goals. These risks, and our mitigation actions, are summarised in the table below:

Risk	Description	Mitigation Actions
Financial	Depreciation of Ringgit against USD increases the cost of raw materials and other operational costs.	<ul style="list-style-type: none"> Continuous efforts to secure competitive pricing from suppliers and improve operational efficiencies to preserve profit margins.
Regulatory	<p>Tighter compliance regulations to ensure commitment to quality</p> <p>Uncertainty and changes in government policy on affordable healthcare, e.g. drug pricing control.</p>	<ul style="list-style-type: none"> Manufacturing Compliance team conducts periodic reviews and continuous training, and engages with regulatory bodies for updates on new regulations. Infrastructure upgrades in anticipation of future regulatory demands. Continuous dialogue and engagement with relevant authorities.
Halal	Manufacturing complexity imposes challenges in obtaining halal certification for biosimilars.	<ul style="list-style-type: none"> Identify and collaborate with partners that have capabilities to meet halal requirements.

To further strengthen our risk management framework, in 2019 we launched an initiative to develop a Business Continuity Plan (BCP) to safeguard our operations. Recognising the importance of having structured systems to manage crises, we engaged a consultant to conduct a thorough review of our operations and the external as well as internal risks we face, for the purpose of recommending the most appropriate Business Continuity Management ("BCM") platform for the Group. The process of data gathering is still ongoing, and we expect the BCM to be implemented in full towards end-2020.

AWARDS & RECOGNITION

As Duopharma Biotech grows from strength to strength, we continue to be recognised for the quality of our products, our halal leadership and HR policies. We value these awards as they validate our efforts to maintain quality in everything that we do.

Among the more prominent awards received in 2019 were:

- Malaysia Pharmaceutical Company of the Year by Frost & Sullivan
- Malaysia Halal Pharmaceutical Company of the Year by Frost & Sullivan, for the fourth consecutive year
- Halal Brand Excellence Award by the Halal Industry Development Corporation
- Best Companies to work for in Asia by HR Asia, for the fourth consecutive year
- Top Most Attractive Employee Brands by Graduates' Choice Award

GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION AND ANALYSIS

GOING FORWARD

Since the Covid-19 pandemic, businesses around the world have been severely impacted by the restrictions in movement of people, products and services as well as containment measures that have put a stop to manufacturing. There is no certainty as to when the world will be able to overcome the virus, hence its economic impact remains largely unknown. While China has managed to contain the contagion and is gradually re-building its economy, a starkly converse scenario is unfolding in the US and much of Europe, which are now in recession³. The ramifications will necessarily be felt globally.

In Malaysia, although pharmaceutical manufacturing is ongoing, there are concerns over the security of supply of active pharmaceutical ingredients (APIs) as a large number of these are imported. Exports, meanwhile, may be jeopardised by cash-strapped importing nations as well as restricted trade.

These are certainly extraordinary times that require extraordinary measures to ensure business sustainability.

In line with the Movement Control Order (MCO), since 18 March 2020 we have stopped operating from our headquarters and research centre, and requested non-production employees to work digitally from home. We have also advised our sales representatives to refrain from their regular visits to hospitals, clinics, etc, until movement restrictions are lifted. While our plants continue to operate, at 50% of the normal workforce as per Government's directive, we are ensuring the safety of our employees by providing them masks and hand sanitisers as well as adopting all precautionary measures such as social distancing, temperature checking prior to work, and disinfecting the workplace twice a day.

All actions taken by Duopharma Biotech in response to Covid-19 have been communicated to our stakeholders via notices on the landing page of our website, emails to staff, as well as messages on Facebook and Linked-In.

As only half of our production workforce is currently reporting for duty, our revenue is likely to be impacted. In mitigation, we have adopted measures to safeguard our cash flow as we contain our expenses and meet our commitments to our suppliers, business partners, customers and end consumers.

We believe, in the ensuing months, it is more important than ever that Malaysians have access to critical prescription and over-the-counter products. We will therefore continue to build our portfolio of CHC products, biologics and innovative therapies while pushing ahead with our asset improvement programme as well as international expansion. We have a pipeline of new products under the Flavettes, Proviton and Uphamol brands, and are hopeful of being able to supply government hospitals with Erysaa and Insugen while also growing Zuhera and Basalog One. In addition, we plan to launch a new cancer product, and to register one or two more oncology treatments for production at our HAPI plant.

Our Manufacturing Optimisation Strategy is progressing well, and we look forward to enhancing our production volume of Erysaa once our new fill and finish line is operational in the first quarter of 2020.

Although the situation for international trade is uncertain, we will continue to make our products available to the ASEAN market while creating inroads into the Middle East and North Africa ("MENA") region to leverage our halal strengths. To support our international expansion, we seek to attain the required regulatory and statutory certifications such as the EU GMP. We expect our HAPI plant to be certified by 2021 and B2 plant in Bangi by 2022. Other plants will follow suit.

Along with upgraded dossiers and assets to meet international accreditations, we will be upskilling our people to meet our business expansion needs. Our people are truly one of our strongest assets. They have stepped up to the challenge of successfully transitioning Duopharma Biotech into a full-fledged independent pharmaceutical company, and are now giving their all as we navigate through this period of uncertainty.



I feel especially proud of our manufacturing staff who are continuing to go to work every day in the midst of the pandemic, in order that we can continue to supply medical and healthcare products for those who need them. On behalf of the management, thank you for helping us serve the nation. I feel privileged to work with such a fantastic team and would like to take this opportunity to thank all our employees for their commitment and hard work, whether at our plants or from home.

At the same time, I speak for the management when I say how much we value the wisdom and guidance of our Board of Directors.

As for our external stakeholders, I would like to acknowledge the frontliners from MoH who are continuing to do their best in battling the pandemic.

To all our other stakeholders, thank you for your contributions; and rest assured we at Duopharma Biotech will do our utmost to deliver on our commitments to you. There is much that we, at Duopharma Biotech, can do for Malaysians and the other markets we serve by continuing to make available our treatments and other products. This is something we will prioritise. With your continued support, I have every faith in our ability to deliver smarter solutions for healthier lives, thus entrench the Duopharma Biotech brand more firmly not just within Malaysia, but also in ASEAN and beyond.

Working together and supporting each other, we can overcome these hard times and emerge in a strong position to provide smarter solutions for a healthier life.

LEONARD ARIFF BIN ABDUL SHATAR

Group Managing Director

3 <https://www.nytimes.com/2020/04/01/business/economy/coronavirus-recession.html>

STRATEGY

In 2019, a seven-year Corporate Strategy was approved to further strengthen the Group's position domestically and in the region as we continue to venture into high-value and innovative niche areas to fulfil demand, making our products and treatments accessible and affordable to patients and clinicians.

TODAY

Duopharma Biotech is the top local generic drugs manufacturer in Malaysia, ranked the number one pharma company in terms of volume.

BY 2025

We seek to become a **RM1 billion** company with greater presence within the region.

OUR ROAD MAP

Our strategy focuses on seven key areas.



1. Growth of current core business with a focus on key specialty areas such as diabetes, oncology, cardiovascular, renal and consumer healthcare

- We are committed to expanding our generic range in the Ethical and Consumer Healthcare segments with quality, affordable products.
- We will build a stronger pipeline of innovative, first-in-market products through synergistic efforts of in-house R&D and externally developed projects.

6. Strengthened International business

- Our priority is to expand our regional presence to take advantage of growing markets.
- Specific market access plans have been put together and are being implemented.

2. Expansion of Biotherapeutics portfolio in areas such as biosimilars, regenerative medicine and vaccines

- We will continue to expand our portfolio of biosimilars through the Ethical Specialty business, making drugs that are in demand, accessible and affordable to patients.

4. M&A opportunities in Malaysia and ASEAN

- We seek business ventures which not only add value to the Group by expanding our manufacturing capabilities but also enhance economic growth and development of the industry both locally and regionally.

3. Strategic investments in new niche areas within pharma and healthcare sector

- Duopharma Biotech will continue to consider and pursue strategic investments in high-technology areas and emerging markets to foster growth.

5. Digitalisation of operations and provision of healthcare solutions

- Through digitalisation of our Quality Management System, we are integrating all data in a centralised system which will allow Duopharma Biotech to gain efficiencies and improve our compliance processes.
- We will offer digital solutions to support our specialty businesses and provide value added services to end users.

7. Focus on Halal Pharma as a key strategic area alongside the other markets

- We will continue to ensure all our products and manufacturing processes are Syariah-compliant.
- Our dedicated team will strengthen Duopharma Biotech's position as the leader in the halal pharma market through outreach programmes and roadshows to enhance awareness of halal pharma initiatives in Malaysia and the region.

SUSTAINABILITY STATEMENT



As a responsible organisation, Duopharma Biotech recognises that we have a duty to ensure not only that our products are efficacious, affordable and readily accessible, but also that we fulfil our wider corporate obligations to meet social and environmental imperatives.

SUSTAINABILITY STATEMENT

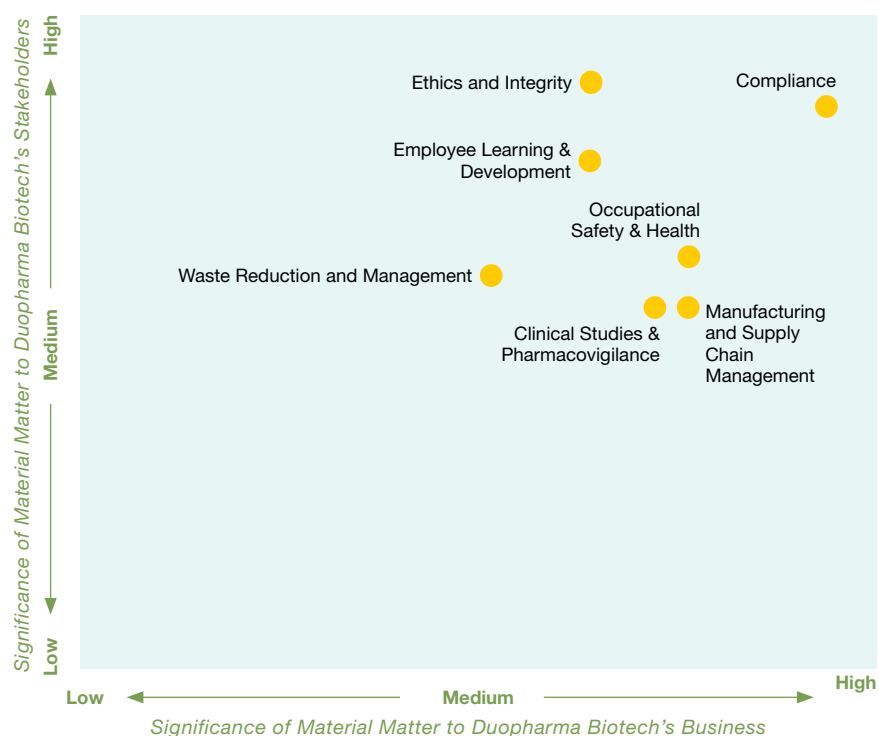
SUSTAINABILITY STATEMENT

As a responsible organisation, Duopharma Biotech recognises that we have a duty to ensure not only that our products are efficacious, affordable and readily accessible, but also that we fulfil our wider corporate obligations to meet social and environmental imperatives. This entails an understanding of how we impact our stakeholders and the environment, and taking appropriate measures to create value rather than detract from it.

While in the past we based our sustainability actions on industry norms and best practices, in 2018, we took a step further to identify what really matters to our stakeholders by conducting a materiality assessment, as per recommendations of the Global Reporting Initiative (“GRI”) Standards. This brought to light 20 material matters that are seen to be important to our shareholders, customers, suppliers, business partners and employees as well as healthcare professionals, regulatory bodies and local communities; while also being important to the success of our business. In 2019, we reviewed these material matters and agreed that they continue to be relevant.

The material matters are:

DUOPHARMA BIOTECH'S MATERIALITY MATRIX



Note: Only Duopharma Biotech's top seven material matters are depicted in the matrix above.

- | | |
|---|----------------------------------|
| ● Compliance | ● Accessibility of Medicines |
| ● Ethics and Integrity | ● Water Scarcity |
| ● Employee Learning & Development | ● Competitive Pricing |
| ● Occupational Safety & Health | ● Carbon Footprint |
| ● Waste Reduction and Management | ● Community Outreach |
| ● Clinical Studies & Pharmacovigilance | ● Business Innovation and Model |
| ● Manufacturing and Supply Chain Management | ● Product Portfolio |
| ● Counterfeit Medicines and Adulteration | ● Research and Development |
| ● Energy Consumption | ● Talent Recruitment & Retention |
| ● Fair Employment Practices | ● Halal Commitment |

SUSTAINABILITY STATEMENT

Because these matters are important to our stakeholders, we disclose our approach to each material matter, the initiatives undertaken and results obtained, in our Sustainability Report. For ease of reporting, we have categorised the 20 material matters under three broad topics, namely Sustainability-Led Business Commitment, Our Workforce & Community, and Planet Performance.

As part of efforts to keep improving on the breadth and depth of our reporting, this year we have provided disclosure on three matters that had been omitted previously due to insufficient data, namely: Access

Our aim, eventually, is to FULLY EMBED our Sustainability Policy into our business strategy for truly integrated and enhanced performance.

imperative for our stakeholders to trust Duopharma Biotech, and are committed to building that trust by conducting our business with integrity and honesty.

This means complying with the relevant regulations in every country in which we operate, and ensuring all employees, members of management and directors adhere to the policies we have instituted to underline a culture of ethics and integrity. During the year, we added a number of new policies to our ethics framework, namely the Anti-Bribery & Anti-Corruption Policy, Gift & Hospitality Policy, Sponsorship Policy, Declaration of Interest Policy, Integrity Pact Policy and Anti-Money Laundering and Anti-Terrorism Financing Policy. Further reinforcing our commitment to integrity, during the year we signed the Corporate Integrity Pledge.

Meanwhile, an Investigation Procedure approved by the Group Managing Director was endorsed by our Board Audit and Integrity Committee ("AIC") in February 2019. The Investigation Procedure ensure any investigation conducted by the Group is thorough, objective and effective, in accordance with the Malaysian Anti-Corruption Commission Act 2009, Whistleblower Protection Act 2010, Penal Code and other best practices.

OUR WORKFORCE & COMMUNITY

Our employees and the local community are important to us, the former because they form the nucleus of our operations; the latter because they represent our social licence to operate.



to Medicine, Competitive Pricing, and Counterfeit Medicines and Adulteration. We have also mapped our initiatives against the United Nations' Sustainability Development Goals ("UN SDGs").

SUSTAINABILITY-LED BUSINESS COMMITMENT

Our business operations are guided by one underlying principle: trust. We believe it is

Named one of the
Best Companies to Work for in Asia by HR Asia

four years in a row

SUSTAINABILITY STATEMENT



In 2019, our employees underwent a total of 40,214 training hours.

To create value for our employees, we nurture a safe and conducive environment for them to work in while also providing opportunities for them to realise their potential through learning and development.

In terms of safety, we have a robust occupational health and safety ("OHS") framework which includes an OHS Policy that supports our safety targets and objectives. Adhering to our OHS policy, we comply with all relevant statutory laws and regulations in Malaysia, including the Occupational Safety and Health Act ("OSHA") 1994 and

Factories and Machinery Act ("FMA") 1967. More than this, we strive to create a safety culture in which every employee assumes responsibility for his/her safety and the safety of their colleagues.

Meanwhile, to continuously develop the skills and capabilities of our people, we established a Competency Model defining the competencies our employees should acquire to progress their careers. We also reviewed and updated our Learning & Development Framework in line with our Competency Model. In addition, our Human Resources ("HR") team has embarked on a programme to identify high-potential talents and prepare them for leadership roles. We are pleased by the fact that our efforts to be an employer of choice continue to be recognised, both internally and externally. Our Employee Engagement Survey score increased to 91% from 87% in 2018, while Duopharma Biotech won HR Asia's Award for Best Company to Work For in Asia for the fourth consecutive year.

Within the community, we carry out a number of outreach programmes to provide support to those who are underprivileged or marginalised. In 2019, we formalised our Corporate Social Responsibility ("CSR") Policy to focus on three main areas: the underprivileged, educational enhancement and humanitarian efforts. During the year, we carried out a number of programmes targeting children's homes as well as marginalised families. We also donated RM5,293.20 worth of Champs products for distribution to Muslim communities in Sarajevo and Mostar, in Bosnia and Herzegovina. In terms of educational enhancement, we ran five Continuing Medical Education ("CME") events and organised a Cardiology Workshop, benefitting a total of 1,187 medical practitioners. Meanwhile, the entire organisation was uplifted when a group of volunteers undertook a humanitarian project to build a home for an Orang Asli family of seven in Ulu Yam Baru, Selangor in April 2019.

SUSTAINABILITY STATEMENT

PLANET PERFORMANCE

We recognise the urgency of climate change mitigation, and are playing our part towards the global movement towards a low-carbon economy by enhancing our energy efficiency. In addition, we are careful about our usage of natural resources, especially water, and place much emphasis on ensuring all effluents from our plants meet environmental standards.

Our Safety, Health and Environment ("SHE") team monitors our environmental performance, and is assisted in this regard by Environmental Performance Monitoring Committees ("EPMCs") at our manufacturing sites.

We have set the target of reducing our energy intensity by 5% every year, and exceeded this target by a wide margin in 2019 – seeing our energy intensity drop 17.6% from 21,677.0 kwh/million units produced in 2018 to 17,867.2 kwh/million units. Along with this, our greenhouse gas ("GHG") emission intensity also reduced, by a considerable 17.9%, from 13.64 kg/million units to 11.20 kg/million units. Initiatives undertaken to reduce our energy consumption include replacing old fluorescent tubes and metal halide high bay lights with light emitting diodes ("LED"), and upgrading or replacing inefficient machinery.

To conserve water, we harvest rainwater at our sites in Bangi and Klang, and use the water collected for external cleaning and gardening. We are also looking into water recycling, especially for water from our purification process. A project has been implemented in Klang where waste water

from the cooling process is recycled and used in toilets for flushing. We expect to save up to 1,000 m³ of water yearly from this initiative. Our target is to reduce our water consumption by at least 1% annually.

In terms of effluents, we monitor the chemical oxygen demand ("COD") and biochemical oxygen demand ("BOD") of the discharge from our plants before it is released into the environment. For the year, our COD and BOD were well within accepted limits. We also managed to reduce the volume of effluents discharged from our Bangi and Klang sites due to more efficient production processes.

GOING FORWARD

In 2020, we will continue to build on the framework we have already put in place that guides our environmental, social and governance performance.

A positive move was to become a signatory to the Global Compact Network Malaysia, the local chapter of the United Nations Global Compact ("UNGC"). Having signed the compact at end 2019, we have essentially pledged to uphold its 10 Principles that include anti-corruption, human rights, labour practices and environmental protection. This means being more vigilant about our actions and their consequences and putting in place even more systems to ensure everything we do is ethical, responsible and sustainable.

We recognise that sustainability is necessarily an ongoing journey. We are pleased to have embarked on this exciting voyage and look forward to achieving ever better results as we go along. For more information on our sustainability initiatives, please refer to our standalone Sustainability Report 2019, which is available on our corporate website at <https://duopharmabiotech.com/sustainability-report/>.



We have set the target of reducing our energy intensity by 5% every year, and exceeded this target by a wide margin in 2019 – seeing our energy intensity drop 17.6% from 21,677.0 kwh/million units produced in 2018 to 17,867.2 kwh/million units.

Section 03

GOVERNANCE

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BOARD OF DIRECTORS

From Left to right

Dato’ Dr. Zaki Morad Bin Mohamad Zaher
Independent, Non-Executive Director

Datuk Nik Moustpha Bin Hj Nik Hassan
Independent, Non-Executive Director

Tan Sri Datin Paduka Siti Sa’diah Binti Sh Bakir
Non-Independent, Non-Executive Chairman

Dato’ Mohamad Kamarudin Bin Hassan
Senior Independent, Non-Executive Director



BOARD OF DIRECTORS

**Dato' Eisah
Binti A. Rahman**

*Independent,
Non-Executive Director*

**Razalee
Bin Amin**

*Independent,
Non-Executive Director*

**Datuk Mohd Radzif
Bin Mohd Yunus**

*Non-Independent,
Non-Executive Director*

**Leonard Ariff
Bin Abdul Shatar**

*Group Managing
Director,
Executive Director*

**Zaiton
Binti Jamaluddin**

*Independent,
Non-Executive Director*



BOARD OF DIRECTORS' PROFILE



**Tan Sri Datin Paduka
Siti Sa'diah Binti Sh Bakir**

Date of appointment to the Board:
5 April 2016

Length of Service:
3 years 11 months

Date of Last Re-Election:
31 May 2018

Membership of Board Committees:
Member, Nomination and Remuneration Committee

Number of Board meetings attended in 2019:
9 out of 9

Family Relationship with Any Director and/or Major Shareholder:
None

Conflict of Interest with the Company:
None

Details of any interest in the Securities of the Company or its Subsidiaries:
None

Academic/Professional Qualification/ Membership(s):

- Honorary Doctor of Philosophy (Corporate Management) Universiti Utara Malaysia, Malaysia
- Honorary Doctor of Letters, University of Reading, United Kingdom
- Master of Business Administration, Henley Business School, University of Reading, United Kingdom
- Bachelor in Economics, University of Malaya, Malaysia

Other Directorships in Public Companies and Listed Issuers:

- OSK Holdings Berhad
- Lotte Chemical Titan Holdings Berhad
- Awqaf Holdings Berhad

Other than Traffic Offences, the List of Convictions for Offences within the past 5 years and Particulars of Any Public Sanction or Penalty Imposed by the Relevant Regulatory Bodies during the Financial Year:
None

Age:
67

Nationality:
Malaysian

Gender:
Female

Position on the Board:
Non-Independent,
Non-Executive
Chairman

Tan Sri Datin Paduka Siti Sa'diah has contributed extensively to Malaysia's healthcare industry, serving in senior management positions at a leading healthcare service provider, and contributing her expertise through various government councils and committees.

Tan Sri Datin Paduka Siti Sa'diah is a Non-Independent Non-Executive Chairman of Duopharma Biotech since 28 December 2017. She was appointed as a Senior Independent Director on 5 April 2016. Prior to her appointment as a Senior Independent Director in Duopharma Biotech, she served as an Independent Non-Executive Director in Chemical Company of Malaysia Berhad from 5 April 2016 until its demerger in December 2017.

She launched her career at Johor Corporation (JCorp) in 1974, joining its Healthcare Division in 1978. She was appointed Chief Executive of Kumpulan Perubatan (Johor) Sdn Bhd (KPJSB) in 1989, and served as Managing Director of KPJ Healthcare Berhad ("KPJ") from 1 March 1993, overseeing its listing in November 1994. She retired on 31 December 2012 but continued to serve KPJ in the capacity of a Corporate Advisor from 1 January 2013 until 31 December 2014. She was an Independent Non-Executive Director of KPJ Healthcare Berhad from 1 May 2015 until 31 March 2020. Tan Sri Datin Paduka Siti Sa'diah was the Chairman of KPJ Healthcare University College ("KPJUC") between 1 August 2011 to 31 December 2016. She was the Pro-Chancellor of KPJUC from August 2011 to 31 December 2018. She is the Chancellor of KPJUC with effect from 1 January 2019.

She was an Independent Non-Executive Director of Bursa Malaysia from 2004 to 2012 and was a Board Member of Malaysia External Trade Development Corporation (MATRADE) from 1999 to 2012. She served as a Director of a few other Public Listed Companies under Johor Corporation Group such as Al-Aqar Healthcare REIT, Kulim (M) Berhad, KFC Holdings Malaysia Bhd and QSR Brands (M) Holdings Bhd from 2006 to 2016.

Committed to promoting excellence in healthcare, Tan Sri Datin Paduka Siti Sa'diah has served as President of the Malaysian Society for Quality in Health (MSQH) since the inception of the national accreditation body for healthcare services in 1997 until her retirement in December 2018. She was appointed Chairman of Universiti Utara Malaysia from June 2016 to September 2018. She was a member of the Leadership Department Committee, Razak School of Government from November 2013 to December 2018. She is currently the Pro-Chancellor of University Teknologi Malaysia since October 2016 and a member of the Institute of Corporate Directors Malaysia (ICDM).

Tan Sri Datin Paduka Siti Sa'diah was named CEO of the Year 2009 by the New Straits Times Press and American Express. This was followed by numerous other awards and accolades received locally and at Asian level in recognition of her contributions to the healthcare industry in Malaysia and worldwide. Her accomplishments have been recorded in a biography published in 2013, titled Siti Sa'diah: *Driven by Vision, Mission and Passion*.

BOARD OF DIRECTORS' PROFILE



**Leonard Ariff
Bin Abdul Shatar**

Date of appointment to the Board:
28 December 2017

Length of Service:
2 years 3 months

Date of Last Re-Election:
31 May 2018

Membership of Board Committees:
None

Number of Board meetings attended in 2019:
9 out of 9

Family Relationship with Any Director and/or Major Shareholder:
None

Conflict of Interest with the Company:
None

Details of any interest in the Securities of the Company or its Subsidiaries:
None

Academic/Professional Qualification/ Membership(s):

- Bachelor of Laws (LLB), Monash University, Melbourne, Australia
- Bachelor of Economics, Monash University, Melbourne, Australia

Other Directorships in Public Companies and Listed Issuers:

- PanGen Biotech Inc. (Korea)
- SCM Lifescience Co., Ltd. (Korea)

Other than Traffic Offences, the List of Convictions for Offences within the past 5 years and Particulars of Any Public Sanction or Penalty Imposed by the Relevant Regulatory Bodies during the Financial Year:
None

Age:

55

Nationality:

Malaysian

Gender:

Male

Position on the Board:

Group Managing
Director, Executive
Director

Leonard Ariff has more than 30 years' experience in the legal, chemical and pharmaceutical industries. Upon graduating in 1988, he was a pupil in a legal firm in Kuala Lumpur and also worked in the Petronas Group of Companies before joining Chemical Company of Malaysia Berhad ("CCM Berhad") Group in 1990, where his main responsibilities were in business development and business management at CCM Chemicals Sdn. Bhd. In 2000, he assumed the position of Managing Director of Usaha Pharma (M) Sdn. Bhd., CCM's Pharmaceuticals retail arm. He joined ICI Paints Malaysia Sdn. Bhd. in 2003 as its General Manager and was appointed Managing Director in 2005, before returning to the CCM Berhad Group in 2008 as Chief Executive Officer of CCM Duopharma Biotech Berhad. He was made a Director of CCM Berhad's Chemicals Division from October 2014 until December 2015. On 9 January 2015, he was also appointed Group Managing Director of CCM Berhad, and served in that position until 28 December 2017, when he was appointed to the Board and redesignated as Group Managing Director of Duopharma Biotech Berhad.

Leonard Ariff is also a Board Member of School of Business Industry Advisory Board at Monash University Malaysia, and has been appointed to participate in the CEO @ Faculty programme by the Ministry of Education, assigned to University Kebangsaan Malaysia (UKM). He was President of the Malaysian Organisation of Pharmaceutical Industries from 2009 to 2014.

He has completed the Qualified Risk Director (QRD) programme and is a member of the Institute of Enterprise Risk Practitioners (IERP).

Leonard Ariff is also a member of the Institute of Corporate Directors Malaysia (ICDM).

BOARD OF DIRECTORS' PROFILE



**Dato' Mohamad
Kamarudin Bin Hassan**

Date of appointment to the Board:
2 January 2014

Length of Service:
6 years 2 months

Date of Last Re-Election:
31 May 2018

Membership of Board Committees:

- Chairman, Nomination and Remuneration Committee
- Member, Audit and Integrity Committee

Number of Board meetings attended in 2019:
8 out of 9

Family Relationship with Any Director and/or Major Shareholder:
None

Conflict of Interest with the Company:
None

Details of any interest in the Securities of the Company or its Subsidiaries:
None

Academic/Professional Qualification/ Membership(s):

- Master of Business Administration (Majoring in Finance), Oklahoma City University, United States of America
- Bachelor of Economics (Majoring in Business Administration), University of Malaya, Malaysia

Other Directorships in Public Companies and Listed Issuers:

- ManagePay Systems Berhad
- Malaysian Pacific Industries Berhad
- Muhibbah Engineering (M) Bhd

Other than Traffic Offences, the List of Convictions for Offences within the past 5 years and Particulars of Any Public Sanction or Penalty Imposed by the Relevant Regulatory Bodies during the Financial Year:
None

Age:
64

Nationality:
Malaysian

Gender:
Male

Position on the Board:
Senior Independent, Non-Executive Director

Dato' Mohamad Kamarudin brings to the Board extensive experience as an economic/financial advisor in the public sector, beginning in 1979 at the Administrative and Diplomatic Service. Following his first posting to the Macro-Economic Division of the Economic Planning Unit in the Prime Minister's Department, he was transferred in 1987 to the Ministry of International Trade and Industry ("MITI") where he served in various divisions. From 1992 to 1994, he was posted to the Malaysian Embassy in Washington DC as the Economic Counsellor. Upon returning to Malaysia in August 1994, he was re-posted to MITI where he had served in the bilateral and multilateral trade negotiation divisions. He then served as Deputy Chief Executive Officer of the Malaysia External Trade Development Corporation (MATRADE) from January 2006 until his retirement on 31 August 2013.

Dato' Mohamad Kamarudin was appointed Senior Independent Director of Duopharma Biotech with effect from 28 December 2017, following the re-designation of Tan Sri Datin Paduka Siti Sa'diah Binti Sh Bakir as Non-Independent Non-Executive Chairman. Prior to that, he served the Board as an Independent Non-Executive Director.

Dato' Mohamad Kamarudin is a fellow member of the Institute of Corporate Directors Malaysia (ICDM).

BOARD OF DIRECTORS' PROFILE



**Razalee
Bin Amin**

Date of appointment to the Board:
1 June 2016

Length of Service:
3 years 9 months

Date of Last Re-Election:
31 May 2019

Membership of Board Committees:
Chairman, Audit and Integrity Committee

Number of Board meetings attended in 2019:
9 out of 9

Family Relationship with Any Director and/or Major Shareholder:
None

Conflict of Interest with the Company:
None

Details of any interest in the Securities of the Company or its Subsidiaries:
None

Academic/Professional Qualification/ Membership(s):

- Bachelor of Economics (Hons) in Accounting, University of Malaya, Malaysia
- Postgraduate Diploma in Accounting, University of Malaya, Malaysia
- Chartered Accountant, Malaysian Institute of Accountants
- Certified Public Accountants, Malaysian Institute of Certified Public Accountants
- Certified Financial Planner, Financial Planning Association of Malaysia

Other Directorships in Public Companies and Listed Issuers:

- Velesto Energy Berhad
- UMW Holdings Berhad

Other than Traffic Offences, the List of Convictions for Offences within the past 5 years and Particulars of Any Public Sanction or Penalty Imposed by the Relevant Regulatory Bodies during the Financial Year:
None

Age:
66

Nationality:
Malaysian

Gender:
Male

Position on the Board:
Independent,
Non-Executive
Director

Razalee is a licenced auditor and an approved liquidator, who has more than 42 years' experience in various management positions and directorships in public listed companies with areas of expertise in audit, corporate recovery, finance, banking and investment acquisition. He started his career at Messrs. Hanafiah Raslan & Mohamad, a Chartered Accountants firm. In 1983, he joined Sateras Resources (Malaysia) Berhad as a Group Financial Controller before being appointed as the Senior Vice President of the Investment and Acquisition Division at MBF Finance Berhad in 1987. He subsequently served Damansara Realty Berhad as its Senior General Manager from 1994 until 1996, when he set up his own Chartered Accountants firm, Razalee & Co., where he is presently the Managing Partner.

Encik Razalee is a member of the Institute of Corporate Directors Malaysia (ICDM).

BOARD OF DIRECTORS' PROFILE



**Zaiton
Binti Jamaluddin**

Date of appointment to the Board:
1 September 2016

Length of Service:
3 years 7 months

Date of Last Re-Election:
22 May 2017

Membership of Board Committees:

- Member, Audit and Integrity Committee
- Member, Risk Management and Sustainability Committee

Number of Board meetings attended in 2019:
9 out of 9

Family Relationship with Any Director and/or Major Shareholder:
None

Conflict of Interest with the Company:
None

Details of any interest in the Securities of the Company or its Subsidiaries:
None

Academic/Professional Qualification/ Membership(s):

- Master of Business Administration, Keele University, United Kingdom
- Bachelor of Pharmacy, Western Australia Institute of Technology, Australia
- Diploma in Management, Malaysian Institute of Management, Malaysia

Other Directorships in Public Companies and Listed Issuers:
None

Other than Traffic Offences, the List of Convictions for Offences within the past 5 years and Particulars of Any Public Sanction or Penalty Imposed by the Relevant Regulatory Bodies during the Financial Year:
None

Age:

60

Nationality:

Malaysian

Gender:

Female

Position on the Board:

Independent,
Non-Executive
Director

Zaiton has over 20 years of experience in the healthcare and pharmaceutical industry, beginning her illustrious career in 1982 as a pupil pharmacist with the Ministry of Health. Two years later, she joined the sales and marketing team of United Italian Trading Corporation. She then moved to Novo Industri A/S in 1985, where she served as the Assistant Medical Information Manager for the South East Asia Regional Office. In 1989, when Novo Industri A/S and Nordisk Gentofte A/S merged to become Novo Nordisk A/S, the world's leading producer of insulin, Zaiton was appointed as its Business Development Manager for Malaysia, a post she held until 1993. From 1993 to 1997, she led Novo Nordisk's Malaysian operations as its Country Manager. This was followed by a 10-year stint as General Manager of Novo Nordisk Pharma (M) Sdn Bhd. During this time, Zaiton helped to establish and

grow Novo Nordisk's business, mainly in insulin and oral diabetes care, haematology and women's therapy. She held roles in the areas of general management, sales and marketing, business development and training. In addition, she was involved in lobbying and making presentations to the government.

An expert in her field, Zaiton has been a regular speaker on scientific as well as motivational topics. She was a member of the MARA Council from 2000 to 2002, a director of Malaysian Biotechnology Corporation Sdn Bhd from 2006 to 2008, and a former President of the Pharmaceutical Association of Malaysia from 2005 to 2007.

Zaiton is a member of the Institute of Corporate Directors Malaysia (ICDM).

BOARD OF DIRECTORS' PROFILE



**Dato' Eisah
Binti A. Rahman**

Date of appointment to the Board:
16 November 2016

Length of Service:
3 years 4 months

Date of Last Re-Election:
31 May 2019

Membership of Board Committees:

- Member, Nomination and Remuneration Committee
- Member, Risk Management and Sustainability Committee
- Member, Halal Committee

Number of Board meetings attended in 2019:
8 out of 9

Family Relationship with Any Director and/or Major Shareholder:
None

Conflict of Interest with the Company:
None

Details of any interest in the Securities of the Company or its Subsidiaries:
None

Academic/Professional Qualification/ Membership(s):

- Master of Science in Pharmaceutical Analysis, University of Manchester, United Kingdom
- Bachelor of Pharmacy, Curtin University of Technology, Western Australia, Australia
- Postgraduate Diploma in Medical Microbiology, Institute for Medical Research, Kuala Lumpur, Malaysia

Other Directorships in Public Companies and Listed Issuers:
None

Other than Traffic Offences, the List of Convictions for Offences within the past 5 years and Particulars of Any Public Sanction or Penalty Imposed by the Relevant Regulatory Bodies during the Financial Year:
None

Age:

64

Nationality:

Malaysian

Gender:

Female

Position on the Board:

Independent,
Non-Executive
Director

Dato' Eisah has been a key figure in the development of the pharmacy and pharmaceutical sectors in Malaysia, having served the Ministry of Health for more than 35 years. Her career in the Ministry began in 1979 as a pharmacist, unfolding as she went on to hold key positions that included heading the Pharmaceutical Microbiology Lab and GMP and Licensing Section, being Deputy Director of the Centre for Product Registration and, eventually, Director of the National Pharmaceutical Control Bureau ("NPCB"), now known as the National Pharmaceutical Regulatory Agency (NPRA). In 2007, she was made Director of Pharmacy Enforcement and was promoted to Senior Director of Pharmaceutical Services in 2008, taking charge of the entire pharmacy programme in Malaysia. Since 2008, she has also served as Registrar of the Pharmacy Board of Malaysia.

Dato' Eisah has been involved in various high-level national committees such as the Ministry of Health's Steering Committee for National Medicines Policy. She has also contributed to international policy-making in her capacity as an advisor in the areas of regulations and pharmaceutical quality assurance, and through sharing her expertise on regulatory matters at healthcare related conferences.

She was involved in the ASEAN harmonisation initiatives for pharmaceuticals, medical devices, cosmetics, traditional medicines and health supplements. As Chair of the Pharmaceutical Product Working Group of the ASEAN Consultative Committee for Standards and Quality (ACCSQ), she was instrumental in the implementation of the ASEAN Common Technical Dossier and the ASEAN Technical Guidelines. Under her leadership, NPCB was accepted as a member of the Pharmaceutical Inspection Co-operation Scheme (PIC/S) in 2002, and designated a Non-OECD Member Adhering to the OECD Mutual Acceptance Data (OECD-MAD) System effective March 2013. Also, under her helm, the Pharmaceutical Services Division received the Global Anti-Counterfeiting Award 2013 and the Special Innovation Award 2013 for initiatives to combat counterfeit medicines.

Dato' Eisah is a member of the Institute of Corporate Directors Malaysia (ICDM).

BOARD OF DIRECTORS' PROFILE



**Datuk Nik Moustpha
Bin Hj Nik Hassan**

Date of appointment to the Board:
28 December 2017

Length of Service:
2 years 3 months

Date of Last Re-Election:
31 May 2018

Membership of Board Committees:
Chairman, Halal Committee

Number of Board meetings attended in 2019:
9 out of 9

Family Relationship with Any Director and/or Major Shareholder:
None

Conflict of Interest with the Company:
None

Details of any interest in the Securities of the Company or its Subsidiaries:
None

Academic/Professional Qualification/ Membership(s):

- Master in Economics, Ohio University, Ohio, United States of America
- Degree in Business Administration, Ohio University, Ohio, United States of America

Other Directorships in Public Companies and Listed Issuers:

- Takaful Ikhlas General Berhad
- Member of Board of Trustees, Yayasan TRISILCO
- Member of Group Shariah Committee, MNRB Holdings Berhad

Other than Traffic Offences, the List of Convictions for Offences within the past 5 years and Particulars of Any Public Sanction or Penalty Imposed by the Relevant Regulatory Bodies during the Financial Year:
None

Age:

66

Nationality:

Malaysian

Gender:

Male

Position on the Board:

Independent,
Non-Executive
Director

Datuk Nik Moustpha is an academic with interests in economic ideology, systems and management. He has authored six books, edited 18 books and published over 260 scholarly articles in various journals, books, magazines and newspapers on these topics. His book titles include An Islamic Paradigm in Economics: Vision and Mission, Islamic Management for Excellence – Revitalising People for the Future, Value-based Total Performance Excellence Model and Pandangan Alam Islam Dalam Peradaban Ekonomi dan Asas Memacu Ekonomi Ummah – Satu Pandangan.

Datuk Nik Moustpha began his career in 1979 as a Lecturer in the Faculty of Economics and Agribusiness, Agricultural University of Malaysia. In June 1983, he was seconded to the Faculty of Economics and Management of International Islamic University, Malaysia. He was made Dean of the faculty from August 1987 to July 1989. In May 1988, he was also appointed as an Associate Professor of the faculty.

Following a year's stint as a Visiting Fellow at the Oxford Centre for Islamic Studies, University of Oxford, Datuk Nik Moustpha was appointed as Dean of the Postgraduate Faculty of International Islamic

University, Malaysia in August 1992. He subsequently joined the Institute of Islamic Understanding Malaysia (IKIM) where he held various positions before serving as its Director General from September 2009 to August 2015.

In September 2017, Datuk Nik Moustpha was appointed as an Adjunct Professor at Universiti Kebangsaan Malaysia's Faculty of Economics and Management which ended in September 2019 and prior to that, he was appointed as an Adjunct Professor at Universiti Pertahanan Malaysia for a two-year period. Datuk Nik Moustpha is currently an Adviser of the Faculty of Business and Accounting at University of Malaya and also a member of the Institute of Corporate Directors Malaysia (ICDM).

Prior to being appointed to the Board of Duopharma Biotech, he had served as an Independent Non-Executive Director of Chemical Company of Malaysia Berhad from 9 September 2016.

BOARD OF DIRECTORS' PROFILE



**Datuk Mohd Radzif
Bin Mohd Yunus**

Date of appointment to the Board:
8 March 2018

Length of Service:
2 years

Date of Last Re-Election:
31 May 2018

Membership of Board Committees:

- Chairman, Risk Management and Sustainability Committee
- Member, Halal Committee

Number of Board meetings attended in 2019:
8 out of 9

Family Relationship with Any Director and/or Major Shareholder:
None

Conflict of Interest with the Company:
None

Details of any interest in the Securities of the Company or its Subsidiaries:
Duopharma Biotech Berhad - 18,970 shares (0.002%)

Academic/Professional Qualification/ Membership(s):

- Bachelor in Applied Science Property Resource Management with Finance, University of South Australia, Australia
- Diploma in Land Survey, Universiti Teknologi Malaysia, Malaysia
- Registered Valuer Real Estate Professional and Property Manager, Board of Valuers Malaysia

Other Directorships in Public Companies and Listed Issuers:

- Bina Darulaman Berhad
- HeiTech Padu Berhad
- SMRT Holdings Berhad
- KPJ Healthcare Berhad

Other than Traffic Offences, the List of Convictions for Offences within the past 5 years and Particulars of Any Public Sanction or Penalty Imposed by the Relevant Regulatory Bodies during the Financial Year:
None

Age:
61

Nationality:
Malaysian

Gender:
Male

Position on the Board:
Non-Independent,
Non-Executive
Director

Datuk Mohd Radzif comes from a diverse management background, which includes leadership positions in an international healthcare organisation, property consultancy, real estate development, construction and banking.

He started his career in academia and as a valuer and property consultant in an international firm. This was followed by a management role in Perwira Affin Bank. He was subsequently appointed Chief Executive Officer ("CEO") of a local conglomerate involved in diversified businesses ranging from construction and property development to highway concession, property management and project management. This was followed by CEO positions in Tabung Haji subsidiary companies. Subsequently, he was appointed as the CEO and Group Managing Director of Institut Jantung Negara Sdn. Bhd. (National Heart Institute) and IJN Holdings Sdn. Bhd., respectively. Datuk Mohd Radzif's last executive post until 30 June 2017, was as Group Managing Director of Small Medium Enterprise Development Bank Malaysia (SME Bank).

Datuk Mohd Radzif was also a Chairman of the Association of Development Finance Institutions of Malaysia (ADFIM) and a Vice Chairman of the Association of National Development Finance Institutions in Member Countries of The Islamic Development Bank ("ADFIMI"). He was a Board member of the Association of Development Financing Institutions in Asia and the Pacific ("ADFIAP") and The Montreal Group, a grouping of six global SME development banks. He was also on the Board of Advisors for Franchise Association, Advisory Committee for Entrepreneurship in the Ministry of Higher Education and Advisory Committee for Innovation Agency Malaysia.

Datuk Mohd Radzif was awarded the Malaysian Business Leadership Award for Healthcare in 2009. He was also accorded the CEO of the Year in 2015 by ADFIAP, and conferred Honorary membership by ADFIMI in 2018 for his contributions to Islamic development finance.

Datuk Mohd Radzif is a member of the Institute of Corporate Directors Malaysia (ICDM).

BOARD OF DIRECTORS' PROFILE



**Dato' Dr. Zaki Morad
Bin Mohamad Zaher**

Date of appointment to the Board:
6 September 2019

Length of Service:
6 months

Date of Last Re-Election:
N/A

Membership of Board Committees:
None

Number of Board meetings attended in 2019:
3 out of 3

Family Relationship with Any Director and/or Major Shareholder:
None

Conflict of Interest with the Company:
None

Details of any interest in the Securities of the Company or its Subsidiaries:
None

Academic/Professional Qualification/ Membership(s):

- Bachelor of Medicine and Bachelor of Surgery (MBBS), University of Malaya, Malaysia
- Postgraduate training in Nephrology - Royal Hallamshire Hospital, Sheffield, United Kingdom - Guys Hospital, London, United Kingdom - General Hospital Kuala Lumpur, Malaysia
- Member of the Royal College of Physicians, United Kingdom
- Fellow of the Royal College of Physician of United Kingdom
- Fellow of the Academy of Medicine of Malaysia

Other Directorships in Public Companies and Listed Issuers:

- KPJ Healthcare Berhad

Other than Traffic Offences, the List of Convictions for Offences within the past 5 years and Particulars of Any Public Sanction or Penalty Imposed by the Relevant Regulatory Bodies during the Financial Year:
None

Age:

69

Nationality:

Malaysian

Gender:

Male

Position on the Board:

Independent
Non-Executive
Director

Dato' Dr. Zaki Morad graduated from the University of Malaya in 1975 and, after obtaining Membership of the Royal College of Physicians (MRCP) from the Royal College of Physicians, United Kingdom ("UK"), trained in Nephrology in both the UK and Malaysia. He joined the Department of Nephrology, Hospital Kuala Lumpur as a consultant in 1982 and became its head in 1987 until his retirement from government service in 2006. He was appointed as the National Advisor and Head of Service for Nephrology, Ministry of Health ("MoH") Malaysia, for the same period. In addition, he served as Director of the Clinical Research Unit of MoH from 2000 to 2006.

Dato' Dr. Zaki Morad was President of the Malaysian Society of Nephrology from 1990 to 1992. During his tenure, he initiated and developed the Malaysian Dialysis and Transplant Registry and the Malaysian Registry of Renal Biopsy, which later became National Renal Registry of which he was Chair for the years 2008 to 2010. He was one of the editors of the first two editions of *Renal Replacement Therapy: Clinical Practise Guidelines, Ministry of Health*. He ensured all general hospitals and district hospitals in the country were equipped with haemodialysis and peritoneal dialysis facilities prior to his retirement.

Dato' Dr. Zaki Morad lent his expertise in organising many prestigious conferences such as the 12th Asian Colloquium in Nephrology 1998, 8th Congress of Asian Society of Nephrology 2003, 11th Asia Pacific Congress of Nephrology 2008 and 14th Congress of the International Society for Peritoneal Dialysis (ISPD) 2012. He has trained many prominent nephrologists, having initiated the development of a more structured training programme.

Following his retirement, he maintains his interest in nephrology through work with the National Kidney Foundation where he is Chairman of the Board of Directors. Concurrently, he practices as a Resident Consultant Nephrologist at KPJ Ampang Puteri Specialist Hospital, Selangor.

He is also a member of the Institute of Corporate Directors Malaysia (ICDM).

SENIOR MANAGEMENT TEAM'S PROFILE



**Wan Amir-Jeffery
Bin Wan Abdul Majid**

Chief Operating Officer

Age :

47

Nationality :

Malaysian

Gender :

Male

**Academic/Professional
Qualification/Membership(s):**

- Bachelor of Business Administration – International Trade, University of Central Arkansas, United States of America
- Senior Management Development Program, Harvard Business School, United States of America

**Directorship in Public Companies
and Listed Issuers**

None

**Other than Traffic Offences, the
List of convictions for offences
within the past 5 years and
particulars of any public sanction
or penalty imposed by the relevant
regulatory bodies during the
financial year:**

None

**Details of any direct interest in the
Securities of the Company or its
Subsidiaries**

None

**Date of appointment to
Key Senior Position:**

12 September 2018

**Family Relationship with Any Director
and/or Major Shareholder:**

None

**Conflict of Interest
with the Company:**

None

Jeffery joined Duopharma Biotech as Chief Strategy Officer in September 2016, responsible for business development, Halal initiatives and Government Relations and Ethical Classic government business sales. He was appointed as Chief Operating Officer in September 2018 with additional responsibilities in Ethical Classic Private sales and Corporate Communications added to his portfolio. He also serves as Chief Executive Officer of Duopharma (M) Sendirian Berhad, a wholly-owned subsidiary of Duopharma Biotech, since September 2016.

Jeffery has wide-ranging experience in the development of biotechnology and pharmaceutical industries. He launched his career in 1997 in a marine and environmental consulting firm, Sea Resources Management (SRM) Sdn. Bhd., leaving in 2007 to join Malaysian Biotechnology Corporation (BiotechCorp) Sdn. Bhd. As a Lead Business Analyst in the Biomedical Business Development and Investment Division, he acquired extensive knowledge and expertise in identifying, structuring and securing biomedical investment projects, especially in the biopharma and pharmaceutical industries. He was promoted to Vice-President within the same division in 2008.

In 2013, he assumed the dual roles of Chief Executive Officer of Johor Biotechnology & Biodiversity Corporation and J-Biotech Holdings Sdn. Bhd. ("J-Biotech"), responsible for developing and implementing key Johor state bioeconomy and biotech initiatives. Jeffery left J-Biotech in August 2016 to join Duopharma Biotech.

SENIOR MANAGEMENT TEAM'S PROFILE



**Urudra
A/L N. Sarvanantham**

Chief Development Officer

Age :

59

Nationality :

Malaysian

Gender :

Male

Academic/Professional Qualification/Membership(s):

- Bachelor of Science (Hons) in Mechanical Engineering, Middlesex University, United Kingdom
- Senior Management Development Program, Harvard Business School, United States of America

Directorship in Public Companies and Other Listed Issuers:

None

Other than Traffic Offences, the List of Convictions for Offences within the past 5 years and Particulars of Any Public Sanction or Penalty Imposed by the Relevant Regulatory Bodies during the Financial Year:

None

Details of any interest in the Securities of the Company or its Subsidiaries:

Duopharma Biotech Berhad -
176,800 shares (0.025%)

Date of appointment to Key Senior Position:

1 January 2012

Family Relationship with Any Director and/or Major Shareholder:

None

Conflict of Interest with the Company:

None

Urudra joined Chemical Company of Malaysia Berhad ("CCM Berhad") on 2 June 1983 as a Plant Engineer in the Fertilizer Business. In July 1989, he was transferred to CCM Berhad's Chemicals Division as a Product Manager, commencing his commercial career.

Under CCM Berhad's career development programme, Urudra was appointed Human Resources Planning Manager of CCM Berhad Group in October 1990. In April 1992, he was transferred back to the Chemicals Division as Business Manager, and was subsequently promoted to Director of the Chemicals Business.

In February 2003, Urudra was appointed Director of the Pharmaceuticals Division and General Manager of Marketing. Later in 2014, he was moved to CCM Berhad's Corporate Office where he led the Group's Business Development as Director, Group Strategic Planning & Business Development. In 2010, he also took on special corporate roles as Director, International Business Division and Director, Group Transformation Office. In January 2012, Urudra was transferred to Duopharma Biotech as Chief Commercial Officer. For 2019, he was responsible for Duopharma Biotech's Consumer Healthcare, Ethical Specialty and International Businesses as well as the Human Resource Department. He relinquished his responsibility for Consumer Healthcare on 1 January 2020 following his redesignation as the Chief Development Officer, taking on additional role of overseeing Business Development.

Urudra is the President of the Malaysian Organisation of Pharmaceutical Industries (MOPI) and is on the Advisory Panel of Monash University's Chemical Engineering Faculty.

SENIOR MANAGEMENT TEAM'S PROFILE



Chek Wu Kong

Chief Financial Officer

Age :

54

Nationality :

Malaysian

Gender :

Male

Academic/Professional Qualification/Membership(s):

- Bachelor of Accounting (Hons), University of Malaya
- Chartered Accountant, Malaysian Institute of Accountants
- Member of the Malaysian Institute of Certified Public Accountants (MICPA)
- Senior Management Development Program, Harvard Business School, United States of America
- ICAEW Qualified Person Responsible for Training (QPRT)

Directorship in Public Companies and Listed Issuers:

None

Other than Traffic Offences, the List of Convictions for Offences within the past 5 years and Particulars of Any Public Sanction or Penalty Imposed by the Relevant Regulatory Bodies during the Financial Year:

None

Details of any interest in the Securities of the Company or its Subsidiaries:

Duopharma Biotech Berhad -
93 shares (0.000%)

Date of appointment to Key Senior Position:

1 July 2012

Family Relationship with Any Director and/or Major Shareholder:

None

Conflict of Interest with the Company:

None

Chek commenced his career in an international firm of public accountants in 1990, gaining experience in taxation, auditing and accounting. He then joined Komarkcorp Berhad in 1994 as an accountant responsible for corporate restructuring, group accounting and finance. He was promoted to Group Finance Manager in 1995 and thereafter to Group Financial Controller in 1996.

In January 2000, Chek set up his own business. He then joined Duopharma Biotech in August 2000 as Financial Controller and was promoted to his current position in 2012. As Chief Financial Officer, he oversees the Group's finance and IT portfolios.

He is also a member of the Institute of Corporate Directors Malaysia (ICDM).

SENIOR MANAGEMENT TEAM'S PROFILE



Ng Su Yee

Chief Technical Officer

Age :

52

Nationality :

Malaysian

Gender :

Female

Academic/Professional Qualification/Membership(s):

- Bachelor of Pharmacy (Hons), University of London, United Kingdom
- Senior Management Development Program, Harvard Business School, United States of America

Directorship in Public Companies and Listed Issuers:

None

Other than Traffic Offences, the List of Convictions for Offences within the past 5 years and Particulars of Any Public Sanction or Penalty Imposed by the Relevant Regulatory Bodies during the Financial Year:

None

Details of any interest in the Securities of the Company or its Subsidiaries :

Duopharma Biotech Berhad -
113,255 shares (0.016%)

Date of appointment to Key Senior Position:

1 January 2012

Family Relationship with Any Director and/or Major Shareholder:

None

Conflict of Interest with the Company:

None

Su Yee joined the Chemical Company of Malaysia Berhad Group in June 1997. After leading various disciplines of pharmaceutical plant operations, she was appointed as Chief Manufacturing & Technical Officer on 1 January 2012 and four years later, was redesignated as Chief Technical Officer, overseeing Regulatory Affairs, Quality Assurance, Quality Control, Technical Support, Product Improvement, Medical & Clinical Affairs, Pharmacovigilance, Central Purchasing, Project Management and Research & Development.

Su Yee did her pre-registration pharmacist training in 1990-1991 at CE Harrod Chemist, London. Upon her return to Malaysia in 1992, she joined Bumiputra tendering agent Ekim Trading as a Pharmacist. Her industrial career kicked off in 1993 when she moved to Glaxo Malaysia [now GlaxoSmithKline (GSK) Malaysia], serving first as a Production Pharmacist and then Section Manager overseeing pharmaceutical manufacturing.

Su Yee is a member of the Royal Pharmaceutical Society of Great Britain, the Malaysian Pharmaceutical Society, and the Institute of Corporate Directors Malaysia (ICDM). She is also a member of the Executive Council of the Malaysian Organisation of Pharmaceutical Industries (MOPI) and the Malaysian affiliate of the International Society for Pharmaceutical Engineering (ISPE). Su Yee serves as a committee member of the Pharmacy Course Advisory & Stakeholder Group of Monash University Malaysia; she is also a member of the Industry Advisory Panel in School of Pharmacy of Taylor's University, as well as Board of Studies for the Faculty of Pharmacy of SEGi University.

SENIOR MANAGEMENT TEAM'S PROFILE



Krisnakumara-Reddi A/L Kesava-Reddi

Chief Manufacturing Officer

Age :

50

Nationality :

Malaysian

Gender :

Male

Academic/Professional Qualification/Membership(s):

- Bachelor of Pharmacy (Hons), Universiti Sains Malaysia (USM)
- Senior Management Development Program, Harvard Business School, United States of America
- Certified Lean Six Sigma – Black Belt

Directorship in Public Companies and Listed Issuers:

None

Other than Traffic Offences, the List of Convictions for Offences within the past 5 years and Particulars of Any Public Sanction or Penalty Imposed by the Relevant Regulatory Bodies during the Financial Year:

None

Details of any interest in the Securities of the Company or its Subsidiaries:

Duopharma Biotech Berhad -
59,300 shares (0.008%)

Date of appointment to Key Senior Position:

1 January 2016

Family Relationship with Any Director and/or Major Shareholder:

None

Conflict of Interest with the Company:

None

After graduating from Universiti Sains Malaysia in 1994, he completed his compulsory year-long housemanship at Biro Pengawalan Farmaseutikal Kebangsaan (BPFK), now known as National Pharmaceutical Regulatory Agency (NPRA). Upon completion of his training, he joined Bristol-Myers Squibb as a Hospital Sales Representative covering private and government hospitals in the central and northern regions of Peninsular Malaysia. In 1996, he joined Sterling Health Manufacturing as a Production Pharmacist overseeing galenic and ophthalmic manufacturing. He then moved on to UPHA Pharmaceutical Manufacturing (M) Sdn. Bhd. as a Production Pharmacist in year 1997.

Since joining the Company in 1998 as a Production Pharmacist, Krisna has devoted his cumulative experience in pharmaceuticals sales and manufacturing to Duopharma Biotech. Over the years, he has led various disciplines of plant operations including production, warehousing and transportation, planning, engineering, project management and quality assurance.

He was appointed as Chief Manufacturing Officer of Duopharma Biotech on 1 January 2016, overseeing various Plant Manufacturing functions, including production, planning, engineering, material warehouse, supply chain and sustainability (operations excellence, safety, health and environment).

Krisna obtained the Lean Six Sigma Black Belt certification in 2016.

SENIOR MANAGEMENT TEAM'S PROFILE



Ibrahim Hussin Salleh

Chief Legal Officer and
Group Company Secretary

Age :

52

Nationality :

Permanent
Resident of
Malaysia

Gender :

Male

Academic/Professional Qualification/ Membership(s):

- Master of Laws (LL.M), University of Malaya, Malaysia
- Bachelor of Laws (LL.B) (Hons.), International Islamic University Malaysia, Malaysia
- Advocate & Solicitor of the High Court of Malaya
- Company Secretary License, Companies Commission of Malaysia
- Qualified Risk Director (QRD) Program, Institute of Enterprise Risk Practitioners
- Senior Management Development Program, Harvard Business School, United States of America

Directorship of Other Public Companies/Listed Issuers:

None

Other than Traffic Offences, the List of Convictions for Offences within the past 5 years and Particulars of Any Public Sanction or Penalty Imposed by the Relevant Regulatory Bodies during the Financial Year:

None

Details of any interest in the Securities of the Company or its Subsidiaries:

None

Date of appointment to Key Senior Position:

28 December 2017

Family Relationship with Any Director and/or Major Shareholder:

None

Conflict of Interest with The Company:

None

Ibrahim joined Chemical Company of Malaysia Berhad ("CCM Berhad") in April 2006 as a Legal Manager, and took on the additional role of Joint Company Secretary five months later. In 2008, he was promoted to General Manager, Legal. Following the demerger of Duopharma Biotech from CCM Berhad, he was appointed to his current role.

Upon his admission to the Roll of Advocates and Solicitors of the High Court of Malaya in 1993, Ibrahim practised as an Advocate and Solicitor, gaining experience in banking, conveyancing, corporate and litigation matters. Prior to CCM Berhad, he joined a public listed property development company in 2002 where he served as Head of the Legal & Secretarial Department.

Ibrahim is an Affiliate Member of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA), a Member of the Association of Muslim Lawyers of Malaysia, and the Institute of Enterprise Risk Practitioners (IERP), and an Associate Member of the Harvard Business School Alumni Club of Malaysia.

SENIOR MANAGEMENT TEAM'S PROFILE



Shamsul Idham Bin A.lahad

Chief Executive Officer,
Duopharma Consumer Healthcare Sdn. Bhd.

Age :

47

Nationality :

Malaysian

Gender :

Male

Date of appointment to Key Senior Position:

1 January 2020

Family Relationship with Any Director and/or Major Shareholder:

None

Conflict of Interest with the Company:

None

Academic/Professional Qualification/Membership(s):

- Bachelor of Science (Marketing), University of Bridgeport, Connecticut, United States of America
- Diploma in Business Studies, MARA Institute of Technology, Malaysia

Directorship in Public Companies and Listed Issuers:

None

Other than Traffic Offences, the List of Convictions for Offences within the past 5 years and Particulars of Any Public Sanction or Penalty Imposed by the Relevant Regulatory Bodies during the Financial Year:

None

Details of any interest in the Securities of the Company or its Subsidiaries:

None

Shamsul joined Duopharma Marketing Sdn. Bhd. as Senior Manager in February 2012, responsible for the Over the Counter ("OTC") Marketing Department and the Events & Promotions Department. He was later promoted to General Manager in April 2017, responsible for OTC Business with Sales, Marketing, Events & Promotions and Indonesia business portfolios. Following the Group's new business strategy, Shamsul has been appointed to helm Duopharma Consumer Healthcare Sdn. Bhd. as its Chief Executive Officer. Duopharma Consumer Healthcare Sdn. Bhd., a wholly-owned subsidiary of Duopharma Biotech, engages in consumer healthcare business in Malaysia and ASEAN on January 2020.

In 2009, he assumed the dual roles of Sales & Marketing Manager of Sanofi-Aventis (Malaysia) Sdn. Bhd., responsible for the Consumer Healthcare business for both Malaysia and Singapore; and leading in the business' transformation to become consumer-driven as opposed to being pharma-centric. The objective was to grow the consumer healthcare business.

Shamsul has more than 20 years of experience in sales and marketing of consumer healthcare as well as fast-moving consumer goods (FMCG) brands. He has previously managed brands such as Magnolia ice-cream, Sensodyne, Aquafresh, Appeton, Lactacyd and Essentiale.

SENIOR MANAGEMENT TEAM'S PROFILE



Anita Binti Esa

Head, Group Risk Management

Age :

53

Nationality :

Malaysian

Gender :

Female

Academic/Professional Qualification/Membership(s):

- Master of Business Administration, MARA University of Technology, Malaysia
- Bachelor of Science (Hons), University of Science Malaysia
- Enterprise Risk Manager Professional Certification, Institute of Enterprise Risk Practitioners
- Sustainability Reporting Specialist, Institute of Certified Sustainability Practitioners
- Faculty member of Institute of Enterprise Risk Practitioners

Directorship in Public Companies and Listed Issuers:

None

Other than Traffic Offences, the List of Convictions for Offences within the past 5 years and Particulars of Any Public Sanction or Penalty Imposed by the Relevant Regulatory Bodies during the Financial Year:

None

Details of any interest in the Securities of the Company or its Subsidiaries:

None

Date of appointment to Key Senior Position:

28 December 2017

Family Relationship with Any Director and/or Major Shareholder:

None

Conflict of Interest with the Company:

None

Anita has close to 30 years' experience in sales, marketing, strategy development, project management and risk management within the pharmaceuticals industry. She launched her career in January 1991 in Eisai Malaysia, a Tokyo-based pharmaceuticals company, as a sales representative. Later the same year, she joined Zeneca where she built her career in sales and marketing for nearly a decade.

Subsequent engagements included stints in Novartis, Novo Nordisk and Bayer, which developed her wealth of experience in the management of products and international business. After leaving her role as National Sales Manager at Bayer in 2006, she assumed various positions in Chemical Company of Malaysia Berhad, including Marketing Manager, Senior Business Analyst (Strategy), Senior Project Manager and Head Group Risk Management.

Anita was appointed as Head, Group Risk Management of Duopharma Biotech effective 28 December 2017.

SENIOR MANAGEMENT TEAM'S PROFILE



Rama Sockalingam A/L Nagappan

Head, Group Internal Audit & Integrity

Age :

36

Nationality :

Malaysian

Gender :

Male

Academic/Professional Qualification/Membership(s):

- Bachelor of Business (Accounting & Management), La Trobe University, Australia
- Certified Practising Accountant (CPA), Australia
- Certified Internal Auditor (CIA)
- Chartered Member, Institute of Internal Auditors Malaysia
- Certified Integrity Officer (CeIO), Malaysian Anti-Corruption Academy

Directorship in Public Companies and Listed Issuers:

None

Other than Traffic Offences, the List of Convictions for Offences within the past 5 years and Particulars of Any Public Sanction or Penalty Imposed by the Relevant Regulatory Bodies during the Financial Year:

None

Details of any interest in the Securities of the Company or its Subsidiaries:

None

Date of appointment to Key Senior Position:

28 December 2017

Family Relationship with Any Director and/or Major Shareholder:

None

Conflict of Interest with The Company:

None

Rama joined the Chemical Company of Malaysia Berhad in 2012 where, as Senior Manager, Group Integrity & Assurance, he spearheaded the development, coordination and implementation of the Corporate Integrity Plan/System. He also led investigation audits and the Fertilizers Division's audit portfolio.

Rama gained exposure to auditing, risk management and consulting at accounting firm Crowe Horwath, based in Melaka. He then moved in-house, joining United Engineers Malaysia Group Berhad in 2008 where he led multiple audit assignments on companies within the Group, representing a myriad of industries.

Rama is an appointed member of the Malaysian Institute of Integrity (INTEGRITI) and holds an ISO 37001 (Anti-Bribery Management System) Lead Implementer certificate from Professional Evaluation and Certification Board (PECB), Canada.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

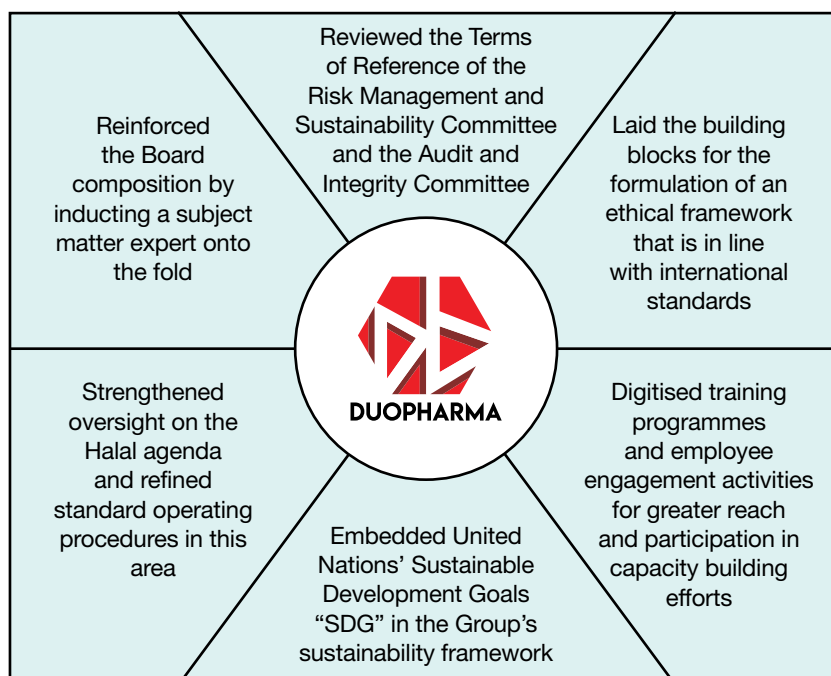
The Board of Directors (the “Board”) of Duopharma Biotech Berhad (“Duopharma Biotech” or the “Company”) presents this Corporate Governance Overview Statement, which outlines the corporate governance approach, focus areas and future priorities of Duopharma Biotech and its subsidiaries (collectively referred as the “Group”). Cognisant of the growing clamour for enhanced transparency in the marketplace, the Board remains steadfast in providing stakeholders with an instructive and detailed disclosure on the Group’s corporate governance framework.

This Corporate Governance Overview Statement is made pursuant to paragraph 15.25 of Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”). Further, reference was made to Practice Note 9 of the MMLR and the Corporate Governance Guide (3rd Edition) issued by Bursa Securities. In order to enrich this Corporate Governance Overview Statement, Duopharma Biotech has taken heed of the observations on disclosure practices as availed by Securities Commission Malaysia in its inaugural Corporate Governance Monitor 2019 as well as the expectations set out by Bursa Securities to listed issuers through its letter.

This Corporate Governance Overview Statement is augmented with a Corporate Governance Report, which provides detailed disclosures on the application of each Practice as codified in the Malaysian Code on Corporate Governance (“MCCG”). The Corporate Governance Report is available on Duopharma Biotech’s website at www.duopharmabiotech.com/corporate-governance-report as well as via the announcement made on the website of Bursa Securities.

This Corporate Governance Overview Statement should also be read in tandem with other statements in the Annual Report (e.g. Statement on Risk Management and Internal Control, Report of the Nomination and Remuneration Committee, Report of the Audit and Integrity Committee, Report of the Risk Management and Sustainability Committee, Report of the Halal Committee and Sustainability Report) for a holistic understanding of the applications of certain corporate governance practices which may be better explained in the context of the respective statements.

HOW WE’VE IMPROVED OUR GOVERNANCE

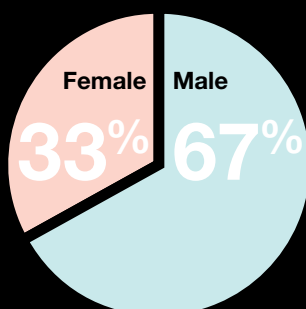


OUR GOVERNANCE AT A GLANCE

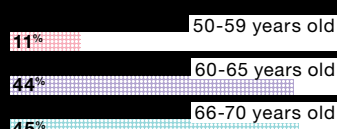
Board Mix of Skill & Experience



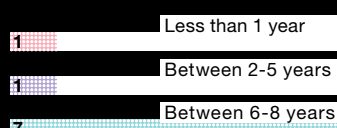
Board Gender Diversity



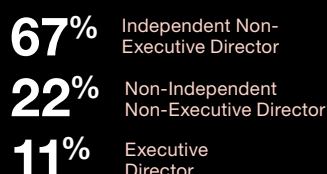
Diversity of Age



Diversity of Tenure



Types of Directorship



CORPORATE GOVERNANCE OVERVIEW STATEMENT

CORPORATE GOVERNANCE APPROACH

As narrated in the Annual Report 2019, notwithstanding the disruptions in the macroenvironment, the year 2019 represented a year of continuous growth for the Group with enhanced and new business pursuits as well as capacity expansion.

The Board is committed to ride on this trajectory of success with an anchored vision of sustainable growth via an intrinsic understanding of stakeholders' concerns and needs. The Board is cognisant that the Group's value creation process hinges on the architecture of its governance construct and the attendant implementation mechanisms.

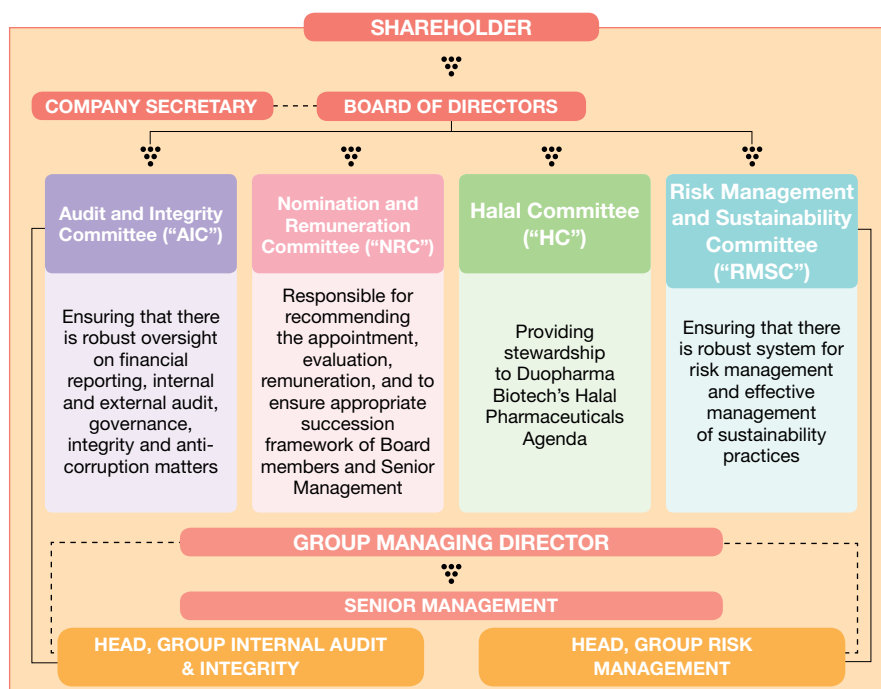
The Group's approach to corporate governance is aligned to its objectives and strategic business plans which include the following:

- Building a deep-seated ethical culture across the Group with a honed focus on integrity to reflect the Group's principles;
- Routinely engaging with all stakeholders to ensure expectations and concerns are prudently addressed whilst seizing meaningful opportunities;
- Incorporating economic, environmental and social aspects into the Group's daily operations to promote sustainability; and
- Nurturing and inculcating individuals with leadership skills across different levels so as to ensure a balanced group of competent and talented individuals are primed within the Group.

The Board regularly reviews and refines the Group's corporate governance framework to reflect the Group's needs and core values whilst ensuring the constantly evolving market forces are proactively engaged.

In order to discharge its oversight and governance roles and responsibilities, the Board operates within the following governance framework:

OUR GOVERNANCE STRUCTURE



CORPORATE GOVERNANCE OVERVIEW STATEMENT

SUMMARY OF CORPORATE GOVERNANCE PRACTICES

In seeking to actualise its corporate governance aspirations, Duopharma Biotech has benchmarked its prevailing state against the relevant promulgations and better practices. Duopharma Biotech has applied all the Practices encapsulated in the MCCG for the financial year ended 31 December 2019, save for the following:

- Practice 11.2 (adoption of Integrated Reporting); and
- Practice 12.3 (use of technology to facilitate remote shareholders' participation in general meetings).

In relation to the aforementioned departed Practices, Duopharma Biotech has provided in the Corporate Governance Report forthcoming and cogent explanations for their non-applications. The Board appreciates the line of sight of the MCCG and has therefore put in place alternative practices, taking into account the Intended Outcome envisioned by the said Practices. Whilst it is not a requirement for non-Large Companies¹, such as Duopharma Biotech to disclose the measures deployed to implement the departed Practices and the accompanying timeframe, the Company has on its own volition undertaken to "push the envelope" by elucidating on the said aspects.

Further details on the application of each individual Practice of the MCCG are available in the Corporate Governance Report. A summary of Duopharma Biotech's corporate governance practices with reference to MCCG is explained below:

Principle A: Board Leadership and Effectiveness

Board Responsibilities

As stewards of the Group, the Board is collectively responsible for setting the strategic direction and oversight to ensure the Group's sustainability and long-term success. In order to assist the Board, specific responsibilities are delegated to Board Committees which operate with clearly defined Terms of Reference. The Board has constituted four Board Committees, namely Audit and Integrity Committee ("AIC"), Nomination and Remuneration Committee ("NRC"), Halal Committee ("HC") and Risk Management and Sustainability Committee ("RMSC"). The Board regularly monitors the Terms of Reference for each Board Committee to identify suitable avenues for improvement.

The Board has delegated the operational management of the Group's business to the Group Managing Director ("GMD"). Talented individuals have been placed in leadership positions across the Group's subsidiaries as an integrated management succession initiative. The positions of Chairman and GMD are held by two different individuals. There is clear demarcation on the roles and

responsibilities of the Chairman and the GMD with the former assuming the role of leading the Board and the latter helming the management team. Further, the Chairman's roles and responsibilities include:

- Leading the Board and instilling a culture of openness;
- Ensuring the Board receives accurate and clear information in a timely manner, and is consulted on all important and relevant matters;
- Ensuring the communication between the Group and Shareholders are clear and transparent; and
- Working together with the GMD and Senior Independent Director to represent Duopharma Biotech in strategic relationships.

A team of Senior Management is selected by the GMD to implement the strategic direction as set by the Board.

The Board is supported by a Company Secretary who acts as a corporate governance advisor by providing counsel on regulatory and authoritative matters. The Company Secretary is also entrusted to ensure that the two-dimensional information flow between the Board and Management remains intact.

The Board has formalised a Board Charter which provides guidance on the responsibilities of the Board, Board Committees, and individual Directors including the GMD. The Board Charter clearly outlines matters which are specifically reserved for the Board's approval. The Board Charter is publicly available on Duopharma Biotech's website - <https://duopharmabiotech.com/about-us/corporate-governance/board-charter/> and is periodically reviewed.

During the financial year 2019, the Board held nine (9) meetings. The Board routinely invites members of the Management team and other professionals to attend Board meetings to aid the Board's decision-making process. In the best interests of the Group, the Board meetings are structured to discuss the following matters:

- Operational and functional updates;
- Financial updates;
- Succession planning;
- Integrity, governance and regulatory developments;
- Learning and development modules to enhance the competency framework for employees;
- Strategy and progress against strategic priorities;
- Review of benefits accorded to employees;
- Risk and sustainability management framework, key risk areas and risk appetite; and
- Other reporting and items for approval.

Presentations to the Board and the Board Committees are prepared and delivered in a manner that ensures clear and adequate understanding of the subject matter. In addition, reading materials on a subject matter, if any, are prepared and generally circulated at least five (5) business days prior to the meetings to assist Directors in understanding the subject matter.

¹ Large Companies are companies on the FTSE Bursa Malaysia Top 100 Index; or companies with market capitalisation of RM2 billion and above, at the start of the companies' financial year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

For any urgent matters, and for additional documents that are sent less than five (5) business days in advance, the Management team will take the Board through the documents in a more detailed manner. The table below records the number of meetings held during the year under review and the corresponding attendance of these Directors:

	Board Meeting	General Meeting	AIC Meeting	RMSC Meeting	NRC Meeting	HC Meeting
Non-Independent Non-Executive Director						
Tan Sri Datin Paduka Siti Sa'diah Binti Sh Bakir	9/9	2/2			6/6	
Datuk Mohd Radzif Bin Mohd Yunus	8/9	2/2		8/8		5/5
Senior Independent Non-Executive Director						
Dato' Mohamad Kamarudin Bin Hassan	8/9	2/2	4/5		6/6	
Independent Non-Executive Director						
Razalee Bin Amin	9/9	2/2	5/5			
Zaiton Binti Jamaluddin	9/9	2/2	5/5	8/8		
Dato' Eisah Binti A. Rahman	8/9	2/2		8/8	6/6	5/5
Datuk Nik Moustpha Bin Hj Nik Hassan	9/9	2/2				5/5
Dato' Dr. Zaki Morad Bin Mohamad Zaher*	3/3	n/a				
Datuk Seri Rohani Parkash Binti Abdullah**	2/4	2/2				
Executive Director						
Leonard Ariff Bin Abdul Shatar***	9/9	2/2				

Chairman Member

Note:

* Dato' Dr. Zaki Morad Bin Mohamad Zaher was appointed to the Board on 6 September 2019

** Datuk Seri Rohani Parkash Binti Abdullah had retired from the Board on 31 May 2019.

*** Leonard Ariff Bin Abdul Shatar is the Group Managing Director.

In order to facilitate structured planning and participation from the Directors, the Board members are given an annual meeting calendar before the start of the financial year. In addition to the scheduled meetings, special meetings may be arranged by the Company Secretary after consultation with the Chairman and GMD for scenarios which contemplate an expedited decision or direction from the Board.

Board Composition

The Board is cobbled of "brand names" from a cross-section of fields who accordingly serve as Independent Non-Executive Directors, Non-Independent Non-Executive Directors and Executive Director. For more details on the Directors' background and experience, refer to pages 30 to 38 of the Annual Report 2019.

Independent Directors are responsible for protecting the interests of minority shareholders and other stakeholders by infusing the element of detached impartiality. Duopharma Biotech believes that independent judgement serves to promote greater accountability and balance in the Board, thus, enhancing the decision-making process. The Board currently comprises nine (9) Directors, of which two thirds of the Directors are Independent Directors.

As stipulated in the Board Charter, individual independent directors hold less than five (5) directorships across listed issuers to ensure that Directors are able to retain the commitment and focus to discharge their responsibilities. Further, the Company enforces a term limit of nine (9) years or two (2) terms of five (5) years each for Independent Directors. During the year under review, Non-Executive Directors have conducted a separate meeting without Executive Directors or members of Management to deliberate any issues of concern. To further improve adoption of best practice in corporate governance, separate meetings between the Independent Non-Executive Directors without Executive Directors or members of Management have also been scheduled to take place in the financial year 2020 to allow the Independent Non-Executive Directors to deliberate any issues of concern.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

A Senior Independent Director, namely, Dato' Mohamad Kamarudin Bin Hassan has been designated to act as a sounding Board for the Chairman and as an intermediary for other Board members. Further, the Senior Independent Director's role and responsibilities include:

- Leading the succession planning and appointment of Board members;
- Leading the annual review of board effectiveness; and
- Ensuring performance of individual Directors are independently assessed.

The Chairman reviews all Whistleblowing cases, if any, that have been reported against Directors or/and the Group Managing Director. In the scenario that a whistleblowing report is brought forward by a Group Management Committee member, the AIC Chairman will review such cases whilst keeping the Board Chairman and NRC Chairman apprised of the developments.

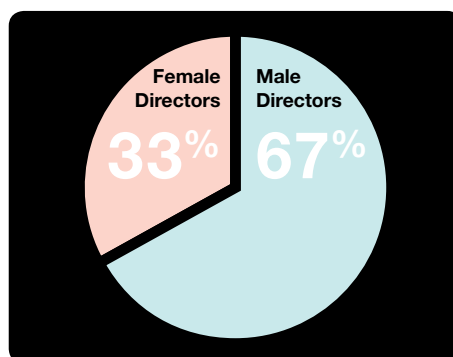
Acknowledging the value of diversity in enriching the decision-making process, the Board is cognisant of the need for diverse skills and experience of Directors. The smorgasbord of talented individuals enables the Board to avoid blind spots whilst navigating different opportunities and challenges in the quest to improve the Group's performance. Supported by the NRC, the Board conducts a periodic review of the Board composition to ensure its diversity of skills and experience. Following the retirement of Datuk Seri Rohani Parkash Binti Abdullah, the Board welcomed Dato' Dr. Zaki Morad Bin Mohamad Zaher onto the fold in September 2019 as an Independent Non-Executive Director.

Armed with extensive experience in the medical sphere, Dato' Dr. Zaki Morad is well-placed to bring about subject matter expertise at the oversight level and this will place Duopharma Biotech in good stead for the establishment of the proposed Medical Advisory Committee ("MAC") in the near future. The MAC aims to provide guidance on matters relating to:

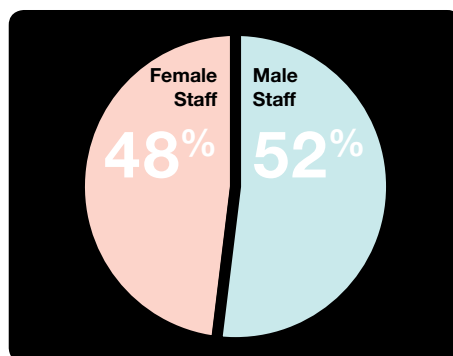
- Pipeline products with an investment value of RM3 million and above;
- Disease & treatment trends;
- Clinical development;

- Medical ethics;
- Matters relating to medical devices;
- Matters relating to clinical trials;
- Issues relating to products;
- Issues relating to compliance requirements; and
- Future manufacturing trends / facilities / technology relating to the medical / pharmaceutical industry.

The Board appreciates that gender diversity in the Board and Senior Management team allows for cognitive variety in the decision-making process. In this aspect, Duopharma Biotech remains as one of the few Malaysia listed issuers with a female Non-Executive Director as Board Chairperson. Duopharma Biotech is also one of the 134 listed issuers in Malaysia which have achieved at least 30% proportion of females on board following the policy pronouncement by the Malaysian government². A breakdown of Duopharma Biotech's Board composition by gender stratification is shown below:



The diversity agenda also transcends beyond the Board level to include the broader workforce. As illustrated in the chart below, the workforce is composed of 1: 1.08 female to male with 642 female staff and 692 male staff.



At Duopharma Biotech, diversity is seen as enriching the Group's collective skills, knowledge and creativity, while providing a broader-based perspective for more informed and effective decision-making. All employees are treated the same at Duopharma Biotech, and racial or gender discrimination is not tolerated. The ethnic demographics within the Group roughly mirrors that of the country's population, with 66.9% Bumiputera, 17.2% Chinese and 15.4% Indian employees, reflecting the Company's approach to diversity and inclusivity. In recruiting and promotions, a candidate's potential is judged by his or her individual merit and not gender. Women make up roughly 55% of mid-senior management. This number reflects Duopharma Biotech's gender inclusivity and recognition based on merit. Among other initiatives, the Company provides designated parking spaces for pregnant employees and allow them to take time off for monthly medical check-ups.

The NRC through the assistance of the Company Secretary and Management team is responsible for curating the content of the induction for newly appointed Directors. Upon appointment, the Company will arrange for newly appointed Board members who are also inaugural directors of listed issuers to attend the Mandatory Accreditation Programme (MAP) as required by paragraph 15.08 and Practice Note 5 of the MMLR.

Duopharma Biotech's most recently appointed Director, Dato' Dr. Zaki Morad received an intensive induction programme specifically tailored to introduce a wide range of information about the Group. The induction included engagement sessions with the Management team to glean insights on the business of the Group.

Directors are encouraged to attend continuous professional education programmes to keep themselves abreast with new developments in the marketplace and corporate governance. The Board has approved in-house training programmes for Directors and Senior Management which were conducted in January, April, August,

² Corporate Governance Monitor 2019, Securities Commission Malaysia

CORPORATE GOVERNANCE OVERVIEW STATEMENT

September and October during the year under review. The Company Secretary in consultation with the Chairman of the NRC identifies training programmes that are relevant for Directors whilst also taking into account findings from the annual Board Effectiveness Evaluation (“BEE”) exercise. The Directors also are availed to face-to-face briefings, trainings and presentations on matters which are relevant to the Group’s operations.

During the year under review, the Directors of Duopharma Biotech participated in the following professional development programmes:

Director	Date	Training Programme	Organiser
Tan Sri Datin Paduka Siti Sa’diah Binti Sh Bakir	24 January 2019	Directors and Senior Management Training (#01/2019) on Halal Pharmaceuticals “Malaysia Halal Certification - Current Landscape and Moving Forward Initiatives”	Duopharma Biotech Berhad
	19 February 2019	‘Til Eleven - Pause for Thought “The Importance of Integrity” by Datuk Dr. Anis Yusaf Yusoff - DG National Centre for Governance Integrity and Anti-Corruption (GIACC)	Asian Strategy & Leadership Institute (ASLI)
	14 March 2019	Ring the Bell for Gender Equality 2019: “Empower Women for Sustainable Results”	Bursa Malaysia Securities Berhad
	22 April 2019	1 st Strategy Workshop	Duopharma Biotech Berhad
	23 April 2019	Global Business Insight Series LEAP: How to Thrive in A World Where Everything Can Be Copied	Securities Industry Development Corporation (SIDC) & IMD
	27 – 29 April 2019	International Conference on Quality and Safety in Healthcare 2019 “People Make Change”	Institute Healthcare Improvement (IHI) & British Medical Journal (BMJ)
	24 June 2019	2 nd Strategy Workshop	Duopharma Biotech Berhad
	25 June 2019	PNB Leadership Forum 2019 “Positive Autocracy: A Leadership Model for Industry 4.0”	Permodalan Nasional Berhad (PNB)
	27 June 2019	Bursa Malaysia Independent Director Programme: “The Essence of Independent”	Bursa Malaysia Securities Berhad
	23 July 2019	The Role of the Nomination and Remuneration Committee in Human Capital Management	Institute of Corporate Directors Malaysia (ICDM)
	29 - 31 July 2019	APHM International Healthcare Conference & Exhibition Corporate & Clinical Governance: Partnerships & Participations	Association of Private Hospitals, Malaysia (APHM)
	31 July 2019	As Speaker “Corporate, Clinical Governance and Medical Education”	Association of Private Hospitals, Malaysia (APHM)
	5 August 2019	Directors and Senior Management Training (#03/2019) “Knowledge Sharing session on Biosimilar / Biologics” by Prof Jaeseung Yoon, PanGen and Dr VT Ragupathy, KR Biologicals	Duopharma Biotech Berhad
	23 August 2019	Bursa Malaysia Thought Leadership Series: “The Convergence of Digitalisation and Sustainability”	Bursa Malaysia Securities Berhad
	17 September 2019	Seminar & Launching 1st World Patient Safety Day, Malaysia. “Speak Up for Patient Safety”	Ministry of Health Malaysia (MOH) & Malaysian Society for Quality in Health (MSQH)
	24 September 2019	Directors and Senior Management Training (#04/2019) on “To Social or Not to Social – A Social Media Primer & Practice Playbook for Duopharma”	Duopharma Biotech Berhad

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Director	Date	Training Programme	Organiser
Tan Sri Datin Paduka Siti Sa'diah Binti Sh Bakir	25 September 2019	ICDM Power Talk: "How Boards can Build Reputation Resilience"	Institute of Corporate Directors Malaysia (ICDM)
	26 September 2019	3 rd Strategy Workshop	Duopharma Biotech Berhad
	3 October 2019	Directors and Senior Management Training (#05/2019) on "Addressing Corruption Risk to Safeguard Directors and Management Against Corporate Liability"	Duopharma Biotech Berhad
	7 - 8 October 2019	Khazanah Megatrends Forum 2019 "From the Past to the Future — Building Our Collective Brain"	Khazanah Nasional Berhad
	11 - 12 October 2019	KPJ Healthcare Conference 2019 "Enhancing Outcomes in the New Era of Healthcare"	KPJ Healthcare Berhad
	14 - 15 October 2019	ICDM International Directors Summit 2019: "The Trust Compass: Resetting the Course"	Institute of Corporate Directors Malaysia (ICDM)
	20 - 23 October 2019	'SQUA 36 th International Conference — Innovate, Implement, Improve "Beating the Drum for Safety, Quality and Equity"	The Council for Health Service Accreditation of Southern Africa (COHSASA) & Mediclinic International
	30 October 2019	PNB Corporate Summit 2019 "Rebooting Corporate Malaysia"	Permodalan Nasional Berhad (PNB)
	7 November 2019	Executive Talk on Integrity & Governance: The Corporate Liability Provision, the "Adequate Procedures" & The Implementation of the National Anti-Corruption Plan (NACP)	The Malaysian Institute of Integrity
	20 November 2019	Conference on Halal, Integrity & Sustainability 2019 "Join Hands Towards Sustainability"	Duopharma Biotech Berhad
Leonard Ariff Bin Abdul Shatar	28 November 2019	Training & Knowledge Session on Risk Maturity Assessment by Ernst & Young	Duopharma Biotech Berhad
	4 April 2019	Directors and Senior Management Training (#02/2019) on "Sustainability Awareness" by Messrs KPMG	Duopharma Biotech Berhad
	17 April 2019	Keynote Speaker in Bioprocess Symposium 2019 "The Route to Sustainability - Prospects and Challenges of the Bio-Based Economy"	University Malaysia Pahang
	22 April 2019	1 st Strategy Workshop	Duopharma Biotech Berhad
	19 June 2019	Qualified Risk Director Program: Series 3 - Risk Appetite, Tolerance and Board Oversight	Institute of Enterprise Risk Practitioners
	19 June 2019	Qualified Risk Director Program: Series 4 - Strategic Erm: A Primer for Directors	Institute of Enterprise Risk Practitioners
	24 June 2019	2 nd Strategy Workshop	Duopharma Biotech Berhad
	25 June 2019	PNB Leadership Forum 2019 "Positive Autocracy: A Leadership Model for Industry 4.0"	Permodalan Nasional Berhad (PNB)

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Director	Date	Training Programme	Organiser
Leonard Ariff Bin Abdul Shatar	22 July 2019	Qualified Risk Director Program: Series 5 - Evolving Expectations for Boards	Institute of Enterprise Risk Practitioners
	22 July 2019	Qualified Risk Director Program: Series 6 - The Role of Boards in Fraud Risk Management	Institute of Enterprise Risk Practitioners
	5 August 2019	Directors and Senior Management Training (#03/2019) "Knowledge Sharing session on Biosimilar / Biologics" by Prof Jaeseung Yoon, PanGen and Dr VT Ragupathy, KR Biologicals	Duopharma Biotech Berhad
	3 September 2019	Qualified Risk Director Program: Series 9 - Directors Guide to BCM and ISO 22301	Institute of Enterprise Risk Practitioners
	3 September 2019	Qualified Risk Director Program: Series 10 - Directors Guide to Crisis Management and Leadership During Crisis	Institute of Enterprise Risk Practitioners
	24 September 2019	Directors and Senior Management Training (#04/2019) on "To Social or Not to Social – A Social Media Primer & Practice Playbook for Duopharma"	Duopharma Biotech Berhad
	26 September 2019	3 rd Strategy Workshop	Duopharma Biotech Berhad
	2 October 2019	Qualified Risk Directors Program: Series 13 - Establishing An Empowered Audit Committee	Institute of Enterprise Risk Practitioners
	2 October 2019	Qualified Risk Director Program: Series 14 – Audit Committee's Guide to COSO 2013 & Internal Controls	Institute of Enterprise Risk Practitioners
	3 October 2019	Directors and Senior Management Training (#05/2019) on "Addressing Corruption Risk to Safeguard Directors and Management Against Corporate Liability"	Duopharma Biotech Berhad
	7 - 8 October 2019	Khazanah Megatrends Forum 2019 "From the Past to the Future – Building Our Collective Brain"	Khazanah Nasional Berhad
	14 - 15 October 2019	ICDM International Directors Summit 2019: "The Trust Compass: Resetting the Course"	Institute of Corporate Directors Malaysia (ICDM)
Dato' Mohamad Kamarudin Bin Hassan	26 March 2019	In-house Training for Directors (MPI) on Directors' Duties & Powers - "Recent developments in the law and how it affects you"	Malaysian Pacific Industries Berhad (MPI)
	3 April 2019	In-House Directors' Training on Directors' Duties & Powers - "Recent developments in the law and how it affects you"	The Lion Group
	4 April 2019	Directors and Senior Management Training (#02/2019) on "Sustainability Awareness" by Messrs KPMG	Duopharma Biotech Berhad
	22 April 2019	1 st Strategy Workshop	Duopharma Biotech Berhad
	24 June 2019	2 nd Strategy Workshop	Duopharma Biotech Berhad
	9 - 10 July 2019	IERP®'s Global Conference 2019 Enterprise Risk Management: Dealing with the New Wave	Institute of Enterprise Risk Practitioners
	31 July 2019	Seminar on "Understanding Accounting & Analysing Financial Statements for Better Decision-Making for Directors & Corporate Managers"	3ntity Sdn Bhd
	14 August 2019	One-day Seminar on "Managing Cash Flow in Difficult Times"	Muhibbah Engineering (M) Bhd
	24 September 2019	Directors and Senior Management Training (#04/2019) on "To Social or Not to Social – A Social Media Primer & Practice Playbook for Duopharma"	Duopharma Biotech Berhad

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Director	Date	Training Programme	Organiser
Dato' Mohamad Kamarudin Bin Hassan	26 September 2019	3 rd Strategy Workshop	Duopharma Biotech Berhad
	3 October 2019	Directors and Senior Management Training (#05/2019) on "Addressing Corruption Risk to Safeguard Directors and Management Against Corporate Liability"	Duopharma Biotech Berhad
	30 October 2019	PNB Corporate Summit 2019 "Rebooting Corporate Malaysia"	Permodalan Nasional Berhad (PNB)
	28 November 2019	Training & Knowledge Session on Risk Maturity Assessment by Ernst & Young	Duopharma Biotech Berhad
Razalee Bin Amin	24 January 2019	Directors and Senior Management Training (#01/2019) on Halal Pharmaceuticals "Malaysia Halal Certification - Current Landscape and Moving Forward Initiatives"	Duopharma Biotech Berhad
	28 February 2019	Overall Objective of an ISA Audit	Association of Malay Chartered Accountants Firms Malaysia (AMCAF)
	5 March 2019	PNB Leadership Forum 2019: "Organisational Excellence & From Governance to Performance"	Permodalan Nasional Berhad (PNB)
	4 April 2019	Directors and Senior Management Training (#02/2019) on "Sustainability Awareness" by Messrs KPMG	Duopharma Biotech Berhad
	22 April 2019	1 st Strategy Workshop	Duopharma Biotech Berhad
	24 June 2019	2 nd Strategy Workshop	Duopharma Biotech Berhad
	25 June 2019	PNB Leadership Forum: "Positive Autocracy: A Leadership Model for Industry 4.0"	Permodalan Nasional Berhad (PNB)
	5 July 2019	Demystifying The Diversity Conundrum : The Road to Business Excellence	Bursa Malaysia Securities Berhad
	5 August 2019	Directors and Senior Management Training (#03/2019) "Knowledge Sharing session on Biosimilar / Biologics" by Prof Jaeseung Yoon, PanGen and Dr VT Ragupathy, KR Biologicals	Duopharma Biotech Berhad
	27 August 2019	Introduction of MPSAS	Association of Malay Chartered Accountants Firms Malaysia (AMCAF)
	18 - 22 September 2019	Board of Directors Visit to PanGen Biotech Inc. and SCM Lifescience Co. Ltd.	Duopharma Biotech Berhad
	24 September 2019	Directors and Senior Management Training (#04/2019) on "To Social or Not to Social – A Social Media Primer & Practice Playbook for Duopharma"	Duopharma Biotech Berhad
	26 September 2019	3 rd Strategy Workshop	Duopharma Biotech Berhad
	3 October 2019	Directors and Senior Management Training (#05/2019) on "Addressing Corruption Risk to Safeguard Directors and Management Against Corporate Liability"	Duopharma Biotech Berhad
	9 October 2019	Case Study Workshop for Independent Directors	Securities Industry Development Corporation (SIDC)

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Director	Date	Training Programme	Organiser
Razalee Bin Amin	30 October 2019	PNB Corporate Summit 2019 "Rebooting Corporate Malaysia"	Permodalan Nasional Berhad (PNB)
	18 November 2019	PNB - YTI Memorial Lecture 2019	Permodalan Nasional Berhad (PNB)
	22 November 2019	Securities Commission Malaysia Audit Oversight Board Conversation with AC	Securities Commission Malaysia
	28 November 2019	Training & Knowledge Session on Risk Maturity Assessment by Ernst & Young	Duopharma Biotech Berhad
	5 December 2019	The Role of the Board in Strategy & Risk Management Oversight	Institute of Corporate Directors Malaysia (ICDM)
Zaiton Binti Jamaluddin	24 January 2019	Directors and Senior Management Training (#01/2019) on Halal Pharmaceuticals "Malaysia Halal Certification - Current Landscape and Moving Forward Initiatives"	Duopharma Biotech Berhad
	5 March 2019	PNB Leadership Forum 2019: "Organisational Excellence & From Governance to Performance"	Permodalan Nasional Berhad (PNB)
	4 April 2019	Directors and Senior Management Training (#02/2019) on "Sustainability Awareness" by Messrs KPMG	Duopharma Biotech Berhad
	22 April 2019	1 st Strategy Workshop	Duopharma Biotech Berhad
	24 June 2019	2 nd Strategy Workshop	Duopharma Biotech Berhad
	25 June 2019	PNB Leadership Forum 2019: "Positive Autocracy: A Leadership Model for Industry 4.0"	Permodalan Nasional Berhad (PNB)
	26 June 2019	Leadership Greatness in Turbulent Times Building Corporate Longevity	IMD Business School
	27 June 2019	ICDMs Power Talk: "The Board of Directors of the 21 st Century: When Disruption Meets Tradition"	Institute of Corporate Directors Malaysia (ICDM)
	5 July 2019	Demystifying The Diversity Conundrum : The Road to Business Excellence	Bursa Malaysia Securities Berhad
	9 – 10 July 2019	IERP®'s Global Conference 2019 Enterprise Risk Management: Dealing with the New Wave	Institute of Enterprise Risk Practitioners
	5 August 2019	Directors and Senior Management Training (#03/2019) "Knowledge Sharing session on Biosimilar / Biologics" by Prof Jaeseung Yoon, PanGen and Dr VT Ragupathy, KR Biologicals Speaker - ICMD's MKD Directors Talk Series #2 "The Board of Directors of the 21 st Century: When Disruption Meets Tradition with Menteri Kewangan Diperbadankan (MKD) Leadership Team"	Duopharma Biotech Berhad
	6 August 2019	Directors and Senior Management Training (#04/2019) on "To Social or Not to Social – A Social Media Primer & Practice Playbook for Duopharma"	Institute of Corporate Directors Malaysia (ICDM)
	24 September 2019	Directors and Senior Management Training (#04/2019) on "To Social or Not to Social – A Social Media Primer & Practice Playbook for Duopharma"	Duopharma Biotech Berhad
	26 September 2019	3 rd Strategy Workshop	Duopharma Biotech Berhad

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Director	Date	Training Programme	Organiser
Zaiton Binti Jamaluddin	2 October 2019	Qualified Risk Directors Program: Series 13 - Establishing An Empowered Audit Committee	Institute of Enterprise Risk Practitioners
	2 October 2019	Qualified Risk Director Program: Series 14 – Audit Committee’s Guide to COSO 2013 & Internal Controls	Institute of Enterprise Risk Practitioners
	3 October 2019	Directors and Senior Management Training (#05/2019) on “Addressing Corruption Risk to Safeguard Directors and Management Against Corporate Liability”	Duopharma Biotech Berhad
	14 – 15 October 2019	ICDM International Directors Summit 2019: “The Trust Compass: Resetting the Course”	Institute of Corporate Directors Malaysia (ICDM)
	30 October 2019	PNB Corporate Summit 2019 "Rebooting Corporate Malaysia"	Permodalan Nasional Berhad (PNB)
	18 November 2019	PNB - YTI Memorial Lecture 2019	Permodalan Nasional Berhad (PNB)
	28 November 2019	Training & Knowledge Session on Risk Maturity Assessment by Ernst & Young	Duopharma Biotech Berhad
Dato' Eisah Binti A. Rahman	24 January 2019	Directors and Senior Management Training (#01/2019) on Halal Pharmaceuticals “Malaysia Halal Certification - Current Landscape and Moving Forward Initiatives”	Duopharma Biotech Berhad
	5 March 2019	PNB Leadership Forum 2019: "Organisational Excellence & From Governance to Performance"	Permodalan Nasional Berhad (PNB)
	22 April 2019	1 st Strategy Workshop	Duopharma Biotech Berhad
	19 June 2019	Qualified Risk Director Program: Series 3 – Risk Appetite, Tolerance and Board Oversight	Institute of Enterprise Risk Practitioners
	19 June 2019	Qualified Risk Director Program: Series 4 – Strategic ERM: A Primer for Directors	Institute of Enterprise Risk Practitioners
	24 June 2019	2 nd Strategy Workshop	Duopharma Biotech Berhad
	25 June 2019	PNB Leadership Forum 2019: “Positive Autocracy: A Leadership Model for Industry 4.0”	Permodalan Nasional Berhad (PNB)
	27 June 2019	Cyber Security in the Boardroom – Accelerating from Acceptance to Action	Institute of Corporate Directors Malaysia (ICDM)
	22 July 2019	Qualified Risk Director Program: Series 5 – Evolving Expectations for Boards	Institute of Enterprise Risk Practitioners
	22 July 2019	Qualified Risk Director Program: Series 6 – The Role of Boards in Fraud Risk Management	Institute of Enterprise Risk Practitioners
	5 August 2019	Directors and Senior Management Training (#03/2019) "Knowledge Sharing session on Biosimilar / Biologics" by Prof Jaeseung Yoon, PanGen and Dr VT Ragupathy, KR Biologicals	Duopharma Biotech Berhad

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Director	Date	Training Programme	Organiser
	3 September 2019	Qualified Risk Director Program: Series 9 - Directors Guide to BCM and ISO 22301	Institute of Enterprise Risk Practitioners
	3 September 2019	Qualified Risk Director Program: Series 10 – Directors Guide to Crisis Management & Leadership During Crisis	Institute of Enterprise Risk Practitioners
	24 September 2019	Directors and Senior Management Training (#04/2019) on “To Social or Not to Social – A Social Media Primer & Practice Playbook for Duopharma”	Duopharma Biotech Berhad
	26 September 2019	3 rd Strategy Workshop	Duopharma Biotech Berhad
	2 October 2019	Qualified Risk Directors Program: Series 13 - Establishing An Empowered Audit Committee	Institute of Enterprise Risk Practitioners
	2 October 2019	Qualified Risk Director Program: Series 14 – Audit Committee’s Guide to COSO 2013 & Internal Controls	Institute of Enterprise Risk Practitioners
	3 October 2019	Directors and Senior Management Training (#05/2019) on “Addressing Corruption Risk to Safeguard Directors and Management Against Corporate Liability”	Duopharma Biotech Berhad
	9 October 2019	Case Study Workshop for Independent Directors, Independent Directors: Towards Boardroom Excellence	Securities Commission Malaysia
	30 October 2019	PNB Corporate Summit 2019 "Rebooting Corporate Malaysia"	Permodalan Nasional Berhad (PNB)
	7 November 2019	Executive Talk on Integrity & Governance: The Corporate Liability Provision, the “Adequate Procedures” & The Implementation of the National Anti-Corruption Plan (NACP)	The Malaysian Institute of Integrity
Datuk Nik Moustpha Bin Hj Nik Hassan	28 November 2019	Training & Knowledge Session on Risk Maturity Assessment by Ernst & Young	Duopharma Biotech Berhad
	24 January 2019	Directors and Senior Management Training (#01/2019) on Halal Pharmaceuticals “Malaysia Halal Certification - Current Landscape and Moving Forward Initiatives”	Duopharma Biotech Berhad
	5 March 2019	PNB Leadership Forum 2019: "Organisational Excellence & From Governance to Performance"	Permodalan Nasional Berhad (PNB)
	4 April 2019	Directors and Senior Management Training (#02/2019) on “Sustainability Awareness” by Messrs KPMG	Duopharma Biotech Berhad
	24 June 2019	2 nd Strategy Workshop	Duopharma Biotech Berhad
	25 June 2019	PNB Leadership Forum 2019: “Positive Autocracy: A Leadership Model for Industry 4.0”	Permodalan Nasional Berhad (PNB)
	5 August 2019	Directors and Senior Management Training (#03/2019) "Knowledge Sharing session on Biosimilar / Biologics" by Prof Jaeseung Yoon, PanGen and Dr VT Ragupathy, KR Biologicals	Duopharma Biotech Berhad
	26 September 2019	3 rd Strategy Workshop	Duopharma Biotech Berhad

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Director	Date	Training Programme	Organiser
Datuk Nik Moustpha Bin Hj Nik Hassan	3 October 2019	Directors and Senior Management Training (#05/2019) on “Addressing Corruption Risk to Safeguard Directors and Management Against Corporate Liability”	Duopharma Biotech Berhad
	17 October 2019	Muzakarah Ahli Majlis Penasihat Syariah (MPS), Institusi Kewangan di Malaysia Kali ke-15	Majlis Penasihat Syariah (MPS)
	28 November 2019	Training & Knowledge Session on Risk Maturity Assessment by Ernst & Young	Duopharma Biotech Berhad
Datuk Mohd Radzif Bin Mohd Yunus	24 January 2019	Directors and Senior Management Training (#01/2019) on Halal Pharmaceuticals “Malaysia Halal Certification - Current Landscape and Moving Forward Initiatives”	Duopharma Biotech Berhad
	5 March 2019	PNB Leadership Forum 2019: “Organisational Excellence & From Governance to Performance”	Permodalan Nasional Berhad (PNB)
	22 April 2019	1 st Strategy Workshop	Duopharma Biotech Berhad
	19 June 2019	Qualified Risk Director Program: Series 3 – Risk Appetite, Tolerance and Board Oversight	Institute of Enterprise Risk Practitioners
	24 June 2019	2 nd Strategy Workshop	Duopharma Biotech Berhad
	25 June 2019	PNB Leadership Forum 2019: “Positive Autocracy: A Leadership Model for Industry 4.0”	Permodalan Nasional Berhad (PNB)
	5 August 2019	Directors and Senior Management Training (#03/2019) “Knowledge Sharing session on Biosimilar / Biologics” by Prof Jaeseung Yoon, PanGen and Dr VT Ragupathy, KR Biologicals	Duopharma Biotech Berhad
	24 September 2019	Directors and Senior Management Training (#04/2019) on “To Social or Not to Social – A Social Media Primer & Practice Playbook for Duopharma”	Duopharma Biotech Berhad
	26 September 2019	3 rd Strategy Workshop	Duopharma Biotech Berhad
	2 October 2019	Qualified Risk Directors Program: Series 13 - Establishing An Empowered Audit Committee	Institute of Enterprise Risk Practitioners
	2 October 2019	Qualified Risk Director Program: Series 14 – Audit Committee’s Guide to COSO 2013 & Internal Controls	Institute of Enterprise Risk Practitioners
	3 October 2019	Directors and Senior Management Training (#05/2019) on “Addressing Corruption Risk to Safeguard Directors and Management Against Corporate Liability”	Duopharma Biotech Berhad
	14 – 15 October 2019	ICDM International Directors Summit 2019: “The Trust Compass: Resetting the Course”	Institute of Corporate Directors Malaysia (ICDM)
	30 October 2019	PNB Corporate Summit 2019 “Rebooting Corporate Malaysia”	Permodalan Nasional Berhad (PNB)
	18 November 2019	PNB - YTI Memorial Lecture 2019	Permodalan Nasional Berhad (PNB)
	28 November 2019	Training & Knowledge Session on Risk Maturity Assessment by Ernst & Young	Duopharma Biotech Berhad

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Director	Date	Training Programme	Organiser
Dato' Dr. Zaki Morad Bin Mohamad Zaher	21 - 22 September 2019	Honorary Speaker - 18th Annual Conference of the Association of Dialysis Medical Assistants and Nurses (ADMAN)	Association of Dialysis Medical Assistants and Nurses Malaysia
	24 September 2019	Directors and Senior Management Training (#04/2019) on "To Social or Not to Social - A Social Media Primer & Practice Playbook for Duopharma"	Duopharma Biotech Berhad
	3 October 2019	Directors and Senior Management Training (#05/2019) on "Addressing Corruption Risk to Safeguard Directors and Management Against Corporate Liability"	Duopharma Biotech Berhad
	11 - 12 October 2019	KPJ Healthcare Conference 2019 "Enhancing Outcomes in the New Era of Healthcare"	KPJ Healthcare Berhad
	28 November 2019	Training & Knowledge Session on Risk Maturity Assessment by Ernst & Young	Duopharma Biotech Berhad

During the financial year under review, an in-house Board Efficiency Evaluation Assessment ("BEE") exercise was conducted, facilitated by the NRC and Company Secretary. The exercise was carried out via questionnaires using a self and peer-rating model, covering Board, Board Committees, individual Directors and GMD (including assessment on skill-sets and independence). The Board evaluation included an intensive peer review of the performance of the GMD in areas such as skill set, contribution and performance and calibre and personality. The exercise serves to surface areas in which the Board and GMD fared well and headroom for improvement.

The NRC undertook the responsibility of providing oversight on the conduct of the BEE as well as reviewing the outcome of the BEE along with the Chairman. In February 2020, the Board resolved to adopt the BEE 2019 results as recommended by the NRC. The results generally reflected the Board's consensus that each of the Directors' level of performance was either good or excellent, and that they had also met the performance criteria in the prescribed areas of assessment. Overall, the BEE 2019 results showed that the Board was of the view that the Board and the Board Committees continue to be well structured, had effective operations and fulfilled their roles and responsibilities well. Although the Board was satisfied with the outcome of the BEE 2019, the Board noted there was still room for improvement. This included the suggestions on the need to have more discussion on strategic growth plans as well as more deliberation on financial performance and financial ratios with the objective that these will help in reviewing strategies from time to time.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Remuneration

The Board of Directors of Duopharma Biotech believes that remuneration packages should be constructed to attract, retain and incentivise individuals of the necessary calibre, expertise and experience to join the Board and Senior Management team. The Board and the NRC periodically review the Remuneration Policy and Procedures for Directors and Senior Management, including the quantum and composition thereof. External experts are enlisted periodically, typically on a frequency of once in every three years to facilitate this exercise. The breakdown of Directors' and Group Management Committee remuneration paid in 2019 is made available in Duopharma Biotech's Corporate Governance Report 2019, on pages 35 to 39 in relation to Practice 7.1 and 7.2 respectively.

The Remuneration Policy and Procedures are formulated based on the following overarching objectives:

- To ensure that the remuneration packages are robust and competitive to retain and attract the best talents in line with the long-term strategy and risk appetite of Duopharma Biotech; and
- To ensure the remuneration packages are commensurate with the Directors and Senior Management team members' responsibilities, time commitment, experience, expertise, complexity of the Company's activities and industry norms.

Remuneration packages for Non-Executive Directors reflect their time commitment (including meeting attendance) and responsibilities which amongst others encompass membership occupancy of Board Committees. No agreed upon severance payments and ex-gratia payments are awarded to Non-Executive Directors. The last revision to Directors' fees and meeting allowances was effected on 1 January 2018. Detailed disclosure on the remuneration of individual Directors is available in the Corporate Governance Report. The Company will be reviewing the NEDs remuneration in the year 2021. Any revision to the Non-Executive Director's Fees and Meeting Allowances will be tabled to the shareholders for approval.

As for the GMD and other Senior Management personnel, the remuneration

packages have been structured to reflect their responsibilities and link rewards to corporate and individual performance. The said nexus to corporate and individual performance is effected through the element of performance bonus. The external remuneration review exercise undertaken in 2018 revealed that the compensation accorded to Senior Management personnel of Duopharma Biotech is competitive and within industry norms. In calibrating the annual salary increment for Senior Management personnel, due care is taken to narrow the inter-income disparity between the top echelon and the average workforce across the Group. The comprehensive policy is made available on Duopharma Biotech's website at <https://duopharmabiotech.com/about-us/policy-and-procedure/policy-and-procedures-on-the-remuneration-for-directors-and-senior-management/>.

Principle B: Effective Audit And Risk Management

Audit and Integrity Committee

The Board has established the Audit and Integrity Committee ("AIC") which comprises solely of Independent Directors and is headed by, Razalee Bin Amin, an Independent Non-Executive Director who is distinct from the Chairman of the Board. Other members of AIC are Dato' Mohamad Kamarudin Bin Hassan who is also the Senior Independent Non-Executive Director and Zaiton Binti Jamaluddin, Independent Non-Executive Director. The AIC assists the Board by ensuring robust oversight on financial reporting, review of related party transactions and conflict of interests, external and internal audit processes and integrity and anti-corruption matters concerning the Group.

The AIC is supported by the Group Internal Audit and Integrity Department ("GIA") in the discharge of its duties and responsibilities. The internal audit function, being the third line of defence, is responsible to provide independent assessment of compliance with existing laws, regulations, policies and procedures and reviews the adequacy and effectiveness of the risk management systems, internal controls and governance processes. The GIA reports directly and functionally to the AIC to promote independence and to enable it to maintain objectivity in rendering unbiased judgements. The GIA only maintains a

perforated line of reporting to the GMD on administrative matters.

Risk Management and Internal Control Framework

The Board acknowledges its overall responsibility to review the adequacy and effectiveness of the Group's risk management and internal controls which include financial, operational and compliance controls. The risk management and control processes are implemented by the Management, led by the GMD and other Senior Management personnel of the Group, who are collectively responsible for prudent risk management and sound business practices.

In 2018, the Board had approved to include sustainability into the Terms of Reference of the then Risk Management Committee, and aptly renamed the committee as the Risk Management and Sustainability Committee ("RMSC"). The Board recognises that sustainability considerations involving economic, environment and social aspects represent the new order in the marketplace and as such, discussions of such nature should be elevated to the highest level of oversight.

The RMSC is supported by an in-house risk management function i.e. Group Risk Management Department ("GRMD") as well as the Sustainability Department ("SD"). GRMD provides advice and supports the Board and Executive Risk Management Committee (ERMC) in all matters of Enterprise Risk Management (ERM). The oversight by RMSC include feasibility evaluation of project/investment proposals and subsequent evaluation of the progress and results of endorsed project/investment through a process of due scrutiny. In addition, Business Continuity Management plan provides the Group with a firm strategy to handle uneventful situations and "doomsday" scenarios. The SD meanwhile implements sustainability-related policies, measures and actions to achieve the Group's sustainability milestones and goals.

The Group has in place the Group Internal Audit and Integrity ("GIA") function which independently reviews and assesses the adequacy, operating effectiveness and integrity of the system of internal control in managing key risks including often-side-lined risks such as compliance and reputational risks. The annual audit plan is

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reviewed and approved by the AIC. The scope as well as frequency of the audit coverage are determined in tandem with the level of assessed risks, in view of providing an independent and objective report on the operational and management activities of these functions. For more information, kindly refer to pages 68 to 70 of Duopharma Biotech's Annual Report.

Formalising our culture of integrity, the Board had approved the Anti-Bribery and Anti-Corruption Policy in December 2019 to ensure the Company complies with legal and regulatory requirements. The Company had integrated the policy with the Guidelines on Adequate Procedures launched by the MACC in December 2018. The initiative aims to prepare to comply with subsection (5) of Section 17A of the Malaysian Anti-Corruption Act 2009. Additionally, Duopharma Biotech is embarking on the ISO37001 Anti-Bribery Management System certification to ensure best-practices are in place to prevent, detect and address bribery. The Board and Senior Management of Duopharma Biotech are expecting to obtain the certification by end 2020.

Principle C: Integrity In Corporate Reporting And Meaningful Relationship With Stakeholders

Communication with Stakeholders

As custodians of Duopharma Biotech, the Board holds the responsibility of keeping stakeholders apprised on the Group's developments in a timely manner. The Board ensures that the Group goes above and beyond the minimum prescribed by incorporating meaningful narratives in the Group's formal disclosures. The Annual Report contains a balanced, comparable and meaningful assessment of the Group's position and prospects as well as comprehensive details about business activities and financial performance for the financial year.

In order to maintain an open line of communication with stakeholders, the Group leverages on a plethora of channels including the corporate website, announcements on the exchange, briefing sessions, roadshows, conferences, media releases and social media platforms. During the year under review, Duopharma Biotech has also officially launched the Company's new corporate logo and identity which are expected to strike a chord and resonate well with stakeholders. Press conferences were conducted for the benefit of the media following the conclusion of the Meeting of Members and the Annual General Meeting in 2019 as well as the aforesaid launch of the Company's new corporate logo and identity.

In promoting price discovery and valuing investors as providers of financial capital, Duopharma Biotech seeks to proactively engage with the investment fraternity. During the year under review, seven (7) investors briefing sessions were held comprising two

regular semi-annual briefing sessions, plus additional two (2) special dialogues. The investors briefing sessions also included three (3) one-on-one meetings with Senior Management, typically led by the GMD and/or the Chief Financial Officer of Duopharma Biotech. In addition, the Company participates in the initiatives organised under the auspices of Mid and Small Cap (MidS) Research Scheme by Bursa Malaysia Berhad with the objective of generating enhanced visibility.

In the 9th Malaysia Investor Relations Awards, Duopharma Biotech was nominated as a top five contender under the cluster of Small Cap Companies for Best Chief Executive Officer for Investor Relations, Best Chief Financial Officer for Investor Relations and Best Investor Relations Professional. Duopharma Biotech was particularly noted to be proactive in the dissemination of information to the investment community.

Premised on the intent of facilitating regular stakeholder communication, the Board has identified a Senior Independent Non-Executive Director, Dato' Mohamad Kamarudin Bin Hassan who serves a focal point on governance matters by working closely with the Group Company Secretary to address governance enquiries or concerns received from stakeholders.

Conduct of General Meetings

The Annual General Meeting ("AGM") not only serves as a platform to showcase the Group's performance but also enables a two-way dialogue between the Board and Senior Management vis-à-vis shareholders. All Directors, including Chairmen of respective Board Committees, GMD as well as key Senior Management personnel and the partner from the external audit firm are customarily present during the AGM. During the meeting, salient issues and decisions will be discussed and the Board presents the annual financial results, business performance overview and overall business outlook.

All resolutions tabled during the AGM or Meeting of Members are voted by poll with the voting results and procedures validated by an independent scrutineer. The voting results are disclosed immediately (i.e. percentage of shareholders approving, dissenting and abstaining) for all the resolutions that are tabled. The Group Managing Director conducts a press conference and takes unscripted questions from the press so as to clarify on the business trajectory and direction of the Company.

The Meeting of Members held on 20 February 2019 received the approval of Duopharma Biotech's shareholders for the proposed change of the Company's name from CCM Duopharma Biotech Berhad to Duopharma Biotech Berhad.

Duopharma Biotech encourages shareholders to engage with the Board for feedback or queries regarding the operations and strategic direction of the Company. The Board and Senior Management have taken proactive measures to pre-empt questions and the accompanying responses as well as to provide written replies for questions that are submitted in advance of the AGM. The Company Secretary records feedback and responses to shareholders' queries. In the scenario that substantive information is needed to respond to shareholders' queries during the AGM, the Company Secretary will provide a written response that will be uploaded onto the

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corporate website. Minutes of the previous AGM are made available on the corporate website within 30 days upon conclusion of the proceedings.

Notice for the upcoming AGM will be issued at least 28 days before the AGM to enable shareholders to make adequate preparations. In the event special business items appear in the Notice of AGM, a full explanation is provided to shareholders on the effect of the proposed resolution arising from such items. Helpdesks and information points are set up for shareholders during the AGM in case of further operational queries.

FOCUS AREAS IN 2019

Sustainability

In 2019, heightened prominence was accorded to the aspects of economic, environment and social (i.e. collectively referred to as “sustainability”) which also include considerations relevant to health and safety. Under the watchful eye of the amalgamated RMSC, the Group continued to operationalise its sustainability strategy by embedding United Nations’ Sustainable Development Goals (SDG) in its sustainability framework.

The Group remained relentless with its efforts to upgrade existing sites and facilities so as to be compliant with the relevant regulations concerning health and safety. It is worthy to point out that site drawings have been updated during the year under review and issues pertaining to fire certificates have been resolved for all sites. The Group had continued to benchmark its health, safety and environmental performance indicators such as number of first aid incidents, lost time due to injury, near misses, transport related incidents and environmental incidents with a view of undertaking improvement steps.

In this regard, the Group has for the past several years adopted a form of explicit/integrated link between the Senior Management’s performance bonus portion of their remuneration and sustainability key performance indicators (KPIs) by including the measurement of total recordable case frequency against annually set target as one of the KPIs for Senior Management personnel. For other aspects of sustainability as well as risk management, the Group is of the view that elements of sustainability and risk management, though not specifically mentioned or described as such, are nevertheless already embedded in the other KPIs since the risk management framework of the Group which inculcates a top-down approach covers all of the Group’s financial and non-financial operations.

In reciprocating to the community in which the Group derived its “social licence to operate”, the intensity of community outreach programmes has been increased. During the year, Duopharma Biotech engaged in activities such as the Road Safety Campaign, Lavender Ribbon Campaign, Donations to the Orang Asli Community and *Majlis Berbuka Puasa* to foster and improve relationships with various stakeholders. Efforts to promote candour and interactivity included a manufacturing facility tour that was organised for the Mufti of the states of Negeri Sembilan and Terengganu who were interested in the manufacturing processes of pharmaceutical products of the Group that are certified halal.

Duopharma Biotech was also one of the sponsors for 46th Edition of The Ship for Southeast Asian and Japanese Youth Program (SSEAYP) whereby Malaysia had been chosen as one of the Port-of-Call for the Nippon Maru Ship and included among others, participation by Malaysian youths. The Malaysian Port-of-Call activities included cultural exchange, study visits and adopted family. Some staff of Duopharma Biotech Group also volunteered for the adopted family program.

Further details on the Group’s sustainability efforts are encapsulated in Duopharma Biotech’s stand-alone Sustainability Report.

Succession Planning and Capacity Building of Employees

Recognising that its people are the greatest assets, the Board approved the implementation of succession and career development plans for Duopharma Biotech Group. The Board also approved the implementation of the Group’s competency framework and the learning and development framework. The Group invested significantly in capacity building and employee engagement efforts during the year. There was a greater focus in talent reviews with a view of identifying top talents and determining ways to retain them either through competitive compensation, development opportunities and career growth. These talent management initiatives serve as a wider imperative for succession planning in relation to key roles at the Management level.

In upskilling employees and apprising employees of latest developments particularly concerning ethical conduct, emphasis has been accorded to the conduct of training programmes. Group-wide training programmes have been digitised where practicable to allow for a higher reach and participation amongst employees across all levels. It is also interesting to note that the employee engagement survey in the year 2019 recorded a higher response rate with its deployment being facilitated through digital modalities.

The Professional Training and Education for Growing Entrepreneurs (“PROTÉGÉ”) Programme [formerly known as Skim Latihan 1Malaysia Programme (SL1M)] represents another initiative by the Group to reinforce the talent pool from the “get-go” stage by grooming the younger generation. Participants of this programme are trained in the backgrounds which amongst others relate to chemistry, biotechnology pharmaceutical and production planning with a view of being offered full-time employment after 18 months, subject to among others, availability of suitable positions and performance merit.

Halal Leadership

Pursuant to the institution of the Halal Committee at the Board level in the tail-end of 2018, this segment continues to be an area of focus amongst those charged with Halal governance and strategy at Duopharma Biotech. Robust oversight in this segment is critical as the Group aims to further differentiate itself from the pack and strengthen its position as a thought leader in the Halal pharmaceuticals market through, amongst others, the planned roll-out of Halal certified biosimilar products.

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During the year under review, the Halal Committee reviewed and deliberated on the proposed Halal key performance indicators for the year 2020 and recommended on the alignment of the proposed key performance indicators with the Group's business activities and desired outcomes. Standard operating procedures in this regard were also refined to serve as reference for the production, warehousing and distribution of such products. In December 2019, Duopharma Biotech further strengthened its leadership in halal pharmaceuticals by signing a Memorandum of Understanding (MoU) with KPJ Healthcare Bhd (KPJ) to collaborate and co-operate in exploring mutually beneficial initiatives and awareness activities relating to halal pharmaceuticals.

CORPORATE GOVERNANCE PRIORITIES (2020 AND BEYOND)

The Board remains committed to achieving the highest standards of corporate governance and integrity. Our governance structure operates from the direction of the Board as cascaded across the Group and we believe it is critical in underpinning our ability to deliver to generate long-term value for our shareholders and other stakeholders.

The following sets out our intentions in enhancing our governance practices and processes:

Short Term Plan (1- 2 Years)

Building an Ethical Culture

As a major initiative for 2020, the Board of Directors is resolute to foster an ethical-based culture across the Group. The Board is cognisant of its responsibility to set the ethical "tone from the top" and has undertaken to direct the enhancement of the Group's ethical framework comprising relevant policies and procedures. This forward-looking move is essential to future-proof the Group towards the implementation of corporate liability provision, introduced vide the Malaysian Anti-Corruption Commission (Amendment) Act 2018 and which will take legal effect on 1 June 2020. The said enhancement of the ethical framework will also place the Group in a good stead to be certified as compliant to MS ISO 37001:2016 – Anti-Bribery Management System.

In the course of this exercise, the Group will also refine its procurement procedures, particularly those that may be susceptible to leakages based on a corruption risk analysis. Training and communication remain as integral pieces of the ethical framework and the Group will continue to reinforce these aspects on an iterative basis.

Iterative Stakeholder Engagement

The Group recognises the importance of fostering mutually reinforcing ties with stakeholders who impact its performance and are impacted by its actions. In fact, the success of Duopharma Biotech over the past five to six years can be attributed to partnerships whereby collaborations and linkages have accelerated the introduction of its new products into the marketplace.

Given that around 49% of the Group's sales are generated from the government sector, the Group is committed in bringing about positive spill overs by providing value-added data points on the usage of insulin pens which in turn can be used by the government in its cost rationalisation and efficiency undertakings. On this front, the Group will continue to seek avenues of co-operation and add value to its symbiotic relationship with the government, particularly the Ministry of Health.

The Group also intends to further leverage on technology to have a better reach towards its wide cross-section of stakeholders.

Internal Restructuring

In tandem with its objective of being focussed in its strategy and in order to foster direct as well as heightened accountability, Duopharma Biotech plans to demarcate the consumer healthcare business through a separate entity, namely Duopharma Consumer Healthcare Sdn Bhd. This would also allow for the development of a strong regional brand for the consumer healthcare business, thus, driving marketing excellence across the region and growth in international business.

In effecting this change, Duopharma Biotech will give utmost priority to the relevant governance considerations such as reporting line, limits of authority as well as board and management structure.

Long Term Plan (Three to Five Years)

Corporate Reporting

Within the next 4 years, Duopharma Biotech will endeavour to apply Practice 11.2 of the MCCG (i.e. adopting integrated reporting based on a globally recognised framework), notwithstanding the fact that the Company is currently not a Large Company and therefore is not subjected to the said Practice.

As for the second year on the trot, the Company has successfully produced its stand-alone Sustainability Report pursuant to the guidelines outlined in Practice Note 9 of MMLR as well as the Sustainability Guide and Toolkits by Bursa Malaysia Berhad. Duopharma Biotech is also continuously building the necessary systems to capture data that are relevant to sustainability indicators and has recently embedded United Nations' Sustainable Development Goals in its sustainability framework. These developments signal a significant step forward and has positioned Duopharma Biotech on a solid footing to adopt Integrated Reporting.

REPORT OF THE NOMINATION AND REMUNERATION COMMITTEE

The Board of Directors of Duopharma Biotech Berhad ("Duopharma Biotech" or "the Company") is pleased to present the report of the Nomination and Remuneration Committee ("NRC" or "Committee") and its activities during the financial year ended 31 December 2019.

Composition of Nomination and Remuneration Committee and Meetings

As at the end of the financial year 2019, the composition of the NRC stood at three (3) members, majority of whom are independent. A total of six (6) meetings were held during the year. The status of directorship and attendance record of each member during the year is as follows:-

Members of NRC	No. of Meetings Attended
Dato' Mohamad Kamarudin Bin Hassan <i>Chairman, Senior Independent Non-Executive Director</i>	6/6
Tan Sri Datin Paduka Siti Sa'diah Binti Sh Bakir <i>Member, Non-Independent Non-Executive Chairman</i>	6/6
Dato' Eisah Binti A.Rahman <i>Member, Independent Non-Executive Director</i>	6/6

Summary of Work Done During the Year

During the year, the Committee:

A. Nomination-related matters

- Evaluated, assessed and recommended to the Board, the appointment of a Non-Executive Director of Duopharma Biotech based on the Company's selection criteria.
- Reviewed and recommended the re-election/reappointment of non-executive directors to the Board.
- Evaluated and recommended promotions for key positions/ Senior Management in Duopharma Biotech Group to the Board of Directors.
- Reviewed and recommended the composition of the board of directors of subsidiary companies of Duopharma Biotech to the Board of Directors and training requirement for candidates to be appointed to the said board.
- Reviewed and recommended the Company Secretaries for subsidiary companies of Duopharma Biotech to the Board of Directors.
- Ensured that all Directors received appropriate continuous training programmes in order to keep abreast with developments in related industries and changes in the relevant statutory requirements.
- Reviewed and recommended implementation of Succession and Career Development Plans for Duopharma Biotech Group to the Board of Directors.
- Reviewed and recommended implementation of Competency Framework in Duopharma Biotech Group to the Board of Directors.

- Reviewed and recommended the Learning and Development Framework in Duopharma Biotech Group to the Board of Directors.
- Reviewed and recommended the revised Board Evaluation Assessment of Board of Directors, Board Committees, Individual Directors and Independent Directors.

B. Remuneration-related matters

- Reviewed the Directors Remuneration for the shareholders' approval at the Annual General Meeting of the Company in 2019.
- Reviewed and recommended to the Board the annual increment and bonus package for employees of Duopharma Biotech Group.
- Reviewed and recommended the benefits-in-kind in Duopharma Biotech and its subsidiaries.
- Reviewed and recommended of New Salary Structure for Red Book and Blue Book Employees in Duopharma Biotech Group to the Board of Directors.
- Reviewed and recommended the proposed terms for Union Collective Agreements in Duopharma Biotech Group to the Board of Directors.

Details on the Terms of Reference of the Nomination and Remuneration Committee can be found on the Company's website at www.duopharmabiotech.com

REPORT OF THE NOMINATION AND REMUNERATION COMMITTEE

FORMALISED AND TRANSPARENT REMUNERATION POLICIES FOR DIRECTORS AND SENIOR MANAGEMENT

Our Board believes that remuneration should be adequate to attract, retain and incentivise individuals of the necessary caliber, expertise and experience to join our Board.

Remuneration of Non-Executive Directors (“NED”)

The key principles which underpin our Board’s policies for NED remuneration as set out in the Directors’ Remuneration Guidelines are as follows:

- Adequate to attract, motivate and retain world-class non-executive talent
- Consistent with recognised best practice standards for Chairman and NED remuneration
- Reflect the experience, time commitment, level of responsibilities and complexity shouldered, special assignments and risks

In determining director’s remuneration, our Board considered various factors, including changes in the business, market environment, complexity, increase in time commitment as well as directors’ remuneration of other companies which operate in similar businesses and are comparable in size and market share.

Our NEDs are entitled to be reimbursed for expenses which are reasonably incurred by them in the discharge of their duties. This includes but is not limited to travel and accommodation, mobile and broadband expenses. Claims submitted by the NEDs will be reviewed and approved by the Board Chairman while the Board Chairman’s claims are subject to review and approval by the Group Managing Director.

The shareholders of the Company had in 2018 approved the increase of Directors’ Fees and Meeting Allowances payable to the Directors entitled to receive the ordinary remuneration with effect from 1 January 2018. The Company will be reviewing the NEDs remuneration in the year 2021. Any revision to the NED’s Fees and Meeting Allowances will be tabled to the shareholders for approval.

Remuneration of Senior Management

The remuneration packages for our Group Managing Director and other Senior Management personnel, have been structured to reflect their responsibilities and link rewards to corporate and individual performance. The said nexus to corporate and individual performance is affected through the element of performance bonus.

The performance of Group Managing Director and Senior Management is measured based on the achievements of their annual KPIs in both qualitative and quantitative KPIs and the weightage of the qualitative and quantitative targets may be adjusted to accommodate the Company’s aspirations.

Evaluation on the achievement of each of the KPIs by Senior Management against an agreed performance standard is reviewed by the Group Managing Director; whilst for Group Managing Director, it is reviewed by the Nomination and Remuneration Committee. The rewards accorded to Senior Management (other than the Group Managing Director and the Chief Operating Officer) for their achievement of the respective KPIs shall comprise annual bonus and increment to their base salaries. The Group Managing Director and the Chief Operating Officer, being employed on fixed term contracts, also receive an annual bonus for their achievement of their respective KPIs, but are not entitled to increment to their base salaries.

The external remuneration review exercise undertaken in 2018 revealed that the compensation accorded to Senior Management personnel of Duopharma Biotech is competitive and within industry norms.

REPORT OF THE AUDIT AND INTEGRITY COMMITTEE

The Board of Directors of Duopharma Biotech is pleased to present the report on the Audit and Integrity Committee (“AIC” or “Committee”) and its activities during the financial year ended 31 December 2019.

Composition of Audit and Integrity Committee and Meetings

As at the end of the financial year 2019, the composition of the AIC stood at three (3) members, all of whom are independent. A total of five (5) meetings were held during the financial year. The status of directorship and attendance record of each of the members during the year are as follows:

Members of AIC	No. of Meetings Attended
Razalee Bin Amin <i>Chairman, Independent Non-Executive Director</i>	5/5
Dato’ Mohamad Kamarudin Bin Hassan <i>Member, Senior Independent Non-Executive Director</i>	4/5
Zaiton Binti Jamaluddin <i>Member, Independent Non-Executive Director</i>	5/5

Summary of Work Done During the Year

Below is a listing of the work done by the AIC up to 31 December 2019 in discharging and meeting their functions, duties and responsibilities with regards to financial reporting and internal controls:

A. Financial reporting matters

- Reviewed the Company’s quarterly reports in respect of financial to ensure compliance to the Malaysian Financial Reporting Standards and regulatory requirements and recommended to the Board for subsequent release to Bursa Malaysia.
- Reviewed the notes to the draft announcements of the audited and unaudited financial statements to Bursa Malaysia, to ensure compliance to the regulatory Requirements.
- Reviewed the external auditors’ report for the financial year ended 31 December 2018, including matters relating to adjustments arising from the external audit review and adequacy of disclosures, prior to making recommendation to the Board for approval. No significant adjustments were required to the financial statements, which was presented in a true and fair manner.

B. External Audit matters

- Held private meetings and discussions with the external auditors to allow for discussions on matters of concern and deliberated on the observations highlighted by the external auditors, and the respective management action plans and status updates.
- Deliberated on the issues and reservations arising from the interim and final audits, and any matter that the external auditor may wish to discuss without the presence of the Management.

- Reviewed the external auditors’ audit plan and engagement strategy for the financial year ended 31 December 2019, covering the materiality, audit scope, audit methodology and timing of audit, key milestones, etc. and reported the same to the Board.
- Recommend to the Board on the extent and nature of non-audit services that can be carried out by the external auditor and ensure adequacy of checks and balances on the provision of such non-audit services, in line with the Company’s Policy on External Auditor
- Evaluated the performance and independence of the external auditors and made recommendations to the Board on their reappointment and audit fees.

C. Internal Audit matters

- Oversees the performance and effectiveness of the Internal Audit function based on the approved key performance indicators, assesses the competency and experience of the Group Internal Audit & Integrity staff as well as the adequacy of resources in order for the Internal Audit function to carry out its work effectively. The AIC also ensures that the Group Internal Audit & Integrity Department has the authority to carry out their work objectively and independently, free from any relationship or conflicts of interest.
- Reviewed and approved Duopharma Biotech’s Internal Audit Plan and budget for the year.

REPORT OF THE AUDIT AND INTEGRITY COMMITTEE

- iii. Reviewed the status report of internal audit activities for the year to ensure that all the planned activities for Duopharma Biotech were properly carried out.
- iv. Reviewed the summary of the internal audit reports prepared by Group Internal Audit & Integrity Department and deliberated on significant audit issues, audit recommendations, management action plans and the agreed timeline. Where necessary, provided input on improvement of processes and operations.
- v. Monitored the status of corrective actions taken by the Management to ensure all internal audit issues and concerns are adequately addressed within the stipulated timeline.
- vi. Held private meetings and discussions with the Head of the Group Internal Audit & Integrity Department on significant audit and internal control matters.

D. Integrity matters

- i. On its role with regard to Integrity, the AIC is entrusted to review the whistleblowing reports as tabled by the Head of the Group Internal Audit & Integrity and provide its recommendation for the resolution of the cases. The AIC, through the Group Internal Audit & Integrity Department, ensures that the whistleblowing process is reliable and trustworthy.
- ii. Reviewed Duopharma Biotech's Integrity Initiatives for 2019, and periodically monitored its progress against the plan.
- iii. Deliberated on the findings highlighted in the Integrity Assessment that was carried out by the Malaysian Institute of Integrity, and respective action plans that will be translated into the Duopharma Biotech's Organisational Integrity & Anti-Corruption Plan 2020-2022.
- iv. Reviewed and recommended to the Board for approval of the revised Whistleblowing Policy of Duopharma Biotech and its Group.
- v. Reviewed and recommended to the Board for approval of the Anti-Bribery & Anti-Corruption Policy, Gift & Hospitality Policy; Sponsorship Policy, Declaration of Interest Policy, Integrity Pact Policy and the Anti-Money Laundering & Anti-Terrorism Financing Policy that is applicable to Directors, Officers and Employees of Duopharma Biotech and its Group.
- vi. Oversees the enforcement of Section 17A of the Malaysian Anti-Corruption Act 2009 and steps to be taken by Duopharma Biotech on the Corporate Liability Provisions of Section 17A to ensure adequate procedures and preventions are in place.

E. Annual Report matters

- i. Reviewed the Report of the AIC and Statement on Risk Management and Internal Control ("SORMIC") prior to approval by the Board for inclusion in the 2018 Annual Report. The SORMIC was supported by the Annual Assurance Statement on Risk Management and Internal Controls, which were signed off by the Group Managing Director and the Chief Financial Officer.

F. Strategic and Litigation matters

- i. Monitored the progress and deliberated on the way forward of Duopharma Biotech's strategic projects and litigation cases.
- ii. Reviewed and recommended to the Board for approval of proposals on financial plan for Duopharma Biotech and its Group.

G. Other related matters

- i. Reviewed the related party transactions entered into by Duopharma Biotech and the disclosure of such transactions in the annual report and recurrent related party transactions.
- ii. Reviewed and recommended to the Board for approval of dividends to be declared to the shareholders of Duopharma Biotech as well as applicability of the Dividend Reinvestment Plan to such dividends.
- iii. Reviewed and recommended to the Board for approval of Limits of Authority for Duopharma Biotech and its Group.
- iv. Site visits by Chairman of the Risk Management and Sustainability Committee together with the Chairman of the AIC to Duopharma's investments in PanGen Biotech Inc., Korea and SCM Lifescience Co., Ltd., Korea as part of continuing oversight of such investments
- v. The Chairman of the AIC together with the Chairman of the Risk Management and Sustainability Committee reviewed and recommended coordination of activities between the two committees on risk oversight to avoid overlaps in the overall risk oversight process and to clarify scope of oversight by the respective committees.

Details on the Terms of Reference of the Audit and Integrity Committee can be found on the Company's website at www.duopharmabiotech.com

REPORT OF THE AUDIT AND INTEGRITY COMMITTEE

Statement on Internal Audit Function

The AIC is supported by Group Internal Audit & Integrity ("GIA") in the discharge of its duties and responsibilities. In the Three Lines of Defence model, management control is the first line of defence in risk management, the various risk control and compliance oversight functions established by management are the second line of defence, and independent assurance is the third. Each of these three "lines" plays a distinct role within the organisation's wider governance framework. Internal Audit function, being the third line of defence, is responsible to provide independent assessment of compliance with existing laws/regulation, policies and procedures and reviews the adequacy and effectiveness of the risk management systems, internal controls and governance processes.

The Head of the Group Internal Audit and Integrity function ("GIA") reports directly to the AIC to promote independence and to enable it to maintain objectivity in rendering unbiased judgements.

(i) Reporting Line

The internal audit function's purpose, authority and responsibilities are stated in the Internal Audit Charter, which is approved by the AIC. The internal audit function is responsible for undertaking regular and systematic risk-based assessments of the internal control of Duopharma Biotech so as to provide reasonable assurance that such systems are adequate and continue to operate effectively in managing the key risks of Duopharma Biotech.

Management, Corporate Governance Compliance review and Recurrent Related Party Transactions. The Internal Audit Reports, which included issues and action plans, were presented to and discussed with Management. GIA subsequently monitored the implementation of the agreed action plans to ensure full compliance. The reports together with follow-up action plans and implementation status were presented to the AIC for their deliberation and subsequent approval.

The performance of the GIA function was presented to the AIC on a quarterly basis.

(ii) Audit Planning and Work Done

The GIA formulated the Annual Internal Audit Plan based on the risk assessment of the business operations and the audit cycle, which was then approved by the AIC. GIA adopts the COSO Internal Control Framework in conducting the audit assignments, which covered 5 elements of internal controls, namely Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring.

In 2019, the GIA had issued 14 audit reports which covered operational and ad-hoc, amongst others, Project Management, Engineering Maintenance - Bangi, Depot Operations (Penang & Kota Bahru), DB (Philippines) Inc., Warehouse and Inventory

(iii) Internal Audit Cost

The total expenditure incurred for GIA function for the financial year, which amongst others includes departmental expenditures such as office running expenses, training expenses, travelling expenses, staff remuneration, etc. is estimated at RM922,594.68.

Further details of the activities of the Group Internal Audit & Integrity Department are set out in the Statement on Risk Management and Internal Control under page 74 to 81 of the Annual Report.

REPORT OF THE RISK MANAGEMENT AND SUSTAINABILITY COMMITTEE

The Board of Directors of Duopharma Biotech is pleased to present the report on the Risk Management and Sustainability Committee ("RMSC" or "Committee") and its activities during the financial year ended 31 December 2019.

Composition of Risk Management and Sustainability Committee and Meetings

During the financial year ended 31 December 2019, the composition of the RMSC stood at three (3) directors, majority of whom are independent. A total of eight (8) meetings were held during the financial year. The status of directorship and attendance record of each of the members during the year are as follows:-

Members of RMSC	No. of Meetings Attended
Datuk Mohd Radzif Bin Mohd Yunus <i>Chairman, Non- Independent Non-Executive Director</i>	8/8
Zaiton Binti Jamaluddin <i>Member, Independent Non-Executive Director</i>	8/8
Dato' Eisah Binti A. Rahman <i>Member, Independent Non-Executive Director</i>	8/8

Summary of Work Done During the Year

Below is a listing of the work done by the RMSC in discharging and meeting their functions, duties and responsibilities with regards to risk management:-

A. Risk Management-related matters

- i. Reviewed the status report of risk management activities for the year to ensure that all the planned activities for Duopharma Biotech were properly carried out.
- ii. Reviewed the summary of the risk assessment report prepared by the Group Risk Management Department.
- iii. Monitored the status of mitigation actions taken by the Management to ensure all risk management issues and concerns are adequately resolved on timely basis.
- iv. Reviewed Duopharma Biotech's Risk Profile and the management process for identifying, evaluating and managing the significant risks faced by Duopharma Biotech.
- v. Reviewed and update Risk Appetite based on the Company's performances, goals and market condition.
- vi. Reviewed the revision of Risk Management Manual Guidelines.
- vii. Reviewed and recommended to the Board of Directors on the selection of consultant for Risk Maturity Assessment to identify gaps and develop road map to achieve the ideal risk maturity level for the Company towards increasing the long-term value for stakeholders, as well as to ensure the competitiveness and sustainability of the Company

B. Sustainability-related matters

- i. Monitored Duopharma Biotech's compliance to Safety, Health and Environment target for the year.
- ii. Reviewed reports on Safety, Health and Environment incidents and deliberated the adequacy and effectiveness of preventive and corrective action taken.
- iii. Reviewed updates on Sustainability Reporting which includes Sustainable Development Goals and 2019 Global Top Risks.
- iv. Reviewed and recommended to the Board of Directors the Sustainability Policy; Safety, Health and Environmental Policy; and Corporate Social Responsibility Policy.
- v. Reviewed status updates on improving Business Continuity Management for Duopharma Biotech Group.

C. Annual Reports

- i. Reviewed the Report of RMSC and Statement on Risk Management and Internal Control ("SORMIC") prior to approval by the Board for inclusion in the 2018 Annual Report. The SORMIC was supported by the Annual Assurance Statement on Risk Management and Internal Controls, which were signed off by the Group Managing Director and the Chief Financial Officer.
- ii. Reviewed and recommended to the Board of Directors the Sustainability Report 2018.

REPORT OF THE RISK MANAGEMENT AND SUSTAINABILITY COMMITTEE

D. Project and Strategy-related matters

- i. Reviewed and recommended to the Board of Directors proposals on implementation of projects, investments, capital spending, annual budget and operating plan for the year 2020 and internal restructuring.
- ii. Reviewed the CAPEX framework and recommended RMSC's role in the process to ensure adequate and effective risk management.
- iii. Reviewed the Group's 7-year Strategy Plan and 2020 Operational Plan to ensure sufficient risk assessment has been undertaken and appropriate mitigation put in place.

E. Corruption Risk-related matters

Reviewed and recommended to the Board of Directors matters pertaining to Risk Management for Corruption Risk pursuant to the requirements of the amendments to the Main Market Listing Requirements issued by Bursa Malaysia Securities Berhad with respect to the obligation of the Company and its Board of Directors to ensure the establishment and maintenance of policies and procedures on anti-corruption and whistle-blowing as well as the inclusion of corruption risk in the Company's annual risk assessment.

F. Other matters

- i. Reviewed and recommended to the Board of Directors the revised Terms of Reference of the RMSC.
- ii. Site visits by the Chairman of RMSC together with the Chairman of the Audit & Integrity Committee ("AIC") to Duopharma's investments in Korea, namely PanGen Biotech Inc. and SCM Lifescience Co., Ltd. as part of continuing oversight of the Company's investments.
- iii. Meetings between the Chairman of the RMSC and the Chairman of the AIC to discuss coordination of activities between the two committees on risk oversight to avoid overlaps in the overall risk oversight process, and to clarify scope of oversight by the respective committees.
- iv. Dato' Eisah binti A.Rahman has completed the Qualified Risk Director Program by the Institute of Enterprise Risk Practitioners ("IERP") and was admitted as member of IERP on 2 October 2019.

Details on the Terms of Reference of the Risk Management and Sustainability Committee can be found on the Company's website at www.duopharmabiotech.com.

The Group Risk Management Department ("GRMD") is responsible for the ongoing review, development and co-ordination of Risk Management Framework and ensure the implementation of the risk management process in the Group. Activities organised by GRMD includes:

- i. Conducted 7 Risk and Control Self-Assessment (RCSA) workshops and 64 one-to-one sessions to instill understanding and importance of risk management and at the same time ensuring appropriate coverage of risk identification, analysis, evaluation and treatment within the Group;
- ii. Performed independent assessment and reports on Capital Expenditure requests;
- iii. Conducted on-line risk quiz to assess the competency and risk knowledge level of staff;
- iv. Conducted risk competition as part of an on-going effort to inculcate risk management culture among staff;
- v. Appointed an external party to assess the risk management maturity level of the Group;
- vi. Standardisation of all risk reports within the Group which enables a proper risk overview and management of operational risk in the Group;
- vii. Organised a session on Financial Risk by external speaker for Senior Management to increase the awareness on financial risks and the various available mitigation strategies; and
- viii. Highlighted emerging risks from international reports such as the Global Risk Report, Allianz Risk Barometer Report 2019 and Malaysia Budget 2020, to enable Management to proactively develop internal control necessary to manage these risks that may have impact on the Group's businesses and operations.

REPORT OF THE HALAL COMMITTEE

The Board of Directors of Duopharma Biotech is pleased to present the report on the Halal Committee (“HC” or “Committee”) and its activities during the financial year ended 31 December 2019.

Composition of Halal Committee And Meetings

As at the end of the financial year 2019, the composition of the HC stood at 3 members, majority of whom are independent directors. The Committee is chaired by Datuk Nik Moustpha Bin Hj Nik Hassan. A total of five (5) meetings were held during the year under review. The status of directorship and attendance record of each member during the year are as follows:

Members of HC	No. of Meetings Attended
Datuk Nik Moustpha Bin Hj Nik Hassan <i>Chairman, Independent Non-Executive Director</i>	5/5
Datuk Mohd Radzif Bin Mohd Yunus <i>Member, Non-Independent Non-Executive Director</i>	5/5
Dato' Eisah Binti A.Rahman <i>Member, Independent Non-Executive Director</i>	5/5

Summary of Work Done During the Year

A. Conformance to Halal Standard matters

- Reviewed and realigned the structure of Duopharma Biotech's halal operations committees to ensure that the committees functions effectively to ensure all Duopharma Biotech's facilities and manufactured products maintain adherence to the requirements of Halal Certification.
- Monitored the status of Duopharma Biotech's manufactured products that are halal-certified under the Halal Malaysia Certification scheme of Jabatan Kemajuan Islam Malaysia (JAKIM) and Lembaga Pengkajian Pangan, Obat-obatan, dan Kosmetika Majelis Ulama Indonesia (LPPOM MUI).

B. Organisational core resources and capabilities matters

- Reviewed and provided directives on the background and expected credibility of Duopharma Biotech's Shariah Advisor and Halal Executives.
- Reviewed and deliberated on the proposed Halal KPI for Duopharma Biotech Group for the year 2019 and recommended on the alignment of the proposed Halal KPI for 2019 with Duopharma Biotech's business activities and desired outcome.
- Monitored and reviewed the reports on Duopharma Biotech Halal Initiatives 2019 and Recommendations for 2019 Halal Planned Initiatives and Indicative Budget.

C. External stakeholders' matters

- Guided the principles and approach of awareness materials and communication on Halal Pharmaceuticals.
- Deliberated on the halal promotional programs completed in 2019, and made recommendations to improve on the approach and activities of the programs to enhance international presence.
- Reviewed and recommended key influencers to adequately support Duopharma Biotech's Halal Initiatives.
- Deliberated and recommended funding for research and development on industry driven issues related to Halal pharmaceuticals by academic and research institution.

D. Other related matters

- Reviewed the proposed revised Duopharma Biotech's Halal Policy to be realigned with other policies.

Details on the Terms of Reference of the Halal Committee can be found on the Company's website at www.duopharmabiotech.com

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RESPONSIBILITY

The Board is responsible for the review of the adequacy and effectiveness of the Duopharma Biotech Group's ("the Group") system of risk management and internal controls, which includes financial, operational and compliance controls. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives. Accordingly, it can only provide reasonable and not absolute assurance against material misstatement or loss.

The risk management and control processes are implemented by the Management, led during the year under review by the Group Managing Director and Senior Management of the Group, who collectively are responsible for good business practices and governance.

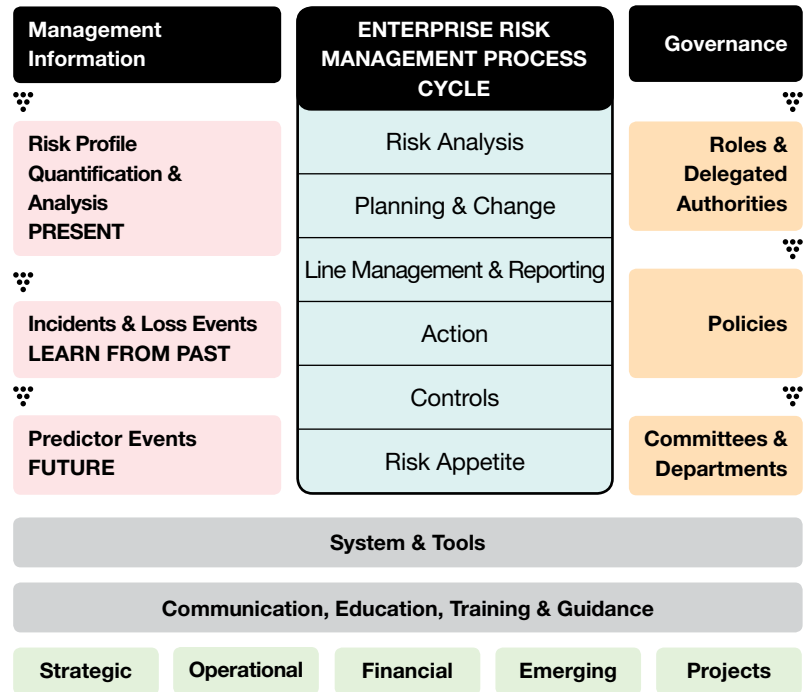
RISK MANAGEMENT AND SUSTAINABILITY FUNCTION

The Board had decided that a committee is required to ensure business sustainability in the face of challenging external conditions. In view of this, Risk Management and Sustainability Committee ("RMSC") is responsible to assist the Board of Directors in ensuring that there is a sound system for risk management and effective management of sustainability practices within the Group and its subsidiaries.

The RMSC is supported by an in-house risk management function i.e. Group Risk Management Department ("GRMD") and Sustainability Department ("SD"). GRMD provides risk advisory and supports the Board and the Executive Risk Management Committee ("ERMC") in all matters of Enterprise Risk Management ("ERM"). Whilst SD implements sustainability-related policies, measures and actions in achieving company sustainability milestones and goals. Please refer to the stand-alone Sustainability Report which explains efforts in the area of sustainability.

RISK MANAGEMENT FRAMEWORK

The ERM framework defines the policy and objectives and sets the risk reporting structure. The framework structure includes risk profiling of historical and current risks as well as future expectation to anticipate probable future exposures. The framework ties into the Group's governance policies and guidelines via deliberations at various committees. The framework operates within the context of Strategic, Operational, Financial, Emerging and Project risk categories.



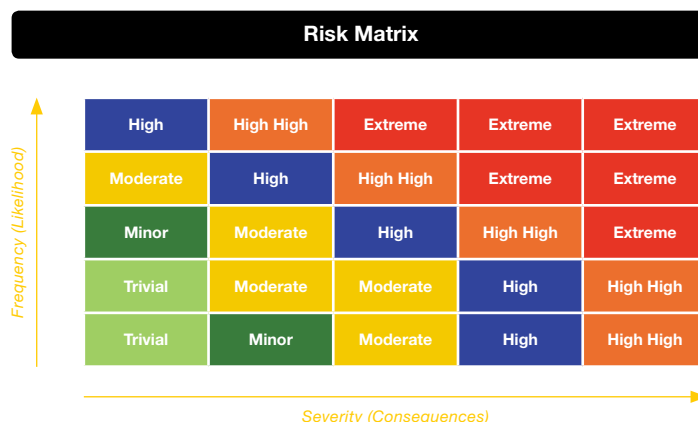
The RMSC receives reports from members of the ERMC which is chaired by the Group Managing Director and comprises of Group Management Committee ("GMC"). The ERMC is assisted by the Risk Champions whose role is to identify, mitigate and manage risks within their departments. This reflects the Group's overall risk governance structure where it aims to place accountability and ownership whilst facilitating an appropriate level of independence and segregation of duties between the three lines of defence, which include management control as the first line of defence, various established risk control and compliance functions as the second line of defence and internal audit as the third line.

The GRMD has a role in facilitating, coordinating, monitoring and assessing the effectiveness of the ERM framework in accordance to established policies, principles and standards. The ERM structure is summarised below:



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Company adopts ISO31000:2009 Risk Management Principles and Guidelines in its risk management processes, whereby the focus is on the management of risk from any event or uncertainty that may have a significant impact on the Group objectives. Risk management process includes risk identification, analysis, evaluation and treatment, with continuous monitoring, review, communication and consultation. Risk events are analysed in terms of its likelihood of occurrence and significance of their consequences, where an approved Risk Matrix is used to ensure consistent practice throughout the Group.



The table below provides an indication of key risk areas and mitigation strategies during the year.

KEY RISK	DESCRIPTION	MITIGATION
Projects not meeting planned objectives	Risk on any items that may lead to cost overrun, delay or failure to complete the projects.	All projects that require the approval from the Board, are subjected to risk assessments, where the risk registers resulting from the assessment together with the mitigation plans are mandatorily tabled as part of the projects' proposals. Project risk updates post implementations of the projects are tracked and reported to the Board as part of the risk management reporting process.
Fluctuation in exchange rates and interest rates	Risk of volatilities affecting exchange rates and interest rates which may affect the values of financial assets and liabilities.	<ul style="list-style-type: none"> Better cost management in imported items like raw materials, machines etc. Increase efficiencies in operations. Close monitoring of foreign assets and liabilities denominated in the same currency to maximize the benefits of natural hedges and also other hedging arrangements Converting USD denominated loan from OCBC to MYR
Regulatory change	Pharmaceuticals industry is highly regulated. The Group needs to be prepared for anticipated future standards when implemented.	<ul style="list-style-type: none"> The Group has established procedures and mechanisms to ensure full compliance. An in-house Pharmacovigilance and Clinical Affairs team monitor drug safety and work closely with regulators and medical practitioners. Periodically invests in major infrastructure upgrades in anticipation of future regulatory demands.
Government policy change	New government may introduce new policy and reforms that may impact the Group.	Continuous engagement with relevant authorities and close monitoring on changes in government policy and directions.
Continuity of collaborations with key partners	The Group has collaborations with key partners in various projects. Retention of these key partners contribute to the success of the projects	The Group engages key partners closely and ensures good communications. All deliverables and performance indicators are mutually agreed and met or exceeded.

KEY ELEMENTS OF THE GROUP'S SYSTEM OF INTERNAL CONTROLS

The Audit and Integrity Committee ("AIC") is responsible for monitoring, overseeing and evaluating the duties and responsibilities of Management, the internal and external auditors as those duties and responsibilities relate to the Group's processes for controlling its operations. The AIC is also responsible for determining that all major issues reported by the Group Internal Auditor, the external auditors and other outside advisors have been satisfactorily resolved. Finally, the AIC is responsible for reporting to the Board of Directors all important matters pertaining to the Group's control processes.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Management is entrusted with the responsibility of establishing an internal control framework with the objective of controlling the operations of the Group in a manner which provides the Board of Directors with reasonable assurance that the control objectives will be achieved.

The internal audit function is entrusted with the responsibility for ascertaining that the ongoing processes for controlling operations throughout the Group are adequately designed and are functioning in an effective manner. The Group Internal Auditor is also responsible for reporting to Management and the AIC on the adequacy and effectiveness of the Group's systems of internal control, together with ideas, counsel and recommendations to improve the systems.

The key elements of the Group's system of internal controls are described below:-

Board Committees

The delegation of responsibilities to the various committees of the Board of Directors is clearly defined. At present, the committees which are established are the AIC, Risk Management and Sustainability Committee ("RMSC"), Nomination and Remuneration Committee ("NRC") and Halal Committee ("HC").

Assignment of Authority and Responsibility

Clearly defined lines of authority within the Group's organisation structure have been established to facilitate the supervision and monitoring of conduct and operations of individual business units and support services departments. The Board has approved a defined and documented Limits of Authority ("LOA") which is used consistently throughout the Group.

These LOAs specify clear division and delegation of responsibilities from the Board to the Board Committees and to members of Management and the authorisation levels of various aspects of operations. The latest LOA was reviewed and approved by the Board of Directors on 21 May 2019 to resolve operational effectiveness and challenges and to reflect changing risks. Additionally, the Duopharma Biotech's Group Management and the RMSC of Duopharma Biotech provide added assurance to the board on the feasibility evaluation of project/investment proposals and subsequent evaluation of the progress and results of endorsed project/investment through a process of due scrutiny.

Planning, Monitoring & Reporting

The Group undertakes a strategic and budgeting planning process annually, to establish plans and targets against which performance is monitored. This process is linked to the Corporate Strategy on which the Board is updated on a quarterly basis. This business plan and budgets are subjected to evaluation and assessment by the Group's Senior Management and the AIC. The RMSC deliberated the risks and mitigation plans for the strategy and business plan before it is recommended to the Board for approval.

Monthly review is carried out by the Management to ensure that the businesses are operating according to the plans, as well as to monitor adherence to the internal control procedures established. Management reports are presented to the Board each quarter providing financial information including key performance and risk indicators. The information is reviewed by the AIC before it is presented to the Board for consideration and approval.

Policies & Procedures

There are policies and procedures in place to ensure compliance with controls, and relevant laws and regulations. In various instances, these policies and procedures form an integral part of the Quality Management Systems (QMS).

The Group has implemented Enterprise Resource Planning (ERP) system as part of the Group initiative to establish best practices across key business functions promoting greater visibility, transparency and efficiency, and data integrity for the business.

Moving forward, the Group will embrace the industry 4.0 solution/technology and Internet of Things (IOT) to improve its operational efficiency and increase production productivity. The Group has developed its own IT landscape subsequent to demerger by investing in the following initiatives:

- i) Implementing an IT transformation plan by migrating to private cloud landscape with full data migration within the Group;
- ii) Upgrade Systems, Applications and Products (SAP) Application database platform to ensure readiness to embrace new ERP platform;
- iii) Enhance cyber security protection of the Group's IT system; and
- iv) Invest to strengthen IT resources

Annual assurance is provided by the Group Managing Director to the Board on the adequacy and effectiveness of controls in the business processes. The Senior Management Team likewise provides annual assurance to the Group Managing Director on the said matters.

Business Continuity Management

Business Continuity Management ("BCM") is a holistic management process that allows Duopharma Biotech to recover and re-establish the delivery of services or products at acceptable predefined levels following a disruptive event. BCM plays an important role to prevent operational interruption, delays in responding to customer requests and inability to process transactions in a timely manner. In today's global marketplace the definition of a disaster has significantly changed; no longer are disasters only discussed in terms of hurricanes, fires or human errors, but also our ability to remain connected with our supply chain and customers. The crucial role of BCM is to assist us to be resilient, to a state of "Business as Usual", if any of these events stated above occurs.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

In the event of disruptive incidents such as large-scale natural disaster, major fire, flood, pandemics or social unrest, the established framework of BCM will be used to guide Duopharma Biotech to mitigate and respond to the incident.

The Business Continuity team consists of representatives from Site Emergency Response Plan, Manufacturing, Technical, Supply Chain, Finance, Human Resource and Commercial. Additional help from internal and external sources can and will be called in to join the team if the disruptive incident requires additional expertise.

BCM provides the Duopharma Biotech Group with a firm strategy to handle any situation or any circumstances and maintains continuity of operations and service delivery to meet the demand of the market. It also retains the confidence of the shareholders and customers towards its product quality. Business Continuity provides a competitive advantage by preventing significant harm to our corporate image, loss of customer and damage to reputation. Business continuity helps mitigate business risks and financial exposures. As a whole, we could conclude that BCM is the way to move forward as the global market changes consistently.

The framework was adopted on 17 November 2017 by the Business Continuity Team pursuant to the demerger of the Company from Chemical Company of Malaysia Berhad, to ensure adequacy and efficacy.

Human Resource Management

Key Performance Indicators are used to measure the achievement of staff in achieving the business and operational objectives. To enhance the competencies of the Group's talent pool, staff are kept updated with required training programmes ensuring their capabilities to carry out duties and responsibilities towards achieving the Group's objectives. The Group also conducts periodical salary scale benchmarking and revision in order to stay competitive in the market as well as for talent attraction and retention purposes.

To ensure unsatisfactory performance and workplace conflicts are properly dealt with, the Group has in place guidelines for handling Performance Improvement Plan (PIP) and disciplinary issues which include breach of integrity and other misconducts which do not comply with the terms and conditions of service, whether expressed or implied.

Employee engagement is one of the main focus for the Group, where various programmes, activities and competitions are held with active participation from employees, from which the practice of the Group's Core Values can be reinforced and strengthened.

Group Internal Audit & Integrity

The Group Internal Audit and Integrity ("GIA") function independently reviews and assesses the adequacy, operating effectiveness and integrity of the system of internal control in managing the key risks, and reports accordingly to the AIC on a quarterly basis. The annual audit plan is reviewed and approved by the AIC and the frequency of which is determined by the level of assessed risks, to provide an independent and objective report on operational and management activities of these functions. Where weaknesses have been identified as a result of the reviews, improvement measures are recommended to strengthen controls; and follow-up audits are conducted by the GIA to assess the status of implementation thereof by management. In carrying out its work, GIA focuses on areas of priority as directed and approved by the AIC.

Integrity

Section 17A of the Malaysian Anti-Corruption Act 2009 will come into force on 1 June 2020, imposing steep penalties for corporate corruption. The Corporate Liability Provisions of Section 17A criminalise commercial organisations if their employees or associates had committed bribery or corrupt activities. With only months to go before the amendment becomes law, the pressure is on the Management and Board of Duopharma Biotech to ensure they have adequate procedures in place to prevent bribery or corrupt activities from taking place.

The Group expects its employees to conduct themselves with a high standard of professionalism and ethics in the conduct of our business and professional activities. The key strategies adopted to implement the integrity initiatives are Awareness, Enhancement, Prevention, Punitive and Rewards.

The Integrity office provides independent ethics advice to the staff, and promotes ethical awareness through outreach and training. The office is headed by a Certified Integrity Officer (Certified by the Malaysian Anti-Corruption Academy) who reports directly to the AIC.

The Integrity office in Duopharma Biotech is responsible for, amongst others, conducting programmes to further inculcate and enhance integrity in the Group's culture and its stakeholders, managing the Group's Whistleblowing channels (Speak-Up-Pharma), enhancing business practices to further improve governance and confirming information/complaints received via the whistleblowing channels.

Among the key activities carried out are as follows:

Corporate Integrity Assessment

As part of Duopharma Biotech's ongoing initiative to enhance and strengthen the state of Governance, Integrity and Corruption Risk Management, the AIC appointed the Malaysian Institute of

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Integrity to conduct an independent assessment on the state of Governance and Integrity in Duopharma Biotech. The Integrity Assessment Tool ("IAT") is a Self-Assessment Questionnaire that facilitates the Group to assess and measure its progress in making a formal and transparent commitment to ethics and integrity in the work place. Premised on twelve (12) global ethics and integrity dimensions, the Questionnaire measures and evaluates corporate integrity practices at different benchmark points of 0%, 25%, 50%, 75% and 100%.

0% Level	25% Level	50% Level	75% Level	100% Level
No ethics and integrity work has begun	Compliance mindset, symbolic actions only	Beginning of a programmatic thrust, moving in a healthy direction	Seeing ethics and integrity systematically; a robust approach	Current best practices in ethics and integrity around the world

A total of 325 employees from all levels participated in the assessment and the results were communicated to the Board, Senior Management and all employees during the town hall meeting.

The survey results for Duopharma Biotech indicates that all categories of ethics and integrity system have attained the benchmark level of between (50% and 100%) indicating that its IAT is progressing from being "programmatic" to "best practices" with an overall score of 80.53%.

01 - Vision & Goals	9 Highest Dimensions	81
04 - Legal Compliance, Policies & Rules		80
10 - Ethics Communications		78
07 - Measurement, Research & Assessment		75
11 - Whistleblowing		74
03 - Infrastructure		74
02 - Leadership		73
06 - Disciplinary & Reward Measures		71
05 - Organisation Culture		71
12 - Accountability	3 Lowest Dimensions	69
08 - Confidential Advise & Support		68
09 - Ethics Training & Education		67

The 12 Dimension of IAT

01 – Vision & Goals

02 – Leadership

03 – Infrastructure

04 – Legal Compliance, Policies & Rules

05 – Organisation Culture

06 – Disciplinary & Reward Measures

07 – Measurement, Research & Assessment

08 – Confidential Advise & Support

09 – Ethics Training & Education

10 – Ethics Communications

11 – Whistleblowing

12 – Accountability

Code of Conduct

The Duopharma Biotech's Code of Conduct is enshrined in Six (6) Fundamental Ethical Values PETIRR which the Company and each employee must adhere to, both in letter and in spirit. The Six (6) Fundamental Ethical values are as follows:

1. Passion ('P')
2. Excellence ('E')
3. Teamwork ('T')
4. Integrity ('I')
5. Respect ('R')
6. Responsibility ('R')

Amongst the policies included in the Code of Conduct are Conflict of Interest, Anti-Bribery and Corruption, Gift and Entertainment, Competition Law, Securities and Insider Trading, Risk Management, Information Communication Technology, Intellectual Property and Innovation, Quality and Halal policies.

Whistleblowing Policy and Procedures

The Group is committed to ensure its business and operations are conducted in an ethical, moral and legal manner. The Group has established a Whistle-Blowing Policy that was approved by the Board in 2018 and the policy is also made available in Bahasa Malaysia. The whistleblowing policy briefing was conducted for all staff in quarter 3 and quarter 4 of 2019.

Whistleblowing provides an avenue for employees and stakeholders to report serious concerns. There are currently five (5) available "Speak-Up-Pharma" channels to address their concerns and the five (5) channels are

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

in Writing Mail, Email, Telephone, Short Messaging Services, and secured website from Web Address.

The channels may cover unlawful conduct, financial fraud and malpractice or an unethical act. The whistleblowing policy also provides assurance that the whistleblower will be protected from possible reprisals or victimisation if they have a reasonable belief that they have made any disclosure in good faith. The reports made in the hotline and associated investigatory records will remain confidential.

Further, the Investigation procedure was developed and endorsed by the AIC in February 2019. The purpose of the investigation procedure is to provide the guidelines for conducting investigation and to ensure that investigation activities are conducted thoroughly, objectively and effectively, in accordance with the Malaysian Anti-Corruption Commission Act 2009, Whistleblower Protection Act 2010, Penal Code and other best practices.

In 2019, there were five (5) reports via the whistleblowing channel, however, the reports were classified as staff grievances and the issues were communicated to the relevant Department. All received whistleblowing reports (anonymous or otherwise) are tabled to the AIC.

Review of Key Policies in Relation to Ethics, Integrity and Anti-Corruption

As part of the recommended adequate measures in achieving the highest standards of ethical conduct and in compliance with all applicable laws and regulations, steps were taken to strengthen the state of Governance and Integrity in Duopharma Biotech. The Board of Duopharma Biotech has approved the following policies in 2019. The policy and the guideline include a translated version in Bahasa Malaysia.

- i. Gift & Hospitality Policy - approved by the Board in May 2019
- ii. Sponsorship Policy - approved by the Board in May 2019
- iii. Declaration of Interest Policy - approved by the Board in August 2019
- iv. Integrity Pact Policy - approved by the Board in August 2019
- v. Anti-Money Laundering & Anti-Terrorism Financing Policy - approved by the Board in December 2019
- vi. Anti-Bribery & Corruption Policy - approved by the Board in December 2019

Mandatory Ethics & Integrity Policies Briefing

The initial training on Ethics, Integrity and Anti-Corruption was rolled out to all employees in 2015. Since then, periodical programs, weekly reminders and weekly ethics news were initiated and shared with all employees.

With the amendment and requirements of the Malaysian Anti-Corruption Commission Act 2009 (Act) 694 with inclusion of Section 17A (Corporate Liability Provision) that will be effective 1 June 2020, the Mandatory Ethics & Integrity Policies briefing was conducted to over 720 employees to ensure a clear understanding of the newly developed and updated policies. The Integrity

Champions also delivered similar briefings to our colleagues in the production line. Training provided to overseas operations was carried out through a combination of in-person and video conferencing.

New Staff Briefing on Ethics, Integrity & Anti-Corruption

Between January and December 2019, the Integrity Office provided in-person training to 170 new employees in Malaysia. For new staff who joined the Philippines and Singapore office, the training was carried out by the local Integrity Champions.

Integrity Pact

Integrity Pact ("IP") was developed by Transparency International (TI) in the 1990s, to assist Governments, Business Institutions and the Public to curb corruption. The main objective of the IP is to signify and commit vendors and suppliers to adhere to ethical behaviour and to create a business environment that is free from corruption in tandem with the Anti-Corruption Principles for Corporations.

The Group first implemented the IP in 2015 with the suppliers on a voluntary basis. Since then, annual IP briefings were held for new suppliers. With the new IP policy that was approved by the Board in August 2019, all suppliers in Duopharma Biotech Group would be required to sign the IP.

By signing the IP, the Group and its suppliers conforms to a bilateral agreement that it will not commit corrupt acts, will work toward creating a business environment that is free from corruption and will uphold the Anti-Corruption Principles in the conduct of its business and in its interactions.

Declaration of Interest Filing

The Group's Integrity, ethics and anti-corruption policies provide minimum, enforceable guidelines to facilitate handling conflicts of interest and situations that would jeopardise Integrity of the individual and the organisation. The Group's ethics programs provide training and advice to further facilitate the employees in handling those situations. Ethics programs also benefit from financial and relationship disclosures and identify potential conflicts so that they can be dealt with efficiently and responsibly.

The Integrity office has continued to oversee the annual process of filing Declaration of Interest Forms, and the annual circulation of the Declaration of Interest Policy to all employees.

Appointment of the Integrity Champions

With the agreement from the AIC and the Group Managing Director, the Integrity office appointed ten (10) Integrity Champions located at the respective sites including overseas locations. They are employees respected both for their professional qualities and their exemplary personal conduct.

The Integrity Champion will act as the Integrity Liaison Officer for his/her site or office, and works closely with the GIA Department. The Integrity Champion will become the point of contact/reference for any issues pertaining to Ethics and Integrity by the employees particularly from his/her site or office.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Business Ethics Institute of Malaysia (“BEIM”) Four Petals Gold Ethics Award

Duopharma Biotech was awarded the four Petals Gold Ethics Award by the Business Ethics Institute of Malaysia (“BEIM”). The inaugural Gold Ethics award recognises the five (5) steps (Criteria #1-5) taken and rewards qualifying organisations with a Petal award upon successful achievement of each criteria and is evaluated by the BEIM council including KPMG as validators. The award is a testament to the Ethics and Integrity initiatives taken by the Board and Management of Duopharma Biotech.

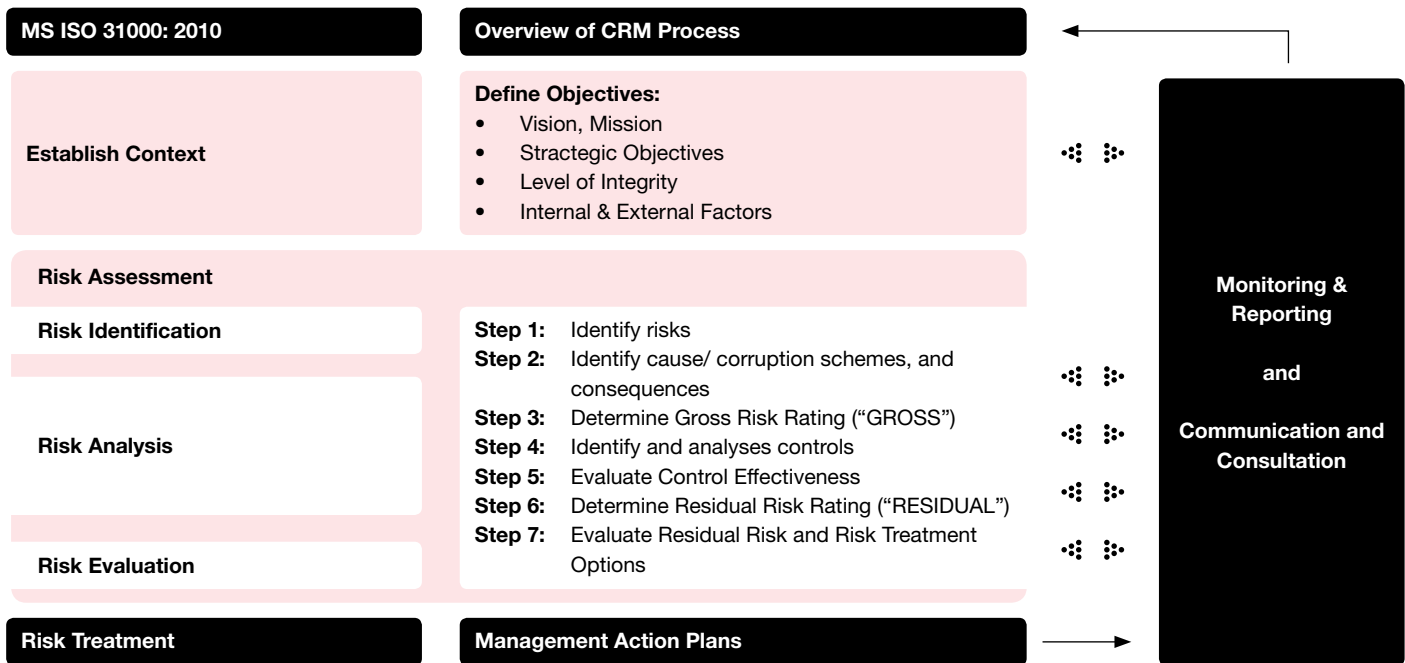
Corruption Risk Management

Integrity is one of the Group’s core values. The Group has adopted a zero-tolerance stance against any fraud, bribery and corruption in the conduct of its business activities. Consistent with this commitment, the Group has established policies and guidelines, which include a series of Ethics and Integrity Policies, Corruption Risk Management, and a Whistle-blowing Policy. The Group’s Corruption Risk Management echoes the tone at the top and sets appropriate standards in managing risks arising from fraud, bribery and corruption.

The act of corrupting and of impairing integrity is defined as follows (Based on the Malaysian Anti-Corruption Commission Act 2009) in assessing the corruption risk that would affect Duopharma:

1. Money, donation, gift, loan, fee, reward, valuable security, property, financial benefit or any other similar advantage;
2. Any valuable consideration of any kind, any discount, commission, rebate, bonus, deduction or percentage;
3. The offence of giving or accepting gratification by an agent as an inducement or a reward for doing or forbearing to do (i.e. Corruption given to a local authority via a subcontractor);
4. Corruptly gives, promises or offers gratification or favours to any person whether for the benefit of that person or another person (i.e. Award of Contract to Relatives);
5. An offence intending to deceive his principal (any receipt, account or other documents) of which the principal is interested (i.e. Falsification of claims, data, documents/submission of falsified documents i.e. medical certs);
6. Corruptly procuring submission/withdrawal of tender;
7. Offering bribes to an officer of a public body (Including and not limited to other Government Linked Companies);
8. Bribery of foreign public officials;
9. Any officer of a public body who uses his office, or position for any gratification, whether for himself, his relative or associate, commits an offence; and
10. Dishonest or fraudulent conduct by those in position, typically involving bribery and gratification.

Duopharma Biotech’s Corruption Risk Management Framework (“CRM”) is as follows:



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

BOARD'S ASSESSMENT

The Board is of the view that the Company's overall risk management and internal control system is operating adequately and effectively, in all material aspects, and have received the same assurance from both the Group Managing Director and Chief Financial Officer of the Company.

The Board confirms that the risk management process in identifying, evaluating and managing significant risks faced by the Group has been in place throughout 2019 up to date of approval of this statement.

For the financial year 2019, the Board is of the view that the system of internal controls was adequate and effective and, has not resulted in any material loss, contingency or uncertainty that would require disclosure in the Annual Report 2019.

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2019, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects, has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The statement has been approved by the Board of Directors at its meeting on 12 March 2020.

OTHER DISCLOSURES

1. UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS

As reported in the Company's Annual Report 2018, all proceeds from the rights issue exercise of Duopharma Biotech Berhad ("Duopharma Biotech" or "the Company") which was completed on 22 July 2015 had been fully utilised. The details of utilisation were reported in the Company's Annual Report 2018. There were no proceeds raised from corporate proposals during the financial year.

2. AUDIT AND NON-AUDIT FEES FOR SERVICES RENDERED TO THE LISTED ISSUER OR ITS SUBSIDIARIES FOR THE FINANCIAL YEAR

During the year ended 31 December 2019, the following amount have been paid or are payable to the auditors for services rendered to the Duopharma Biotech Group:

	Audit Work (RM'000)	Non-Audit Work (RM'000)
Company level	50	12
Group level	300	26

3. MATERIAL CONTRACTS

Save for the following, there were no material contracts entered into by the Duopharma Biotech Group during the two (2) years preceding the date of this Annual Report, other than contracts entered into in the ordinary course of business:-

- (i) By Software License and Support Agreement (Software Order Form) and SAP Enterprise Support Schedule executed on 5 August 2019 between Duopharma Biotech Berhad and SAP Malaysia, Duopharma Biotech shall pay SAP maintenance support fees in the sum of about RM2.2 million yearly and about RM483,000 as annual support fees. By the End User License Agreement Acceptance Form (for SAP on Premise Indirect sales) ("EULA") and Amendments To End User License Agreement Acceptance Form (for SAP On Premise Indirect Sales) executed on 5 August 2019 between Duopharma Biotech and SAP, Duopharma Biotech had purchased additional 11 SAP Software licenses through SAP Partner, NTT Data Business Solutions Malaysia Sdn Bhd, for the total sum of about RM460,000.00. Duopharma Biotech shall pay about RM93,000 per year to SAP for the support services under the SAP Delivered Support Agreement executed on 5 August 2019;

- (ii) Acceptance by Duopharma Biotech of AmBank Islamic Berhad's letter of offer dated 15 July 2019 for the renewal of Murabahah Tawarruq Term Financing Facility of RM250 million under the Facility Agreement dated 16 June 2017 and Islamic Multi-Trade Facilities dated 19 May 2017 of RM30.0 million entered into between Duopharma Biotech and AmBank Islamic Berhad;
- (iii) Acceptance of Forex Facility for Foreign Exchange Line of USD20.0 million for Forward contract not exceeding three (3) years, and Derivatives Transactions Line of USD20.0 million for Interest Rate Swap contract for up to three (3) years, entered between Duopharma Biotech and OCBC Bank (Malaysia) Berhad based on terms and conditions as contained in the bank's letter of offer dated 15 March 2019;
- (iv) By way of a Share Subscription Agreement ("SSA") dated 25 October 2018 made between Duopharma Biotech of the first part, SCM Lifescience Co., Ltd. ("SCM Lifescience") of the second part, Sun U. Song of the third part and Byung Geon Rhee of the fourth and last part (hereinafter Sun U. Song and Byung Geon Rhee are collectively referred to as the "Interested Persons"), SCM Lifescience had agreed to issue and sell and Duopharma Biotech had agreed to subscribe for and purchase 164,016 common shares and 109,344 redeemable convertible preference shares representing approximately 5.8% equity stake in SCM Lifescience for a total purchase consideration of Korean Won ("KRW") 5,500,003,200 upon the terms and conditions contained in the SSA;

In conjunction thereto, and by way of an Exclusive Marketing and Commercialization Agreement ("EMCA") dated 25 October 2018 made between SCM Lifescience of the one part and Duopharma Biotech of the other part, SCM Lifescience had agreed to grant the Company, in consideration of the Company paying to SCM Lifescience the sum of RM10.00 only upon execution of the EMCA and subject to the terms and conditions of the EMCA, (i) exclusive marketing and commercialization rights in Malaysia, Singapore, Brunei and Philippines (collectively "Principal ASEAN Territories") for all the stem cell therapy products developed by SCM Lifescience; (ii) first right of refusal for exclusive marketing and commercialization rights for all other ASEAN countries, except Indonesia, for all the stem cell therapy products developed by SCM Lifescience; (iii) the technology transfer to the Company for any new future stem cell therapy business undertaken by the Company to the extent it is necessary for SCM Lifescience to fulfil the obligations under the EMCA; and (iv) the license regarding certain patents and patent applications and related know-how to the extent it is necessary for SCM Lifescience to fulfil the obligations under the EMCA.;

OTHER DISCLOSURES

- (v) By way of a Transitional Use Addendum dated 28 July 2018 made between Duopharma Biotech, Chemical Company of Malaysia Berhad (“CCM Berhad”) and SAP Malaysia to the SAP Software End-User License Agreement made between SAP Malaysia and CCM Berhad effective 1 September 2010 (“Initial Agreement”) and all exhibits, appendices, schedules, order forms or other addenda attached to or referenced by the Initial Agreement (collectively the “Agreement”), SAP Malaysia and CCM Berhad agreed that Duopharma Biotech and affiliates of Duopharma Biotech shall have the right to use the software licensed by CCM Berhad under the Agreement upon the terms and conditions therein contained;
- (vi) Facility Agreement for USD20.0 million Revolving Credit-i Commodity Murabahah entered into between Duopharma Biotech and Oversea-Chinese Banking Corporation Limited, Labuan Branch, upon the terms and conditions as contained in the bank’s Facility Letter dated 27 March 2018 and Supplemental Facility Letter dated 16 May 2018;
- (vii) By way of a conditional Share Sale Agreement (“the SSA”) dated 13 April 2018 made between CCM Berhad of the one part and Duopharma Biotech of the other part, Duopharma Biotech had agreed to acquire from CCM Berhad 806,450 common shares in PanGen Biotech Inc. (“PanGen”) representing approximately 8.39% equity interest in PanGen for a total purchase consideration of RM59.16 million (equivalent to KRW16.35 billion) to be satisfied entirely in cash and upon the terms and conditions therein contained;
- (viii) By way of a Trade Marks License Agreement dated 11 April 2018 made between CCM Berhad of the one part and Duopharma Biotech of the other part, CCM Berhad had agreed to grant the license and right for Duopharma Biotech and its affiliates to use the trademarks associated with the “CCM Leaf logo” and “CCM” for a consideration of RM250,000 per annum and upon the terms and conditions therein contained, and by way of a sale and purchase agreement of trademarks dated 11 April 2018 made between CCM Berhad and Duopharma Biotech, CCM Berhad had agreed to sell to Duopharma Biotech certain trademarks which are pertinent to the operations of Duopharma Biotech for a total purchase consideration of RM73.00 and upon the terms and conditions therein contained. Duopharma Biotech had on 29 November 2019 exercised its Option to Renew under the Trade Marks License Agreement to renew the license for a further period of 1 year commencing on 1 January 2020. The said renewal was on the same terms and conditions of the Trade Marks License Agreement and at the same rate of the license fee (that is, RM250,000.00 per annum);
- (ix) By way of an Information Technology (“IT”) Services Agreement dated 11 April 2018 made between CCM

Berhad of the one part and Duopharma Biotech of the other part, CCM Berhad had agreed to provide to Duopharma Biotech IT management services, and SAP services upon the terms and conditions therein contained. Under the IT Services Agreement, the fees for the IT Services provided by CCM Berhad to Duopharma Biotech are as follows:-

Period	IT Management Services RM	Charges per SAP user RM per month
1 January 2018 – 31 December 2018	3,194,244	773
1 January 2019 – 31 December 2019	3,353,952	812
1 January 2020 – 31 December 2020	3,521,652	853
1 January 2021 – 31 December 2021	3,697,740	896

Duopharma Biotech had by way of a Notice of Termination dated 28 June 2019 given CCM Berhad written notice of termination of the IT Services Agreement. The termination of the IT Services Agreement shall take effect on 30 June 2020;

- (x) Acceptance by Duopharma (M) Sendirian Berhad (“DMSB”), a wholly-owned subsidiary of Duopharma Biotech, of a Letter of Offer from Pharamaniaga Logistics Sdn Bhd (“PLSB”) to supply pharmaceutical and/or non-pharmaceutical products as listed in the Letter of Offer to hospitals, clinics and others under the Government of Malaysia from 1 December 2017 until 30 November 2019 (or at such other date as directed by the Government) for a total estimated value of approximately RM156 million. DMSB has received a letter from PLSB notifying DMSB that the Contract Period of the Supply Agreements for the supply of pharmaceutical and/or non-pharmaceutical products by DMSB to hospitals, clinics and others under the Government of Malaysia have been extended for twenty-five (25) months, commencing 1 December 2019 until 31 December 2021; and
- (xi) Acceptance of a tender offer by the Government of Malaysia for Biocon Sdn Bhd (“Biocon”) to manufacture and supply, and for Duopharma Marketing Sdn. Bhd. (“DMktg”), a wholly owned subsidiary of Duopharma Biotech, to deliver human insulin formulation under the Ministry of Health’s Off-Take Agreement Program, for a period of three (3) years commencing on 2 December 2016 until 1 December 2019 and the Off-Take Agreement in relation thereto dated 18 August 2017 between the Government of Malaysia (represented by the Malaysian Ministry of Health), Biocon and DMktg for a total consideration of RM300,040,500.00. The

OTHER DISCLOSURES

Government of Malaysia ("Government") has written to Biocon and DMktg to inform that the Government has agreed to amend the Off-Take Agreement, whereby the amendments include an extension of the contract period under the Off-Take Agreement by one (1) year effective from 2 December 2019 until 1 December 2020 with an additional contract value of RM91,060,000.00. The said amendments will be formalised through the execution of a formal supplemental agreement to the Off-Take Agreement between the Government, Biocon and DMktg at a later date.

As at 31 December 2019, the Duopharma Biotech Group has material commitments for capital expenditure of RM13.85 million (contracted but not provided for).

4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at 31 December 2019, neither Duopharma Biotech nor its subsidiaries, was engaged in any material litigation, claim or arbitration, either as plaintiff or defendant or otherwise, and the Board does not have any knowledge of any proceedings, pending or threatened against Duopharma Biotech and/or its subsidiary, or of any fact likely to give rise to any such proceedings, which might materially or adversely affect the financial position or business of Duopharma Biotech and/or its subsidiary.

5. RECURRENT RELATED PARTY TRANSACTION OF REVENUE OR TRADING NATURE

Duopharma Biotech has not sought any shareholders' mandate for the recurrent related party transaction of a revenue or trading nature at the last Annual General Meeting ("AGM") of the Company held on 31 May 2019. The last shareholders' mandate for the recurrent related party transaction of a revenue or trading nature which are necessary for its day to day operations and are in the ordinary course of business with related parties was obtained during the AGM held on 22 May 2017 and the said mandate had expired upon conclusion of the AGM held on 31 May 2018.

By letter dated 23 May 2018, Bursa Malaysia Securities Berhad had approved the Company's application for waiver from having to comply with Paragraph 10.09 of the Main Market Listing Requirements in respect of any future recurrent related party transactions ("RRPTs") between the Duopharma Biotech group of companies and any companies in which Permodalan Nasional Berhad ("PNB") and/or the unit trust funds managed by PNB are interested in as substantial shareholders ("PNB Investee Companies"). The approval was subject to the condition that all such RRPTs are based on the terms not more favourable to PNB and/or PNB Investee Companies than those generally available to the public and are not detrimental to the minority shareholders of the Company. In view of the aforesaid waiver and –

- (a) since no other RRPTs of a revenue or trading nature (i.e. other than those falling within the ambit of the aforesaid waiver) were identified or anticipated for the period from the date of the AGM of the Company held on 31 May 2018 until the date of the previous AGM of the Company held on 31 May 2019, the Company did not seek a new shareholders' mandate to apply to RRPTs of a revenue or trading nature with related parties at the AGM of the Company held on 31 May 2018;
- (b) since no other RRPTs of a revenue or trading nature (i.e. other than those falling within the ambit of the aforesaid waiver) were identified or anticipated for the period from the date of the previous AGM of the Company held on 31 May 2019 until the date of the forthcoming AGM of the Company, the Company did not seek a new shareholders' mandate to apply to RRPTs of a revenue or trading nature with related parties at the previous AGM of the Company; and
- (c) likewise, since no other RRPTs of a revenue or trading nature (i.e. other than those falling within the ambit of the aforesaid waiver) have as at to date been identified or anticipated for the period from the date of the forthcoming AGM of the Company until the date of the next AGM of the Company in 2021, the Company will not be seeking a new shareholders' mandate to apply to RRPTs of a revenue or trading nature with related parties at the forthcoming AGM of the Company.

In view of the aforesaid, there was no requirement for shareholders mandate for RRPTs of a revenue or trading nature with related parties during the year under review. Consequently, there was no RRPTs conducted pursuant to a shareholders' mandate for RRPTs during the financial year ended 31 December 2019, and no requirement to disclose in this Annual Report on RRPTs conducted pursuant to a shareholders' mandate for RRPTs during the financial year ended 31 December 2019.

FINANCIAL REPORT

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DIRECTORS' REPORT

for the year ended 31 December 2019

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

ULTIMATE HOLDING COMPANY

The Directors regard Permodalan Nasional Berhad, a company incorporated in Malaysia as the Company's ultimate holding company.

RESULTS

	Group RM'000	Company RM'000
Profit for the year	55,273	10,244

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

DIVIDENDS

Since the end of the previous financial year, the amount of dividends paid by the Company were as follows:

- i) a final ordinary dividend of 4 sen per ordinary share totalling RM26,475,000 in respect of the financial year ended 31 December 2018 on 26 July 2019. Out of the total distribution, a total of RM21,870,000 was converted into 18,225,000 new ordinary shares of the Company at the conversion price of RM1.20 per ordinary share under the Dividend Reinvestment Plan; and
- ii) an interim ordinary dividend of 1 sen per ordinary share totalling RM6,801,000 in respect of the financial year ended 31 December 2019 on 14 November 2019. Out of the total distribution, a total of RM5,346,000 was converted into 4,277,000 new ordinary shares of the Company at the conversion price of RM1.25 per ordinary share under the Dividend Reinvestment Plan.

The final ordinary dividend proposed by the Directors in respect of the financial year ended 31 December 2019 is 5 sen per ordinary share totalling RM34,219,000 for shareholders' approval at the forthcoming Annual General Meeting.

The financial statements for the current financial year do not reflect this proposed final dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2020.

DIRECTORS' REPORT

for the year ended 31 December 2019

DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this report are:

Duopharma Biotech Berhad

Tan Sri Datin Paduka Siti Sa'diah binti Sh Bakir
 Leonard Ariff bin Abdul Shatar
 Dato' Mohamad Kamarudin bin Hassan
 Razalee bin Amin
 Zaiton binti Jamaluddin
 Dato' Eisah binti A.Rahman
 Datuk Nik Moustpha bin Hj Nik Hassan
 Datuk Mohd Radzif bin Mohd Yunus
 Dato' Dr. Zaki Morad bin Mohamad Zaher (Appointed on 6 September 2019)
 Datuk Seri Rohani Parkash binti Abdullah (Retired on 31 May 2019)

Subsidiaries

Duopharma (M) Sendirian Berhad

Leonard Ariff bin Abdul Shatar
 Wan Amir-Jeffery bin Wan Abdul Majid

Duopharma Manufacturing (Bangi) Sdn. Bhd.

Feizril Nor bin Nurbi
 Shamsul Idham bin A.lahad

Duopharma Manufacturing (Glenmarie) Sdn. Bhd.

Leonard Ariff bin Abdul Shatar
 Wan Amir-Jeffery bin Wan Abdul Majid

Duopharma Marketing Sdn. Bhd.

Urudra a/l N Sarvanantham
 Wan Amir-Jeffery bin Wan Abdul Majid

Duopharma HAPI Sdn. Bhd.

Ng Su Yee
 Wan Amir-Jeffery bin Wan Abdul Majid

Sentosa Pharmacy Sdn. Bhd.

Urudra a/l N Sarvanantham
 Wan Amir-Jeffery bin Wan Abdul Majid

Duopharma Consumer Healthcare Sdn. Bhd.

(formerly known as Unique Pharmacy (Ipoh) Sdn. Bhd.)
 Leonard Ariff bin Abdul Shatar
 Wan Amir-Jeffery bin Wan Abdul Majid

Unique Pharmacy (Penang) Sdn. Bhd.

Chek Wu Kong
 Wan Amir-Jeffery bin Wan Abdul Majid

DIRECTORS' REPORT

for the year ended 31 December 2019

DIRECTORS OF THE COMPANY (CONTINUED)

Subsidiaries (continued)

Negeri Pharmacy Sdn. Bhd.

Urudra a/l N Sarvanantham
Chek Wu Kong

Duopharma Innovation Sdn. Bhd.

Leonard Ariff bin Abdul Shatar
Wan Amir-Jeffery bin Wan Abdul Majid

Duopharma (Singapore) Pte. Ltd.

Teo Cheng Peow
Urudra a/l N Sarvanantham
Wan Amir-Jeffery bin Wan Abdul Majid

DB (Philippines) Inc.

Wan Amir-Jeffery bin Wan Abdul Majid
Urudra a/l N Sarvanantham
Roberto Y. Ysla
Cherrylynn T. Singzon
Darwin Ropher R. Perez

DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the shares of the Company, holding companies and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares		
	At 1.1.2019	Bought/ Received	Sold
Interests in Duopharma Biotech Berhad:			
Datuk Mohd Radzif bin Mohd Yunus	-	18,970	-
			At 31.12.2019
			18,970

None of the other Directors holding office at 31 December 2019 had any interest in the 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 those fees and other benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) 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 the Company or any other body corporate.

DIRECTORS' REPORT

for the year ended 31 December 2019

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up share capital from 661,881,000 ordinary shares to 684,383,000 ordinary shares by way of:

- (a) Issuance of 18,225,000 new ordinary shares amounting to RM21,870,000 arising from the implementation of Dividend Reinvestment Plan for 2018 final dividend.
- (b) Issuance of 4,277,000 new ordinary shares amounting to RM5,346,000 arising from the implementation of Dividend Reinvestment Plan for 2019 interim dividend.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

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

INDEMNITY AND INSURANCE COSTS

During the financial year, Directors and Officers of Duopharma Biotech Berhad, together with its subsidiaries are covered under the Directors' and Officers' Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the policy. The total amount of Directors' and Officers' Liability Insurance effected for the Directors and Officers of the Group was RM50million. The total amount of premium paid by the Group for the Directors' and Officers' Liability Insurance was RM45,060.

OTHER STATUTORY INFORMATION

Before the financial 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) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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 of 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.

DIRECTORS' REPORT

for the year ended 31 December 2019

OTHER STATUTORY INFORMATION (CONTINUED)

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 2019 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, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 16 to the financial statements.

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

TAN SRI DATIN PADUKA SITI SA'DIAH BINTI SH BAKIR

Director

LEONARD ARIFF BIN ABDUL SHATAR

Director

Kuala Lumpur

12 March 2020

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Assets					
Property, plant and equipment	3	412,248	386,182	2,239	174
Investment property	4	1,200	1,200	-	-
Intangible assets	5	28,113	19,403	-	-
Investments in subsidiaries	6	-	-	379,370	379,370
Other investments	7	51,839	52,063	51,839	52,063
Deferred tax assets	8	9,196	10,200	-	-
Total non-current assets		502,596	469,048	433,448	431,607
Inventories	9	144,003	139,607	-	-
Current tax assets		6,595	3,396	-	523
Trade and other receivables	10	145,938	126,073	147,046	144,896
Cash and cash equivalents	11	120,669	98,254	62,117	51,332
Total current assets		417,205	367,330	209,163	196,751
Total assets		919,801	836,378	642,611	628,358
Equity					
Share capital	12.1	374,404	347,188	374,404	347,188
Reserves		(27,600)	(27,222)	(27,873)	(27,649)
Retained earnings		182,946	161,075	42,038	65,179
Equity attributable to owners of the Company	12	529,750	481,041	388,569	384,718
Liabilities					
Loans and borrowings	13	139,738	121,650	139,738	121,650
Trade and other payables	14	818	-	634	-
Deferred tax liabilities	8	10,053	11,242	-	-
Total non-current liabilities		150,609	132,892	140,372	121,650
Loans and borrowings	13	124,663	121,842	102,580	111,842
Trade and other payables	14	114,127	100,282	10,674	10,148
Current tax liabilities		652	321	416	-
Total current liabilities		239,442	222,445	113,670	121,990
Total liabilities		390,051	355,337	254,042	243,640
Total equity and liabilities		919,801	836,378	642,611	628,358

The notes on pages 101 to 167 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	15	576,462	498,722	41,312	97,520
Cost of sales		(344,395)	(294,242)	-	-
Gross profit		232,067	204,480	41,312	97,520
Other income		1,242	1,083	851	-
Distribution and marketing expenses		(85,818)	(75,655)	-	(13)
Administrative expenses		(69,534)	(61,327)	(28,316)	(19,588)
Net gain/(loss) on impairment of financial instruments		412	(845)	-	-
Other expenses		(724)	(2,452)	-	(2,322)
Results from operating activities	16	77,645	65,284	13,847	75,597
Finance income	17	1,463	2,111	7,464	7,485
Finance costs	18	(8,299)	(7,729)	(10,439)	(7,192)
Profit before tax		70,809	59,666	10,872	75,890
Tax expense	20	(15,536)	(12,025)	(628)	(987)
Profit for the year		55,273	47,641	10,244	74,903
Other comprehensive income, net of tax					
Items that will not be reclassified subsequent to profit or loss					
Net change in fair value of equity instruments designated at fair value through other comprehensive income		(224)	(27,649)	(224)	(27,649)
Items that are or may be reclassified subsequent to profit or loss					
Foreign currency translation differences for foreign operations		(154)	(158)	-	-
		(378)	(27,807)	(224)	(27,649)
Total comprehensive income for the year		54,895	19,834	10,020	47,254
Basic earnings per ordinary share (sen)	21	8.25	7.26		

The notes on pages 101 to 167 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	Note	Attributable to owners of the Company				Total RM'000
		Non-distributable		Distributable		
		Share capital RM'000	Translation reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	
Group						
At 1 January 2018		333,684	585	-	140,100	474,369
Foreign currency translation differences for foreign operations		-	(158)	-	-	(158)
Net change in fair value of equity instrument designated at FVOCI		-	-	(27,649)	-	(27,649)
Total other comprehensive income for the year		-	(158)	(27,649)	-	(27,807)
Profit for the year		-	-	-	47,641	47,641
Profit and total comprehensive income for the year		-	(158)	(27,649)	47,641	19,834
<i>Contributions by and distributions to owners of the Company</i>						
- Issuance of shares pursuant to Dividend Reinvestment Plan		13,504	-	-	-	13,504
- Dividends to owners of the Company	22	-	-	-	(26,666)	(26,666)
Total transactions with owners of the Company		13,504	-	-	(26,666)	(13,162)
At 31 December 2018		347,188	427	(27,649)	161,075	481,041
		Note 12.1	Note 12.2	Note 12.3		

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019
(CONTINUED)

	Note	Attributable to owners of the Company				Total RM'000
		Non-distributable		Distributable		
		Share capital RM'000	Translation reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	
Group						
At 1 January 2019, as previously reported		347,188	427	(27,649)	161,075	481,041
Adjustment on initial application of MFRS 16, net of tax		-	-	-	(126)	(126)
At 1 January 2019, restated		347,188	427	(27,649)	160,949	480,915
Foreign currency translation differences for foreign operations		-	(154)	-	-	(154)
Net change in fair value of equity instrument designated at FVOCI		-	-	(224)	-	(224)
Total other comprehensive income for the year		-	(154)	(224)	-	(378)
Profit for the year		-	-	-	55,273	55,273
Profit and total comprehensive income for the year		-	(154)	(224)	55,273	54,895
Contributions by and distributions to owners of the Company						
- Issuance of shares pursuant to Dividend Reinvestment Plan		27,216	-	-	-	27,216
- Dividends to owners of the Company	22	-	-	-	(33,276)	(33,276)
Total transactions with owners of the Company		27,216	-	-	(33,276)	(6,060)
At 31 December 2019		374,404	273	(27,873)	182,946	529,750
		Note 12.1	Note 12.2	Note 12.3		

The notes on pages 101 to 167 are an integral part of the financial statements

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	Note	Attributable to owners of the Company			Total RM'000
		Non-distributable		Distributable	
		Share capital RM'000	Fair value reserve RM'000	Retained earnings RM'000	
Company					
At 1 January 2018		333,684	-	16,942	350,626
Net change in fair value of equity instrument designated at FVOCI		-	(27,649)	-	(27,649)
Total other comprehensive income for the year		-	(27,649)	-	(27,649)
Profit for the year		-	-	74,903	74,903
Profit and total comprehensive income for the year		-	(27,649)	74,903	47,254
<i>Contributions by and distributions to owners of the Company</i>					
- Issuance of share pursuant to Dividend Reinvestment Plan		13,504	-	-	13,504
- Dividends to owners of the Company	22	-	-	(26,666)	(26,666)
Total transactions with owners of the Company		13,504	-	(26,666)	(13,162)
At 31 December 2018, as previously reported		347,188	(27,649)	65,179	384,718
		Note 12.1	Note 12.3		

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019
(CONTINUED)

	Note	Attributable to owners of the Company			
		Non-distributable		Distributable	
		Share capital RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000
Company					
At 1 January 2019, as previously reported		347,188	(27,649)	65,179	384,718
Adjustment on initial application of MFRS 16, net of tax		-	-	(109)	(109)
At 1 January 2019, restated		347,188	(27,649)	65,070	384,609
Net change in fair value of equity instrument designated at FVOCI		-	(224)	-	(224)
Total other comprehensive income for the year		-	(224)	-	(224)
Profit for the year		-	-	10,244	10,244
Profit and total comprehensive income for the year		-	(224)	10,244	10,020
<i>Contributions by and distributions to owners of the Company</i>					
- Issuance of share pursuant to Dividend Reinvestment Plan		27,216	-	-	27,216
- Dividends to owners of the Company	22	-	-	(33,276)	(33,276)
Total transactions with owners of the Company		27,216	-	(33,276)	(6,060)
At 31 December 2019		374,404	(27,873)	42,038	388,569
		Note 12.1	Note 12.3		

The notes on pages 101 to 167 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from operating activities					
Profit before tax		70,809	59,666	10,872	75,890
Adjustments for:					
Depreciation of property, plant and equipment	3	26,673	24,545	650	2
Amortisation of intangible assets	5	181	181	-	-
Dividend income		-	-	(14,084)	(81,670)
Finance cost	18	8,299	7,729	10,439	7,192
Finance income from					
- Cash and cash equivalents		(1,463)	(2,111)	(622)	(1,209)
- Subsidiaries		-	-	(6,842)	(6,276)
Net impairment (gain)/loss on trade receivables		(412)	845	-	-
Net inventories written down		1,144	854	-	-
Net unrealised foreign exchange (gain)/loss		(406)	2,185	(805)	2,479
Reversal of warranty		-	(693)	-	-
Write off on intangible assets		919	-	-	-
Write off on property, plant and equipment		1,965	-	-	-
Write off on inventories		9,834	12,175	-	-
Operating profit/(loss) before changes in working capital		117,543	105,376	(392)	(3,592)
Change in inventories		(15,516)	(16,333)	-	-
Change in trade and other receivables		(19,552)	(13,880)	13,462	(17,033)
Change in trade and other payables		12,272	12,104	(389)	8,467
Cash generated from/(used in) operations		94,747	87,267	12,681	(12,158)
Interest paid		(9,202)	(7,729)	(10,059)	(7,192)
Tax paid		(19,759)	(7,391)	(811)	-
Tax refund		1,170	184	1,122	-
Net cash generated from/(used in) operating activities		66,956	72,331	2,933	(19,350)

STATEMENT OF CASH FLOWS

for the year ended 31 December 2019
(CONTINUED)

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from investing activities					
Acquisition of property, plant and equipment	3	(53,362)	(89,402)	(1,419)	(176)
Acquisition of intangible assets	5	(7,526)	(3,349)	-	-
Increase in investments in subsidiaries	6	-	-	-	(2,500)
Acquisition of other investments		-	(79,712)	-	(79,712)
Interest received from					
- Cash and cash equivalents		1,463	2,111	622	1,209
- Subsidiaries		-	-	5,314	2,578
Net cash (used in)/generated from investing activities		(59,425)	(170,352)	4,517	(78,601)
Cash flows from financing activities					
Dividends paid to owners of the Company		(6,060)	(13,162)	(6,060)	(13,162)
Proceeds from borrowings		45,194	126,045	33,111	126,045
Payment of lease liabilities		(754)	-	(374)	-
Repayment of loan and borrowings		(23,342)	(12,471)	(23,342)	(12,471)
Net cash generated from financing activities		15,038	100,412	3,335	100,412
Net increase in cash and cash equivalents		22,569	2,391	10,785	2,461
Exchange differences on translation of financial statement of foreign operations		(154)	(158)	-	-
Cash and cash equivalents at 1 January		98,254	96,021	51,332	48,871
Cash and cash equivalents at 31 December		120,669	98,254	62,117	51,332

STATEMENT OF CASH FLOWS

for the year ended 31 December 2019
(CONTINUED)

Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deposits placed with licensed banks	11	11,184	5,472	350	350
Cash and bank balances	11	66,614	69,878	18,896	28,078
Highly liquid investment with financial institutions	11	42,871	22,904	42,871	22,904
		120,669	98,254	62,117	51,332

Cash outflows for leases as a lessee

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Included in net cash from operating activities:					
Payment relating to leases of low-value assets	16	634	-	7	-
Payment relating to variable lease payments not included in the measure of lease liabilities	16	1,973	-	-	-
Interest paid in relation to lease liabilities	18	91	-	63	-
Included in net cash from financing activities:					
Payment of lease liabilities		754	-	374	-
Total cash outflows for leases		3,452	-	444	-

STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

(CONTINUED)

Reconciliation of movements of liabilities to cash flows arising from financing activities

Group	At 1 January 2018 RM'000	Net changes from financing cash flows RM'000	Foreign exchange movement RM'000	At 31 December 2018 RM'000	Adjustment on initial application of MFRS 16 RM'000	At 1 January 2019 RM'000	Net changes from financing cash flows RM'000	Addition of new lease RM'000	Foreign exchange movement RM'000	At 31 December 2019 RM'000
Term loan	101,148	35,502	-	136,650	-	136,650	18,088	-	-	154,738
Revolving credit	26,291	78,072	2,479	106,842	-	106,842	1,683	-	(943)	107,582
Banker's acceptance	-	-	-	-	-	-	2,081	-	-	2,081
Lease liabilities	-	-	-	-	1,929	1,929	(754)	421	-	1,596
Total liabilities from financing activities	127,439	113,574	2,479	243,492	1,929	245,421	21,098	421	(943)	265,997

Company	At 1 January 2018 RM'000	Net changes from financing cash flows RM'000	Foreign exchange movement RM'000	At 31 December 2018 RM'000	Adjustment on initial application of MFRS 16 RM'000	At 1 January 2019 RM'000	Net changes from financing cash flows RM'000	Foreign exchange movement RM'000	At 31 December 2019 RM'000
Term loan	101,148	35,502	-	136,650	-	136,650	18,088	-	154,738
Revolving credit	16,291	78,072	2,479	96,842	-	96,842	(8,319)	(943)	87,580
Lease liabilities	-	-	-	-	1,405	1,405	(374)	-	1,031
Total liabilities from financing activities	117,439	113,574	2,479	233,492	1,405	234,897	9,395	(943)	243,349

The notes on pages 101 to 167 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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 the principal place of business and registered office of the Company are as follows:

Principal place of business

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

Registered office

Suite 18.06, Level 18
Kenanga International
No. 26, Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”). The financial statements of the Company as at and for the financial year ended 31 December 2019 do not include other entities.

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are disclosed in Note 6. There has been no significant change in the nature of these activities during the financial year.

The ultimate holding company during the financial year is Permodalan Nasional Berhad which is incorporated in Malaysia.

The financial statements were authorised for issue by the Board of Directors on 12 March 2020.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and the requirements of Companies Act 2016 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group and the Company:

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plan to apply the amendments from the annual period beginning on 1 January 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020.

The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on or after 1 January 2021 as it is not applicable to the Group and the Company.

The initial application of the accounting standards, interpretations or amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as 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.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

1. BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are 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 other than those disclosed in the following notes:

- Note 3 – Extension options and incremental borrowing rate in relation to leases
- Note 5 – Intangible assets
- Note 6 – Investments in subsidiaries
- Note 7 – Other investments
- Note 9 – Trade and other receivables
- Note 10 – Inventories
- Note 15 – Revenue
- Note 24 – Measurement of expected credit loss (“ECL”)

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.

Arising from the adoption of MFRS 16, *Leases*, there are changes to the accounting policies applied to lease contracts entered into by the Group entities as compared to those applied in previous financial statements. The impacts arising from the changes are disclosed in Note 28.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any resulting gain or loss is recognised directly in equity.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as a financial asset depending on the level of influence retained.

(v) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency

(i) Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are 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 profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency (continued)

(ii) Operations denominated in functional currencies other than Ringgit Malaysia (continued)

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see note 2(l)(i)) where the effective interest rate is applied to the amortised cost.

(b) Fair value through other comprehensive income

(i) Debt investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see note 2(l)(i)) where the effective interest rate is applied to the amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

(b) *Fair value through other comprehensive income (continued)*

(ii) *Equity investments*

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

(c) *Fair value through profit or loss*

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see note 2(l)(i)).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

(a) *Fair value through profit or loss*

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group and the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

- (a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
- (b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or
- (c) if a contract contains one or more embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities (continued)

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

Freehold land and capital work-in-progress are stated at cost. Other items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures 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. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing cost.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

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.

The gain and loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other income” and “other expenses” respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component 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 component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. 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:

• leasehold land	48 - 96 years
• freehold buildings	50 years
• leasehold 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

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted as appropriate.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases

The Group has applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported under MFRS 117, *Leases* and related interpretations.

Current financial year

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases (continued)

Current financial year (continued)

(ii) Recognition and initial measurement (continued)

As a lessee (continued)

The lease liability is initially measure at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonable certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) Subsequent measurement

As a lessee

The right-of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases (continued)

Current financial year (continued)

(iii) Subsequent measurement (continued)

As a lessee (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Previous financial year

As a lessee

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset was accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment was confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases (continued)

Previous financial year (continued)

As a lessee (continued)

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of the ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets were not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or for both, was classified as investment property and measured using fair value model.

Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received were recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals were charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease was classified as prepaid lease payments.

(f) Intangible assets

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible assets (continued)

(i) Research and development (continued))

Capitalised development expenditure with indefinite useful life are not being amortised. Its useful life are reviewed at each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite should be accounted for as a change in an accounting estimate.

(ii) Marketing rights

Marketing rights that are acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Amortisation

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Other intangible assets are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

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

- | | |
|---------------------|----------|
| • marketing rights | 10 years |
| • development costs | 10 years |

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investment property

Investment property carried at fair value

Investment properties are properties which are owned or right-of-use asset held under a lease contract to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. This includes land held for a currently undetermined future use.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs. Right-of-use asset held under a lease contract that meets the definition of investment property is initially measured similarly as other right-of-use assets.

The fair value of investment properties held by the Group as a right-of-use asset reflects the expected cash flows. Accordingly, where valuation obtained for a property is net of all payments expected to be made, the Group added back any recognised lease liability to arrive at the carrying amount of the investment property using the fair value model.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, 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.

(i) Non-current asset held for sale or distribution to owners

Non-current assets, or disposal group comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution to owners rather than through continuing use, are classified as held for sale or distribution.

Immediately before classification as held for sale or distribution, 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 costs of disposal.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

(j) Contract asset/Contract liability

A contract asset is recognised when the Group's or the Company's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments* (see note 2(l)(i)).

A contract liability is stated at cost and represents the obligation of the Group or the Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

(k) 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 fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowance at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Impairment (continued)

(i) Financial assets (continued)

At each reporting date, the Group and the Company assess whether financial assets arrived at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

(ii) Other assets

The carrying amounts of other assets (except for inventories, deferred tax asset, investment property measured at fair value and asset held for sale) are reviewed at the end of each reporting period 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 each period at the same time.

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 cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. 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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the other assets in the cash-generating unit (or a group of cash-generating units) on a *pro rata basis*.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment (continued)

(ii) Other assets (continued)

In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period 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 since the last impairment loss was recognised. 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 profit or loss in the financial year in which the reversals are recognised.

(m) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

(iv) Distribution of assets to owners of the Company

The Group measures a liability to distribute assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) 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 liability 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.

(ii) State plans

The Group's contributions to the statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(o) 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. The unwinding of the discount is recognised as finance cost.

Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Revenue and other income

(i) Revenue from contract with customers

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or services at a point in time unless one of the following overtime criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
- (b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(ii) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(r) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or 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 end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Income tax (continued)

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period 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, being tax incentive that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

(s) Earnings per ordinary share

The Group presents basic earnings per share data for its ordinary shares ("EPS").

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, adjusted for own shares held.

Diluted EPS is not presented as the Group has no shares or other instruments with potential dilutive effects.

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(u) Contingencies

(i) 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 not recognised in the statements of financial position and 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.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Contingencies (continued)

(ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

(v) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

3. PROPERTY, PLANT AND EQUIPMENT

	Own Use																					
	Freehold land		Leasehold land		Freehold buildings		Leasehold buildings		Plant and machinery		Office equipment, furniture and fittings		Motor vehicles		Renovations		Capital work-in-progress		Right-of-use assets		Total	
	RM'000		RM'000			RM'000		RM'000		RM'000		RM'000		RM'000		RM'000		RM'000		RM'000		RM'000
Group Cost																						
At 1 January 2018	69,882		18,103		57,731		50,064		172,675		7,980		1,440		959		65,424		-		444,258	
Additions	-		-		440		1,182		14,321		835		240		-		72,384		-		89,402	
Disposals/Write off	-		-		-		-		(132)		-		-		-		-		-		(132)	
Reclassification	-		-		-		21,186		10,637		-		-		-		(31,823)		-		-	
Effect of exchange rate	-		-		-		-		-		139		-		-		-		-		139	
At 31 December 2018, as previously reported	69,882		18,103		58,171		72,432		197,501		8,954		1,680		959		105,985		-		533,667	
Adjustment on initial application of MFRS 16	-		(18,103)		-		(72,432)		-		-		-		-		-		92,592		2,057	
At 1 January 2019, as restated	69,882		-		58,171		-		197,501		8,954		1,680		959		105,985		92,592		535,724	
Additions	-		-		501		-		32,436		1,839		70		1,085		17,431		421		53,783	
Borrowing costs capitalised at 4.16% per annum	-		-		-		-		-		-		-		-		1,400		-		1,400	
Disposals/Write off	-		-		-		-		-		(126)		(19)		-		(1,957)		-		(2,102)	
Transfer to intangible assets	-		-		-		-		-		-		-		-		(2,284)		-		(2,284)	
Reclassification	-		-		-		-		27,241		-		-		-		(27,241)		-		-	
Effect of exchange rate	-		-		-		-		-		13		(20)		-		-		-		(7)	
At 31 December 2019	69,882		-		58,672		-		257,178		10,680		1,711		2,044		93,334		93,013		586,514	

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Own Use										
											Total
	Freehold land	Leasehold land	Freehold buildings	Leasehold buildings	Plant and machineries	Office equipment, furniture and fittings	Motor vehicles	Renovations	Capital work-in-progress	Right-of-use assets	
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Depreciation											
At 1 January 2018	-	496	13,637	4,085	98,976	4,537	569	623	-	-	122,923
Depreciation for the year	-	616	2,880	2,069	17,746	902	241	91	-	-	24,545
Disposals/Write off	-	-	-	-	(132)	-	-	-	-	-	(132)
Effect of exchange rate	-	-	-	-	-	149	-	-	-	-	149
At 31 December 2018, as previously reported	-	1,112	16,517	6,154	116,590	5,588	810	714	-	-	147,485
Adjustment on initial application of MFRS 16	-	(1,112)	-	(6,154)	-	-	-	-	-	7,520	254
At 1 January 2019, as restated	-	-	16,517	-	116,590	5,588	810	714	-	7,520	147,485
Depreciation for the year	-	-	2,759	-	18,768	1,138	244	298	-	3,466	26,673
Disposals/Write off	-	-	-	-	-	(118)	(19)	-	-	-	(137)
Effect of exchange rate	-	-	-	-	-	10	(19)	-	-	-	(9)
At 31 December 2019	-	-	19,276	-	135,358	6,618	1,016	1,012	-	10,986	174,266
Carrying Amount											
At 1 January 2018	69,882	17,607	44,094	45,979	73,699	3,443	871	336	65,424	-	321,335
At 31 December 2018	69,882	16,991	41,654	66,278	80,911	3,366	870	245	105,985	-	386,182
At 31 December 2019	69,882	-	39,396	-	121,820	4,062	695	1,032	93,334	82,027	412,248
											Note 3.1

Note 3.1

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Own use			
	Office equipment, furniture and fittings RM'000	Renovation RM'000	Right-of-use asset RM'000	Total RM'000
Company				
Cost				
At 1 January 2018	-	-	-	-
Additions	176	-	-	176
At 31 December 2018, <i>as previously reported</i>	176	-	-	176
Adjustment on initial application of MFRS 16	-	-	1,451	1,451
At 1 January 2019, <i>as restated</i>	176	-	1,451	1,627
Additions	419	1,000	-	1,419
At 31 December 2019	595	1,000	1,451	3,046
Depreciation				
At 1 January 2018	-	-	-	-
Depreciation for the year	2	-	-	2
At 31 December 2018, <i>as previously reported</i>	2	-	-	2
Adjustment on initial application of MFRS 16	-	-	155	155
At 1 January 2019, <i>as restated</i>	2	-	155	157
Depreciation for the year	75	205	370	650
At 31 December 2019	77	205	525	807
Carrying amounts				
At 1 January 2018	-	-	-	-
At 31 December 2018	174	-	-	174
At 31 December 2019	518	795	926	2,239

Note 3.1

3.1 As a lessee

Right-of-use assets

	Land RM'000	Buildings RM'000	Total RM'000
Group			
Cost			
At 1 January 2019	18,103	74,489	92,592
Additions	-	421	421
At 31 December 2019	18,103	74,910	93,013

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.1 As a lessee (continued)

Right-of-use assets (continued)

	Land RM'000	Buildings RM'000	Total RM'000
Group			
Depreciation			
At 1 January 2019	1,112	6,408	7,520
Depreciation for the year	614	2,852	3,466
At 31 December 2019	1,726	9,260	10,986
Carrying amounts			
At 31 December 2019	16,377	65,650	82,027

	Building RM'000
Company	
Cost	
At 1 January 2019	1,451
Additions	-
At 31 December 2019	1,451
Depreciation	
At 1 January 2019	155
Depreciation for the year	370
At 31 December 2019	525
Carrying amounts	
At 31 December 2019	926

The Group and the Company lease buildings and land under operating lease. The lease typically run for a period of 3 years.

Significant judgements and assumptions in relation to leases

The Group assesses at lease commencement date by applying significant judgement whether it is reasonably certain to exercise the extension options. Group entities consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applied judgement and assumptions in determining the incremental borrowing rate of the lease. Group entities first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the lease.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. INVESTMENT PROPERTY

	Group	
	2019 RM'000	2018 RM'000
At 1 January / 31 December	1,200	1,200
Included in the above is:		
At fair value		
Leasehold land with unexpired lease period of more than 50 years	1,200	1,200

4.1 Fair value information

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment property.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Sales comparison approach: Sales price of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.	Recent transactions of similar properties at or near reporting date with similar land usage, land size and location. The characteristics, merits and disadvantages of these properties are noted and diligent adjustments thereof are then made by valuer to reflect the differences and to arrive at the value of the property.	The estimated fair value would increase (decrease) if recent transactions of similar properties at or near reporting date with similar land usage, land size and location were higher (lower).

Valuation processes applied by the Company for Level 3 fair value

The fair value of investment property is determined by external, independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The valuation company provides the fair value of the Group's investment property portfolio every twelve months. Changes in Level 3 fair values are analysed by the management every twelve months after obtaining valuation report from the valuation company.

Highest and best use

The Group's investment properties is a vacant land. The highest and best use of the property should be an industrial land located nearby the Group's investment property.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

5. INTANGIBLE ASSETS

	Marketing rights RM'000	Development costs RM'000	Total RM'000
Group			
Cost			
At 1 January 2018	838	15,566	16,404
Additions	-	3,349	3,349
At 31 December 2018/1 January 2019	838	18,915	19,753
Additions	-	7,526	7,526
Transfer from property, plant, equipment	-	2,284	2,284
Write off	-	(919)	(919)
At 31 December 2019	838	27,806	28,644
Amortisation			
At 1 January 2018	(81)	(88)	(169)
Amortisation for the year	(81)	(100)	(181)
At 31 December 2018/1 January 2019	(162)	(188)	(350)
Amortisation for the year	(81)	(100)	(181)
At 31 December 2019	(243)	(288)	(531)
Carrying amount			
At 1 January 2018	757	15,478	16,235
At 31 December 2018/1 January 2019	676	18,727	19,403
At 31 December 2019	595	27,518	28,113

Marketing rights

The carrying amount of marketing rights amounting to RM595,000 (2018: RM676,000) represents the sole and exclusive right to market and sell Insugen & Basalog One developed by Biocon SA, a company incorporated in India.

Development costs

The carrying amount of development costs represents costs incurred for the purpose of commercialisation of biosimilar products, oncology products as well as Bioequivalence study of various products. The Group will hold the exclusive commercialisation rights for product marketing and distribution in Malaysia, Singapore and Brunei, as well as the exclusive and perpetual royalty-free license to use the technical information for biosimilar products.

Some of the products have commenced commercial activity and is being amortised accordingly. However, there are products that are yet to be fully commercialised at year-end. The management made an assumption that the development costs will be recovered through future commercial activity when the products are fully commercialised in the future.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2019 RM'000	2018 RM'000
Unquoted shares, at cost	379,370	379,370

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal place of business	Principal activities	Effective ownership interest and voting interest	
			2019 %	2018 %
Duopharma (M) Sendirian Berhad	Malaysia	Manufacturing, distribution, importing and exporting of pharmaceutical products and medicines	100	100
Duopharma Manufacturing (Bangi) Sdn. Bhd.	Malaysia	Manufacturing of pharmaceutical products and sales of medicines	100	100
Duopharma Manufacturing (Glenmarie) Sdn. Bhd.	Malaysia	Property management and services	100	100
Duopharma Marketing Sdn. Bhd.	Malaysia	Marketing and sales of medicine and pharmaceutical products	100	100
Duopharma HAPI Sdn. Bhd.	Malaysia	Trading and manufacturing of pharmaceutical products	100	100
Sentosa Pharmacy Sdn. Bhd.	Malaysia	Distributor of pharmaceutical products	100	100
Duopharma Consumer Healthcare Sdn. Bhd. (formerly known as Unique Pharmacy (Ipoh) Sdn. Bhd.)	Malaysia	Trading of pharmaceutical products (ceased operations since March 2014)	100	100
Unique Pharmacy (Penang) Sdn. Bhd.	Malaysia	Distributor of pharmaceutical products	100	100
Negeri Pharmacy Sdn. Bhd.	Malaysia	Trading of pharmaceutical products (ceased operations since September 2002)	100	100
Duopharma Innovation Sdn. Bhd.	Malaysia	Research and development pharmaceutical products	100	100
Duopharma (Singapore) Pte. Ltd.#	Singapore	Distribution, wholesaler of medicinal and pharmaceutical products	100	100
DB (Philippines), Inc.#	Philippines	Distribution, importing and exporting pharmaceutical and chemical products	100	100

Not audited by member firms of KPMG International.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

7. OTHER INVESTMENTS

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current					
Fair value through other comprehensive income	7.1	51,839	52,063	51,839	52,063

7.1 Equity investments designated at fair value through other comprehensive income

The Group designated the investments shown below as equity securities at fair value through other comprehensive income because these equity securities represent investments that the Group intends to hold for long-term strategic purposes.

	Group and Company Fair value at 31 December RM'000
2019	
PanGen Biotech Inc.	22,183
SCM Lifescience Co., Ltd.	29,656
	51,839
2018	
PanGen Biotech Inc.	31,509
SCM Lifescience Co., Ltd.	20,554
	52,063

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

8. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Group						
Property, plant and equipment	-	-	(20,962)	(19,328)	(20,962)	(19,328)
Lease liabilities	18	-	-	-	18	-
Provisions	8,381	7,681	-	-	8,381	7,681
Unutilised capital allowance carry-forwards	6,847	6,251	-	-	6,847	6,251
Unutilised reinvestment allowance	4,681	4,139	-	-	4,681	4,139
Tax losses carry-forwards	1,103	1,201	-	-	1,103	1,201
Other items	2,726	2,654	(3,651)	(3,640)	(925)	(986)
Tax assets/(liabilities)	23,756	21,926	(24,613)	(22,968)	(857)	(1,042)
Set off of tax	(14,560)	(11,726)	14,560	11,726	-	-
Net tax assets/(liabilities)	9,196	10,200	(10,053)	(11,242)	(857)	(1,042)

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

8. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Tax loss carry-forwards	1,461	345	-	-
Other deductible temporary differences	2,435	45	2,395	45
	3,896	390	2,395	45

A tax loss of RM1,461,000 (2018: RM345,000) can be carried forward up to seven consecutive years of assessment under tax legislation of Malaysia.

Movement in temporary differences during the year

	At 1.1.2018 RM'000	Recognised in profit or loss (Note 20) RM'000	At 31.12.2018/ 1.1.2019 RM'000	Recognised in profit or loss (Note 20) RM'000	At 31.12.2019 RM'000
Group					
Property, plant and equipment	(19,270)	(58)	(19,328)	(1,634)	(20,962)
Lease liabilities	-	-	-	18	18
Provisions	5,998	1,683	7,681	700	8,381
Unutilised capital allowance carry- forwards	5,777	474	6,251	596	6,847
Unutilised reinvestment allowance	4,139	-	4,139	542	4,681
Tax losses carry-forwards	1,201	-	1,201	(98)	1,103
Other items	(562)	(424)	(986)	61	(925)
Total	(2,717)	1,675	(1,042)	185	(857)

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

9. INVENTORIES

	Group	
	2019 RM'000	2018 RM'000
Raw materials and consumables	31,220	33,863
Work-in-progress	3,241	3,108
Packing materials	11,529	15,355
Finished goods	98,013	87,281
	144,003	139,607
Recognised in profit or loss:		
Inventories recognised as cost of sales	189,884	209,134
Net inventories written down	1,144	854
Inventories write off	9,834	12,175

10. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current					
Trade					
Trade receivables		111,889	87,355	-	-
Non-trade					
Amount due from related companies	10.1	-	72	-	72
Amount due from subsidiaries	10.2	-	-	138,548	135,281
Other receivables and deposits	10.3	33,278	38,162	8,433	9,505
Prepayments		771	484	65	38
		34,049	38,718	147,046	144,896
		145,938	126,073	147,046	144,896

10.1 The current non-trade amounts due from related companies are unsecured, interest free and repayable on demand.

10.2 The current non-trade amounts due from subsidiaries are unsecured, subject to interest at 5.0% per annum (2018: subject to interest at 5.0% per annum) and repayable on demand.

10.3 Included in other receivables and deposits are deposits for new plant and machineries amounting to RM20,973,000 (2018: RM17,679,000).

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

11. CASH AND CASH EQUIVALENTS

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deposits placed with licensed banks		11,184	5,472	350	350
Cash and bank balances		66,614	69,878	18,896	28,078
Highly liquid investments with financial institutions	11.1	42,871	22,904	42,871	22,904
		120,669	98,254	62,117	51,332

11.1 Highly liquid investments with financial institutions

The Directors regard the highly liquid investments as cash and cash equivalents in view of its high liquidity and insignificant changes in value.

12. CAPITAL AND RESERVES

12.1 Share capital

	Note	Group and Company			
		Number of shares 2019 '000	Amount 2019 RM'000	Number of shares 2018 '000	Amount 2018 RM'000
Issued and fully paid:					
Ordinary shares					
At 1 January		661,881	347,188	278,959	333,684
Issuance of bonus shares		-	-	371,943	-
Issuance pursuant to dividend reinvestment plan	12.1.1	22,502	27,216	10,979	13,504
At 31 December		684,383	374,404	661,881	347,188

Ordinary shares

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. CAPITAL AND RESERVES (CONTINUED)

12.1 Share capital (continued)

12.1.1 Dividend Reinvestment Plan

The Company had implemented the Dividend Reinvestment Plan for its 2018 Final Dividend at a conversion price of RM1.20 per ordinary share and had successfully issued and allotted 18,225,450 new shares on 29 July 2019.

The Company had implemented the Dividend Reinvestment Plan for its 2019 Interim Dividend at a conversion price of RM1.25 per ordinary share and had successfully issued and allotted 4,276,658 new shares on 15 November 2019.

12.2 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the Group entities with functional currency other than RM.

12.3 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of equity and debt securities designated at fair value through other comprehensive income until the assets are derecognised or impaired.

13. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's and the Company's interest-bearing loans and borrowings. For more information about the Group's and the Company's exposure to interest rate and foreign currency risk, see Note 24.

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current					
Term loan - unsecured	13.1	139,738	121,650	139,738	121,650
Current					
Revolving credit - unsecured	13.2	107,582	106,842	87,580	96,842
Banker's acceptance	13.3	2,081	-	-	-
Term loan - unsecured	13.1	15,000	15,000	15,000	15,000
		124,663	121,842	102,580	111,842
		264,401	243,492	242,318	233,492

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

13. LOANS AND BORROWINGS (CONTINUED)

13.1 Term loan – unsecured

- a) On 30 June 2015, the Company obtained a RM245 million term loan facility, divided into two tranches. The Company has settled Tranche 1 of RM133 million on 23 July 2015. Tranche 2 of RM112 million is payable over 7 years and is subject to interest at the rate of 4.5% per annum.

The significant covenant for the unsecured term loan above are as follows:

- i) It is a condition that Permodalan Nasional Berhad (“PNB”) shall at all time, directly or indirectly, owns its majority shareholding in the Company’s issued and paid up share capital; and
 - ii) Gearing ratio at the Company shall not exceed 1.5 times throughout the tenure of the facility.
- b) On 16 June 2017, the Company obtained a RM250 million term loan facility, is payable over 10 years (including a grace period of 3 years) from the date of the first disbursement of the facility and is subject to interest at the rate of 4.77% - 5.08% per annum.

On 29 July 2019, the Company has renewed the term loan facility. The existing tenure of the term loan facility of up to a period of 10 years (including a grace period of 3 years) from the date of the first disbursement of the facility has been revised to be up to a period of 12 years (including a grace period of 5 years) from the date of the first disbursement of the facility.

The significant covenant for the unsecured term loan above are as follows:

- i) The Company shall maintain 100% shareholding interest in the subsidiaries of Duopharma (M) Sendirian Berhad, Duopharma Manufacturing (Bangi) Sdn. Bhd., Duopharma Marketing Sdn. Bhd. and Duopharma HAPI Sdn. Bhd;
- ii) PNB, its group of companies and funds managed by PNB shall remain as ultimate holding company of the Company throughout the tenure of the facility;
- iii) Financing to equity ratio on consolidated level shall not more than 1.50 times; and
- iv) Financial service coverage ratio on consolidated level not less than 1.20 times.

13.2 Revolving credit – unsecured

The Group’s revolving credit as at 31 December 2019 amounting to RM107,582,000 (2018: RM106,842,000) are revolving credits maturing between one to twelve months.

13.3 Banker’s acceptance

The Group’s banker’s acceptance as at 31 December 2019 amounting to RM2,081,000 (2018: nil) are banker’s acceptance maturing between one to three months.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

14. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current					
Lease liabilities		818	-	634	-
Current					
Trade					
Trade payables		34,670	31,202	-	-
Non-trade					
Amount due to subsidiaries	14.1	-	-	2,699	2,121
Amount due to related companies	14.1	2,769	5,833	2,831	5,790
Other payables		22,080	28,975	65	2,237
Accrued expenses		31,158	17,752	2,190	-
Lease liabilities		778	-	397	-
Provisions		22,672	16,520	2,492	-
		79,457	69,080	10,674	10,148
		114,127	100,282	10,674	10,148
		114,945	100,282	11,308	10,148

14.1 The non-trade amounts due to subsidiaries and related companies are unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

15. REVENUE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue from contracts with customers	576,462	498,722	27,228	15,850
Other revenue				
Dividend income	-	-	14,084	81,670
	576,462	498,722	41,312	97,520

15.1 Disaggregation of revenue

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Primary geographical market				
Malaysia	530,553	457,694	40,092	96,190
Other countries	45,909	41,028	1,220	1,330
	576,462	498,722	41,312	97,520
Type of market				
Public sector	283,997	256,644	-	-
Private sector	292,465	242,078	41,312	97,520
	576,462	498,722	41,312	97,520
Timing and recognition				
At a point in time	576,462	498,012	41,312	97,520
Over time	-	710	-	-
	576,462	498,722	41,312	97,520

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. REVENUE (CONTINUED)

15.2 Nature of goods and services

The following information reflects the typical transactions of the Group:

Type of market	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable element in consideration	Obligation for returns or refunds
Public sector	Revenue is recognised when the goods are delivered and accepted by the customers at their premises.	Credit period of 30 to 90 days from invoice date.	Sales rebates are given to customers based on the total invoice value.	The Group allows returns for exchange with new goods.
Private sector	Revenue is recognised when the goods are delivered and accepted by the customers at their premises.	Credit period of 30 to 90 days from invoice date.	Sales rebates are given to customers based on the total invoice value.	The Group allows returns for exchange with new goods and cash refunds.
Private sector - contract manufacturing	Revenue is recognised overtime as performance obligations are satisfied. This contract would meet the no alternative use and the Group have rights to payment for work performed	Based on agreed milestones.	Not applicable	A refund is required in the event the Group fails to satisfy the performance obligations.

There was no warranty in the provision of the goods and services by the Group.

15.3 Significant judgements and assumptions arising from revenue recognition

The Group applied judgements and assumptions that significantly affect the determination of the amount and timing of revenue recognised from contracts with customers. For public and private sectors contracts that permit the customer to return an item, revenue is adjusted for expected returns to the extent that it is highly probable that a significant reversal in revenue recognised will not occur. The Group estimated the returns based on the historical data.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

16. RESULTS FROM OPERATING ACTIVITIES

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Operating profit is arrived at after charging/ (crediting):					
Amortisation of intangible assets		181	181	-	-
Auditors' remuneration:					
- Audit fees					
KPMG in Malaysia		250	222	50	36
Other auditors		50	41	-	-
- Non-audit fees					
KPMG in Malaysia		26	27	12	12
Depreciation on property, plant and equipment		26,673	24,545	650	2
Net impairment loss on trade receivables		(412)	845	-	-
Net inventories written down		1,144	854	-	-
Net inventories write off		9,834	12,175	-	-
Net realised foreign exchange loss/(gain)		474	(83)	(46)	(138)
Net unrealised foreign exchange (gain)/loss		(406)	2,185	(805)	2,479
Personnel expenses (including key management personnel):					
- Contributions to state plans		12,036	10,196	919	45
- Wages, salaries and others		102,989	84,719	10,307	6,951
Write off on intangible assets		919	-	-	-
Write off on property, plant and equipment		1,965	-	-	-
Reversal of provision for warranty		-	(693)	-	-
Dividend income from:					
- A subsidiary in Malaysia (unquoted)		-	-	(13,500)	(81,000)
- A subsidiary in Singapore (unquoted)		-	-	(584)	(670)
Expenses arising from leases:					
- Expenses relating to leases of low-value assets	a	634	-	7	-
- Expenses relating to variable lease payments not included in the measurement of lease liabilities		1,973	-	-	-
Rental expenses		-	3,385	-	150

Note a

The Group leases office equipment with contract terms of 1 to 3 years. These leases are low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

17. FINANCE INCOME

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest income of financial assets calculated using the effective interest method that are:				
- at amortised cost	841	1,051	6,842	6,425
- at fair value through profit or loss	622	1,060	622	1,060
	1,463	2,111	7,464	7,485

18. FINANCE COSTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss	7,869	7,554	10,371	7,189
Interest expense on lease liabilities	91	-	63	-
Other finance costs	339	175	5	3
	8,299	7,729	10,439	7,192

19. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation is as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors				
- Fees	604	611	604	611
- Remuneration	2,202	1,422	2,202	1,422
- Other short-term employee benefits	53	6	53	6
	2,859	2,039	2,859	2,039
Other key management personnel				
- Remuneration	6,465	5,970	2,626	2,299
Total short-term employee benefits	9,324	8,009	5,485	4,338

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 Group entities either directly or indirectly.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

20. TAX EXPENSE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Recognised in profit or loss				
Current tax expense				
- current year	16,732	14,003	1,503	984
- (over)/under provision in prior years	(1,011)	(303)	(875)	3
Total current tax recognised in profit or loss	15,721	13,700	628	987
Deferred tax (benefit)/expense				
Origination and reversal of temporary differences	737	(238)	-	-
Over provision in prior years	(922)	(1,437)	-	-
Total deferred tax recognised in profit or loss	(185)	(1,675)	-	-
Total income tax expense	15,536	12,025	628	987
Reconciliation of tax expense				
Profit for the year	55,273	47,641	10,244	74,903
Total income tax expense	15,536	12,025	628	987
Profit excluding tax	70,809	59,666	10,872	75,890
Income tax calculated using Malaysian tax rate of 24%	16,994	14,320	2,609	18,214
Non-deductible expenses, net of non-taxable income	3,871	4,626	1,710	2,371
Tax exempt income	-	-	(3,380)	(19,601)
Tax incentives	(4,178)	(5,159)	-	-
Current year losses for which no deferred tax was recognised	841	-	564	-
(Over)/Under provision in prior years	(1,933)	(1,740)	(875)	3
Effect of tax rates in foreign jurisdictions	(59)	(22)	-	-
	15,536	12,025	628	987

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

21. EARNINGS PER ORDINARY SHARE

(a) Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2019 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

Group	2019 RM'000	2018 RM'000
Profit attributable to ordinary shareholders	55,273	47,641

	Group	
	2019 '000	2018 '000
Weighted average number of ordinary shares at 31 December	670,221	655,925

	Group	
	2019 Sen	2018 Sen
Basic earnings per ordinary share	8.25	7.26

(b) Diluted earnings per ordinary share

Diluted earnings per ordinary share is not presented as the Group has no shares or other instruments with potential dilutive effects as at 31 December 2019.

22. DIVIDENDS

Dividends recognised by the Company:

	Sen per share	Total amount RM'000	Date of payment
2019			
Final 2018 ordinary	4.00	26,475	26 July 2019
Interim 2019 ordinary	1.00	6,801	14 November 2019
Total amount		33,276	
2018			
Final 2017 ordinary	6.00	16,738	17 July 2018
Interim 2018 ordinary	1.50	9,928	23 November 2018
Total amount		26,666	

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

22. DIVIDENDS (CONTINUED)

After the end of the reporting period, the following dividend was proposed by the Directors. This dividend will be recognised in subsequent financial period upon approval by the owners of the Company.

	Sen per share	Total amount RM'000
Final 2019 ordinary	5.00	34,219

23. OPERATING SEGMENTS

The Group operates principally in Malaysia and its major business segment being manufacturing and distribution of pharmaceutical products categorised by geographical area as mentioned in geographical segment. The Group's Group Managing Director ("GMD"), who is the chief operating decision maker reviews internal management reports regularly.

Accordingly, no segment information is provided as the financial position and performance are as already shown in the Statement of Financial Position and the Statement of Profit or Loss and Other Comprehensive Income.

Geographical segments

Segment revenue is based on geographical location of customers, and are managed separately because they require different marketing strategies.

Segment assets are not used to measure the financial position of the respective segments and not included in the internal management reports that are reviewed by the GMD, as all assets within the Group, other than trade receivables, are attributed to the business activities in Malaysia.

	Group	
	2019 RM'000	2018 RM'000
Revenue from external customers:		
Local	530,553	457,694
Export	45,909	41,028
	576,462	498,722
Trade receivables from external customers:		
Local	105,393	81,685
Export	6,496	5,670
	111,889	87,355

Major customers

Revenue from major customer with revenue equal or more than 10% of the Group's total revenue amounts to approximately RM140,981,000 (2018: RM118,247,000), generated from local segment.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

24. FINANCIAL INSTRUMENTS

24.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Amortised cost ("AC");
- (b) Fair value through profit or loss ("FVTPL"); and
- (c) Fair value through other comprehensive income ("FVOCI"):
 - Equity instrument designated upon initial recognition ("EIDUIR").

	Carrying amount RM'000	AC RM'000	FVTPL RM'000	FVOCI - EIDUIR RM'000
2019				
Financial assets				
Group				
Other investments	51,839	-	-	51,839
Trade and other receivables (excluding prepayments)	145,167	145,167	-	-
Cash and bank balances	77,798	77,798	-	-
Highly liquid investments	42,871	-	42,871	-
	317,675	222,965	42,871	51,839
Company				
Other investments	51,839	-	-	51,839
Trade and other receivables (excluding prepayments)	146,981	146,981	-	-
Cash and bank balances	19,246	19,246	-	-
Highly liquid investments	42,871	-	42,871	-
	260,937	166,227	42,871	51,839
Financial liabilities				
Group				
Loan and borrowings	(264,401)	(264,401)	-	-
Trade and other payables (excluding lease liabilities)	(113,349)	(113,349)	-	-
	(377,750)	(377,750)	-	-
Company				
Loan and borrowings	(242,318)	(242,318)	-	-
Trade and other payables (excluding lease liabilities)	(10,277)	(10,277)	-	-
	(252,595)	(252,595)	-	-

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.1 Categories of financial instruments (continued)

	Carrying amount RM'000	AC RM'000	FVTPL RM'000	FVOCI - EIDUIR RM'000
2018				
Financial assets				
Group				
Other investments	52,063	-	-	52,063
Trade and other receivables (excluding prepayments)	125,589	125,589	-	-
Cash and bank balances	75,350	75,350	-	-
Highly liquid investments	22,904	-	22,904	-
	275,906	200,939	22,904	52,063
Company				
Other investments	52,063	-	-	52,063
Trade and other receivables (excluding prepayments)	144,858	144,858	-	-
Cash and bank balances	28,428	28,428	-	-
Highly liquid investments	22,904	-	22,904	-
	248,253	173,286	22,904	52,063
Financial liabilities				
Group				
Loan and borrowings	(243,492)	(243,492)	-	-
Trade and other payables (excluding lease liabilities)	(100,282)	(100,282)	-	-
	(343,774)	(343,774)	-	-
Company				
Loan and borrowings	(233,492)	(233,492)	-	-
Trade and other payables (excluding lease liabilities)	(10,148)	(10,148)	-	-
	(243,640)	(243,640)	-	-

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.2 Net gains and losses arising from financial instruments

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net gains/(losses) on:				
Equity instruments designated at fair value through other comprehensive income	(224)	(27,649)	(224)	(27,649)
Financial assets at amortised cost	1,334	206	7,078	6,425
Financial assets at fair value through profit or loss	622	1,060	467	1,060
Financial liabilities at amortised cost	(8,448)	(9,831)	(9,667)	(9,533)
	(6,716)	(36,214)	(2,346)	(29,697)

24.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

24.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries.

Trade receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy 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. Depending on the nature of the transactions and the customer's risk profile, the Group may require upfront deposits as collateral.

At each reporting date, the Group assesses whether any of the trade receivables are credit impaired.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.4 Credit risk (continued)

Trade receivables (continued)

Risk management objectives, policies and processes for managing the risk (continued)

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. For receivables from public and private sectors, impairment loss will be generally provided for amounts aged more than 270 days based on historical payment trends and patterns unless there is objective evidence to show otherwise.

Concentration of credit risk

The exposure of credit risk for trade receivables as at the end of the reporting period by sector was:

	Group	
	2019 RM'000	2018 RM'000
Public sector	39,805	30,483
Private sector	72,084	56,872
	111,889	87,355

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.4 Credit risk (continued)

Trade receivables (continued)

Recognition and measurement of impairment losses

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 90 days.

The Group uses an allowance matrix to measure ECLs of trade receivables. Invoices which are past due 90 days will be considered as credit impaired.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to 90 days past due.

Loss rates are based on actual credit loss experience over the past three years. The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the year.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2019.

	2019		
	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Not past due	107,574	(916)	106,658
1-30 days past due	3,993	(190)	3,803
31-60 days past due	1,026	(263)	763
61-90 days past due	1,226	(561)	665
	113,819	(1,930)	111,889
Credit impaired			
More than 90 days past due	2,853	(2,853)	-
Individually impaired	1,164	(1,164)	-
	117,836	(5,947)	111,889

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.4 Credit risk (continued)

Trade receivables (continued)

Recognition and measurement of impairment losses (continued)

	2018		
	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Not past due	80,248	(953)	79,295
1-30 days past due	7,204	(111)	7,093
31-60 days past due	1,080	(260)	820
61-90 days past due	208	(61)	147
	88,740	(1,385)	87,355
Credit impaired			
More than 90 days past due	3,518	(3,518)	-
Individually impaired	1,621	(1,621)	-
	93,879	(6,524)	87,355

The movements in the allowance for impairment in respect of trade receivables during the year as shown below.

	Lifetime ECL RM'000	Credit impaired RM'000	Total RM'000
Balance at 1 January 2018	906	4,846	5,752
Amounts written off	-	(31)	(31)
Net remeasurement of loss allowance	479	366	845
Effect of foreign currency translation	-	(42)	(42)
Balance at 31 December 2018	1,385	5,139	6,524
Amounts written off	-	(187)	(187)
Net remeasurement of loss allowance	545	(957)	(412)
Effect of foreign currency translation	-	22	22
Balance at 31 December 2019	1,930	4,017	5,947

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.4 Credit risk (continued)

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

These banks and financial institutions have low credit risks. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

Other receivables

Credit risks on other receivables are mainly arising from deposits paid for office buildings and fixtures rented. These deposits will be received at the end of each lease terms. The Group manages the credit risk together with the leasing arrangement.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

As at the end of the reporting period, the Group did not recognised any allowance for impairment losses.

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by its carrying amount in the statement of financial position.

Loans and advances are only provided to subsidiaries which are wholly owned by the Company.

Recognition and measurement of Impairment losses

Generally, the Company considers loans and advances to subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loan or advance to be credit impaired when:

- The subsidiary is unlikely to repay its loan or advance to the Company in full; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to the subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 Years RM'000
2019						
Group						
<i>Non-derivative financial liabilities</i>						
Banker's acceptance	2,081	4.39 – 4.40	2,172	2,172	-	-
Trade and other payables (excluding lease liabilities)	113,349	-	113,349	113,349	-	-
Lease liabilities	1,596	5.00	1,715	826	612	277
Term loan - unsecured	154,738	4.41 – 5.08	177,851	22,001	32,066	123,784
Revolving credit - unsecured	107,582	2.70 – 4.71	111,309	111,309	-	-
	379,346		406,396	249,657	32,678	124,061
Company						
<i>Non-derivative financial liabilities</i>						
Trade and other payables (excluding lease liabilities)	10,277	-	10,277	10,277	-	-
Lease liabilities	1,031	5.00	1,134	439	439	256
Term loan - unsecured	154,738	4.41 – 5.08	177,851	22,001	32,066	123,784
Revolving credit - unsecured	87,580	2.70 – 3.86	90,714	90,714	-	-
	253,626		279,976	123,431	32,505	124,040

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.5 Liquidity risk (continued)

Maturity analysis (continued)

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 Years RM'000
2018						
Group						
<i>Non-derivative financial liabilities</i>						
Trade and other payables	100,282	-	100,282	100,282	-	-
Term loan - unsecured	136,650	4.50 - 5.03	152,359	21,213	29,748	101,398
Revolving credit - unsecured	106,842	1.03 - 4.62	110,062	110,062	-	-
	<u>343,774</u>		<u>362,703</u>	<u>231,557</u>	<u>29,748</u>	<u>101,398</u>
Company						
<i>Non-derivative financial liabilities</i>						
Trade and other payables	10,148	-	10,148	10,148	-	-
Term loan - unsecured	136,650	4.50 - 5.03	152,359	21,213	29,748	101,398
Revolving credit - unsecured	96,842	1.03 - 3.51	99,831	99,831	-	-
	<u>243,640</u>		<u>262,338</u>	<u>131,192</u>	<u>29,748</u>	<u>101,398</u>

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Group's financial position or cash flows.

24.6.1 Currency risk

The Group is exposed to foreign currency risk on sales, purchases and bank balance that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar ("USD"), Euro ("EURO"), Singapore Dollar ("SGD"), Philippines Peso ("PESO") and Great Britain Pounds ("GBP").

Risk management objectives, policies and processes for managing the risk

The Group ensures that the net exposure on foreign currency risk arising from commercial transactions is kept to an acceptable level by buying and selling foreign currencies at spot rates where necessary to address short-term imbalances.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	<i>Denominated in USD</i>	
	2019 RM'000	2018 RM'000
Group		
Trade and other receivables	2,863	4,134
Trade payables	(15,941)	(6,175)
Bank balances	9,930	1,057
Bank borrowings	(83,168)	(96,841)
Net exposure in the statement of financial position	(86,316)	(97,825)

	<i>Denominated in EURO</i>	
	2019 RM'000	2018 RM'000
Trade and other receivables	231	3,220
Trade payables	(1,607)	(168)
Net exposure in the statement of financial position	(1,376)	3,052

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.6 Market risk (continued)

24.6.1 Currency risk (continued)

Exposure to foreign currency risk (continued)

	Denominated in SGD	
	2019 RM'000	2018 RM'000
Trade and other receivables	1,479	1,456
Trade payables	-	(238)
Bank balances	1,938	1,939
Net exposure in the statement of financial position	3,417	3,157

	Denominated in PESO	
	2019 RM'000	2018 RM'000
Trade receivables	1,999	2,184
Trade payables	(9)	(26)
Bank balances	3,487	1,085
Net exposure in the statement of financial position	5,477	3,243

	Denominated in GBP	
	2019 RM'000	2018 RM'000
Trade receivables	168	-
Net exposure in the statement of financial position	168	-

Currency risk sensitivity analysis

A 10% (2018: 10%) strengthening of the Ringgit Malaysia against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Profit or loss	
	2019 RM'000	2018 RM'000
Group		
USD	6,560	7,435
EURO	105	(232)
SGD	(260)	(240)
PESO	(416)	(246)
GBP	(13)	-
	5,976	6,717

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.6 Market risk (continued)

24.6.1 Currency risk (continued)

Currency risk sensitivity analysis (continued)

A 10% (2018: 10%) weakening of Ringgit Malaysia against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

24.6.2 Interest rate risk or net asset value risk

The Group's and the Company's investments in debt securities and borrowings are exposed to a risk of change in their fair value due to changes in market rates. Investments in equity securities and short-term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group's and the Company's exposure to the risk of changes in market rates relates primarily to the highly liquid investments with floating net asset value and its floating interest rate unsecured term loans. Changes in the net asset value and interest rate may expose the Group to a risk of change in cash flows.

The excess fund placed with licensed banks and other financial institutions and corporations are for certain periods during which the interest rates are fixed. The management reviews the interest rates at regular intervals.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fixed rate instruments				
Financial assets	11,184	6,203	350	350
Financial liabilities	(17,966)	(16,554)	(17,401)	(16,554)
	(6,782)	(10,351)	(17,051)	(16,204)
Floating rate instruments				
Financial assets	42,871	22,904	42,871	22,904
Financial liabilities	(248,031)	(226,937)	(225,948)	(216,937)
	(205,160)	(204,033)	(183,077)	(194,033)

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.6 Market risk (continued)

24.6.2 Interest rate risk or net asset value risk (continued)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and financial liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2019 Profit or (loss)		2018 Profit or (loss)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Group				
Floating rate instruments	(1,559)	1,559	(1,551)	1,551
Company				
Floating rate instruments	(1,391)	1,391	(1,475)	1,475

24.7 Fair value information

The carrying amounts of cash and bank balances, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.7 Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position, is as follows:

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
Group 2019										
Financial assets										
Other investments	22,183	-	29,656	51,839	-	-	-	-	51,839	51,839
Highly liquid investments	42,871	-	-	42,871	-	-	-	-	42,871	42,871
	65,054	-	29,656	94,710	-	-	-	-	94,710	94,710
Financial liabilities										
Term loan	-	-	-	-	-	-	(155,693)	(155,693)	(155,693)	(154,738)
2018										
Financial assets										
Other investments	31,509	-	20,554	52,063	-	-	-	-	52,063	52,063
Highly liquid investments	22,904	-	-	22,904	-	-	-	-	22,904	22,904
	54,413	-	20,554	74,967	-	-	-	-	74,967	74,967
Financial liabilities										
Term loan	-	-	-	-	-	-	(136,650)	(136,650)	(136,650)	(136,650)

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.7 Fair value information (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
Company 2019										
Financial assets										
Other investments	22,183	-	29,656	51,839	-	-	-	-	51,839	51,839
Highly liquid investments	42,871	-	-	42,871	-	-	-	-	42,871	42,871
	65,054	-	29,656	94,710	-	-	-	-	94,710	94,710
Financial liabilities										
Term loan	-	-	-	-	-	-	(155,693)	(155,693)	(155,693)	(154,738)
2018										
Financial assets										
Other investments	31,509	-	20,554	52,063	-	-	-	-	52,063	52,063
Highly liquid investments	22,904	-	-	22,904	-	-	-	-	22,904	22,904
	54,413	-	20,554	74,967	-	-	-	-	74,967	74,967
Financial liabilities										
Term loan	-	-	-	-	-	-	(136,650)	(136,650)	(136,650)	(136,650)

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.7 Fair value information (continued)

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2018: no transfer in either direction).

Level 3 fair value

Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Term loan	Discounted cash flows using a rate based on the current market rate of borrowing of the respective Group entities at the reporting date.

Valuation processes applied by the Group for Level 3 fair value

The Group has an established control framework in respect to the measurement of fair values of financial instruments. This includes management that has overall responsibility for overseeing all significant fair value measurements.

Interest rate used to determine fair value

The interest rate used to discount estimated cash flows is 4.75% (2018: 4.95%).

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

25. CAPITAL MANAGEMENT

The Group's objective when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to safeguard shareholders' interest within the Group and to sustain future development of the business.

The debt-to-equity ratio at 31 December 2019 and at 31 December 2018 were as follows:

	Note	Group	
		2019 RM'000	2018 RM'000
Loans and borrowings	13	264,401	243,492
Lease liabilities	14	1,596	-
Total debts		265,997	243,492
Total equity		529,750	481,041
Debt-to-equity ratios		0.50:1	0.51:1

The Group is also required to maintain a maximum debt-to-equity ratio of 1.5 and minimum debt service cover ratio of 1.2 to comply with debt covenants, failing which, the bank may call an event of default. The Group has complied with the covenants.

26. CAPITAL AND OTHER COMMITMENTS

	Group	
	2019 RM'000	2018 RM'000
Capital expenditure commitments		
Plant and equipment		
Contracted but not provided for	13,850	12,466

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

27. RELATED PARTY TRANSACTIONS

Identity of related parties

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

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel include all the Directors of the Group, and certain members of senior management of the Group. The Group has related party relationship with its holding company, subsidiaries, related companies and key management personnel.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are shown below, except for key management personnel compensation which is shown in Note 19. The balances related to the below transactions are shown in Note 10 and 14.

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Immediate holding company				
Dividend paid	(16,966)	(12,556)	(16,966)	(12,556)
Related companies				
Management fees paid	(6,395)	(6,191)	(6,395)	(6,191)
Dividend income received from a subsidiary	-	-	14,084	81,670
Interest income received from subsidiaries	-	-	6,842	6,277

There is no impairment loss recognised in respect of these outstanding balances at year end.

All the outstanding balances are unsecured and expected to be settled with cash.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

28. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

During the year, the Group and the Company adopted MFRS 16.

Definition of a lease

On transition to MFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied MFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117 and IC Interpretation 4, *Determining whether an Arrangement contains a Lease* were not reassessed. Therefore, the definition of a lease under MFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

Where the Group and the Company are a lessee, the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 January 2019.

At 1 January 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group entities' incremental borrowing rate as at 1 January 2019. The weighted-average rate applied is 5%. Right-of-use assets are measured at their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 January 2019;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

28.1 Impacts on financial statements

Since the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application at 1 January 2019, there are no adjustments made to the prior period presented.

The following table explains the difference between the operating lease commitments disclosed applying MFRS 117 at 31 December 2018, and lease liabilities recognised in the statement of financial position at 1 January 2019.

	RM'000
Operating lease commitments at 31 December 2018 as disclosed in the Group's consolidated financial statements	1,880
Discounted using the incremental borrowing rate at 1 January 2019	1,847
Extension and termination option reasonably certain to be exercised	82
Lease liabilities recognised at 1 January 2019	1,929

STATEMENT BY DIRECTORS

pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 91 to 167 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2019 and of their financial performance and cash flows for the financial year then ended.

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

Tan Sri Datin Paduka Siti Sa'diah binti Sh Bakir
Director

Leonard Ariff bin Abdul Shatar
Director

Kuala Lumpur

12 March 2020

STATUTORY DECLARATION

pursuant to Section 251(1)(b) of the Companies Act 2016

I, Chek Wu Kong, the officer primarily responsible for the financial management of Duopharma Biotech Berhad, do solemnly and sincerely declare that the financial statements set out on pages 91 to 167 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Chek Wu Kong, NRIC: 660124-08-6517, MIA CA 7644, at Kuala Lumpur in the Federal Territory on 12 March 2020.

Chek Wu Kong

Before me

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF DUOPHARMA BIOTECH BERHAD
(Company No. 200001021664 [524271-W])
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Duopharma Biotech Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 91 to 167.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for *Accountants' Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF DUOPHARMA BIOTECH BERHAD
(Company No. 200001021664 [524271-W])
(Incorporated in Malaysia)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Inventory provisions

Refer to Note 2(h) - Significant accounting policy: Inventories and Note 9 – Inventories.

The key audit matter	How the matter was addressed in our audit
The Group manufactures and sells pharmaceutical products which carry shelf life, increasing the level of judgement involved in estimating inventory provisions. Judgement is required to assess the appropriate level of provisioning for short-dated pharmaceutical products. Such judgements include Directors' expectations for future sales and inventory liquidation plans.	<p>We performed the following audit procedures, among others:</p> <ul style="list-style-type: none"> • Attended stock counts to identify whether any inventory was obsolete; • Assessed the basis for the inventory provisions, the consistency of provisioning in line with policy and the rationale for the recording of specific provisions; • Tested the accuracy of the ageing of inventories based on system generated reports; • Tested the provision calculations and determined that they appropriately took into account the ageing profile of inventories; and • Assessed the appropriateness of management's inventory measurement under MFRS 102.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Director's Report and Statement on Risk Management and Internal Control (but does not include the financial statements of the Group and of the Company and our auditors report thereon), which we obtained prior to the date of this auditor's report, and the remaining parts of the annual report, which are expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF DUOPHARMA BIOTECH BERHAD

(Company No. 200001021664 [524271-W])

(Incorporated in Malaysia)

Information Other than the Financial Statements and Auditors' Report Thereon (continued)

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate actions in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF DUOPHARMA BIOTECH BERHAD
(Company No. 200001021664 [524271-W])
(Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF DUOPHARMA BIOTECH BERHAD

(Company No. 200001021664 [524271-W])

(Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 6 to the financial statements.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT

(LLP0010081-LCA & AF 0758)

Chartered Accountants

Abdullah Abu Samah

Approval Number: 02013/06/2020 J

Chartered Accountant

Petaling Jaya, Selangor

12 March 2020

Section 05

OTHER INFORMATION

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ANALYSIS OF SHAREHOLDINGS

As at 25 March 2020

Total Number of Issued Shares : 684,383,164
 Class of Shares : Ordinary Shares
 No. of Shareholders : 7,655
 Voting Right : One Vote per Ordinary Share

ANALYSIS BY SIZE OF HOLDINGS

as at 25 March 2020

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Shares
Less than 100	917	11.979	34,809	0.005
100 - 1,000	1,145	14.957	702,716	0.102
1,001 - 10,000	3,481	45.473	15,947,485	2.330
10,001 - 100,000	1,744	22.782	50,305,787	7.350
100,001 to less than 5% of issued ordinary shares	366	4.781	261,963,386	38.277
5% and above of issued ordinary shares	2	0.026	355,428,981	51.934
Total	7,655	100.000	684,383,164	100.000

DIRECTORS' SHAREHOLDINGS AS PER REGISTER OF DIRECTORS

As at 25 March 2020

No	Name	No. of Shares Held			
		Direct	%	Indirect	%
1	Tan Sri Datin Paduka Siti Sa'diah Binti Sh Bakir	0	0.000	0	0.000
2	Leonard Ariff Bin Abdul Shatar	0	0.000	0	0.000
3	Dato' Mohamad Kamarudin Bin Hassan	0	0.000	0	0.000
4	Razalee Bin Amin	0	0.000	0	0.000
5	Zaiton Binti Jamaluddin	0	0.000	0	0.000
6	Dato' Eisah Binti A. Rahman	0	0.000	0	0.000
7	Datuk Nik Moustpha Bin Hj Nik Hassan	0	0.000	0	0.000
8	Datuk Mohd Radzif Bin Mohd Yunus	18,970	0.002	0	0.000
9	Dato' Dr. Zaki Morad Bin Mohamad Zaher	0	0.000	0	0.000
	Total	18,970	0.002	0	0.000

SUBSTANTIAL SHAREHOLDERS' HOLDINGS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

As at 25 March 2020

No	Name	No. of Shares Held			
		Direct	%	Indirect	%
1	Permodalan Nasional Berhad	317,521,423	46.395	-	-
2	Yayasan Pelaburan Bumiputra	-	-	317,521,423	46.395
3	Employees Provident Fund Board*	-	-	59,610,357	8.706

* Held via Citigroup Nominees (Tempatan) Sdn Bhd

ANALYSIS OF SHAREHOLDINGS

As at 25 March 2020

TOP 30 SECURITIES ACCOUNT HOLDERS AS PER THE RECORD OF DEPOSITORS

As at 25 March 2020

No	Name	Holdings	%
1.	PERMODALAN NASIONAL BERHAD	317,521,423	46.395
2.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD Employees Provident Fund Board	37,907,558	5.538
3.	AMANAHRAYA TRUSTEES BERHAD Amanah Saham Bumiputera	30,000,000	4.383
4.	PUBLIC NOMINEES (ASING) SDN BHD Pledged Securities Account For Billion Victory Sdn Bhd (KLC)	17,080,000	2.495
5.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD Employees Provident Fund Board (CIMB Prin)	13,676,431	1.998
6.	AMANAHRAYA TRUSTEES BERHAD Public Islamic Treasures Growth Fund	7,209,221	1.053
7.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY For Norges Bank (FI 17)	6,794,600	0.992
8.	CARTABAN NOMINEES (TEMPATAN) SDN BHD RHB Trustees Berhad For Manulife Investment Shariah Progressfund	6,747,779	0.985
9.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD Kumpulan Wang Persaraan (Diperbadankan) (Principal Eqits)	5,108,357	0.746
10.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) Trustee Bhd For Principal Dali Opportunities Fund	4,620,900	0.675
11.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD Deutsche Trustees Malaysia Berhad For Eastspring Investmentssmall-Cap Fund	4,193,800	0.612
12.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) Trustee Bhd For Manulife Investment Progress Fund (4082)	4,193,136	0.612
13.	LEMBAGA TABUNG HAJI	4,021,500	0.587
14.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD Deutsche Trustees Malaysia Berhad For Affin Hwang Aiiman Asia (Ex Japan) Growth Fund	3,365,208	0.491
15.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD Employees Provident Fund Board (AM INV)	3,287,278	0.480
16.	AMANAHRAYA TRUSTEES BERHAD Amanah Saham Malaysia 3	3,114,164	0.455
17.	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD As Beneficial Owner (PF)	2,831,600	0.413
18.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD Universal Trustee (Malaysia) Berhad For Principal Islamic Small Cap Opportunities Fund	2,731,708	0.399

ANALYSIS OF SHAREHOLDINGS

As at 25 March 2020

TOP 30 SECURITIES ACCOUNT HOLDERS AS PER THE RECORD OF DEPOSITORS (Continued)

As at 25 March 2020

No	Name	Holdings	%
19.	AMANAHRAYA TRUSTEES BERHAD Affin Hwang Growth Fund	2,434,786	0.355
20.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD Employees Provident Fund Board (RHBIslamic)	2,277,600	0.332
21.	OOI KENG TAN	2,205,694	0.322
22.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. Maybank Trustees Berhad For CIMB-Principal Small Cap Fund (240218)	2,143,570	0.313
23.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD Exempt An For Petroliam Nasional Berhad (Affin)	2,107,365	0.307
24.	UOBM NOMINEES (TEMPATAN) SDN. BHD. UOB Asset Management (Malaysia) Berhad For Gibraltar BSN Aggressive Fund	1,986,236	0.290
25.	AMANAHRAYA TRUSTEES BERHAD Affin Hwang Principled Growth Fund	1,977,915	0.289
26.	MAYBANK NOMINEES (TEMPATAN) SDN BHD Medical Fund (IFM AffinHwang)	1,852,797	0.270
27.	HSBC NOMINEES (ASING) SDN BHD Exempt An For Credit Suisse (SG BR-TST-Asing)	1,850,642	0.270
28.	AMANAHRAYA TRUSTEES BERHAD Amtotal Return	1,764,120	0.257
29.	HONG LEONG ASSURANCE BERHAD As Beneficial Owner (Unitlinked Op)	1,722,456	0.251
30.	MAYBANK NOMINEES (TEMPATAN) SDN BHD Maybank Trustees Berhad For Areca Equitytrust Fund (211882)	1,648,819	0.240

LIST OF TOP 10 PROPERTIES

As at 31 December 2019

No.	Location	Tenure	Lease Period	Area (sq- meter)	Description	Existing Use	Approximate Age of Building	Net Book Value (RM million)	Date of Valuation
1	Duopharma (M) Sendirian Berhad Lot No. 2599, Jalan Seruling 59, Kawasan 3, Taman Klang Jaya, 41200 Klang, Selangor Darul Ehsan, Malaysia.	Freehold	-	24,261	a. Industrial land built upon with a double storey factory building, a single storey pump house cum boiler house, a guard house. b. Four storey factory and office building c. 2-storey warehouse building with 2 mezzanine office levels of high specifications for specific pharmaceutical use and water tank. d. Construction of 7 storey office and 5 storey manufacturing block e. Construction of 5 storey manufacturing block	Factory, Warehouse and Office	27 years	87.74	December 2015
2	Duopharma (M) Sendirian Berhad Lot No. 2707, Jalan Seruling 59, Kawasan 3, Taman Klang Jaya, 41200 Klang, Selangor Darul Ehsan, Malaysia.	Freehold	-	4.38 acres	Industrial land	Construction in-progress for warehouse with rooftop car park	-	60.74	December 2015
3	Duopharma Manufacturing (Bangi) Sdn. Bhd. Lot No. 2 & 4, Jalan P/7, Seksyen 13, Kawasan Perusahaan Bandar Baru Bangi, 43650 Bandar Baru Bangi, Selangor Darul Ehsan, Malaysia.	Leasehold	99 years (1987 - 2086)	21,359	Industrial land built upon with 3-storey office cum factory building with lift service, a 3-storey store, canteen and laboratory building, a 2-storey warehouse block, a new 2 ½ -storey office, factory cum warehouse building with lift services, a pump block and two guardhouse buildings.	Industrial Land, Factory and Office	32 years	51.76	November 2014
4	Duopharma Marketing Sdn. Bhd. Lot No. 6, 8 & 10, Jalan P/7, Seksyen 13, Kawasan Perusahaan Bandar Baru Bangi, 43650 Bandar Baru Bangi, Selangor Darul Ehsan, Malaysia.	Leasehold	99 years (1987 - 2086)	12,140	Leasehold land built upon with 2-storey office cum warehouse building	Warehouse and office	32 years	30.46	November 2014
5	Duopharma Manufacturing (Glenmarie) Sdn. Bhd. No. 2, Jalan Saudagar U1/16, Zon Perindustrian Hicom Glenmarie, Seksyen U1, 40150 Shah Alam, Selangor Darul Ehsan, Malaysia.	Freehold	-	5,904	Industrial land, factory and offices	Factory and Offices	22 years	26.50	December 2018

LIST OF TOP 10 PROPERTIES

As at 31 December 2019

No.	Location	Tenure	Lease Period	Area (sq- meter)	Description	Existing Use	Approximate Age of Building	Net Book Value (RM million)	Date of Valuation
6	Duopharma Manufacturing (Glenmarie) Sdn.Bhd. Lot No. 1, Phase 1, Technology Park Malaysia, Bukit Jalil, 57000 Kuala Lumpur, Malaysia.	Sub-lease of 30 years land	-	1.85 acres	Land	Vacant	-	3.00	December 2019
7.	Duopharma Marketing Sdn. Bhd. No. 1, Jalan 4/3, Seksyen 4, 43650 Bandar Baru Bangi, Selangor Darul Ehsan, Malaysia.	Leasehold	99 years (1987 - 2086)	1,565	A plot of vacant residential detached building land	Vacant	-	1.20	December 2019
8.	Duopharma Marketing Sdn. Bhd. No. 64, Jalan Pernas 9/13, Bandar Baru Pernas Jaya, Masai, 81750 Johor Bahru, Johor Darul Takzim, Malaysia.	Freehold	-	362	An intermediate 1 ½ storey terraced factory building.	Warehouse	28 years	0.75	December 2019
9	Duopharma (M) Sendirian Berhad No. 51 & 53, Jalan Rebana 3, Off Jalan Seruling 59, Kawasan 3, Taman Klang Jaya, 41200 Klang, Selangor Darul Ehsan, Malaysia.	Freehold	-	835	Two units of double storey terrace light industrial building	Warehouse	23 years	0.71	December 2015
10	Duopharma Marketing Sdn. Bhd. No. 309, 310, 411 & 412, Block 4, Jalan 1/9, Seksyen 1, Bandar Baru Bangi, 43650 Bangi, Selangor Darul Ehsan, Malaysia.	Leasehold	99 years (1996 – 2095)	228	4 units of 2-bedrooms walk-up low cost flat unit	Hostel	23 years	0.13	November 2014

DUOPHARMA BIOTECH BERHAD

ANNUAL GENERAL MEETING

NOTICE OF ANNUAL GENERAL MEETING AND PRINTED COPIES OF THE ANNUAL REPORT 2019

Amidst the COVID-19 pandemic, the Government of Malaysia had on 16 March 2020, announced the implementation of the Movement Control Order (“MCO”) from 18 March 2020 to 31 March 2020 throughout the country. The MCO was further extended by the Government until 12 May 2020. The MCO, among others, prohibits any movement and mass assemblies nationwide, and requires closure of all government and private premises except those involved in essential services. Bursa Malaysia Securities Berhad (“the Exchange”) had by letter dated 17 March 2020 notified listed issuers that during the effective period of the MCO and other relevant Government advisories, directives, announcements or guidelines issued in connection with managing COVID-19 (“Government Advisory/ Directive”), the Exchange had accorded certain flexibilities to listed issuers in relation to compliance with the relevant provisions of the Main Market Listing Requirements (“Main LR”) with respect to the issuance of the notice of annual general meeting and the annual report.

Under the flexibility granted by the Exchange, a listed issuer may issue the Annual General Meeting (“AGM”) notice separately from the Annual Report. In such situation, the listed issuer must ensure that the information contained in its Annual Report is made up to a date not earlier than six (6) weeks from the date of issuance of Annual Report. The Exchange also clarified that as long as the listed issuer announces its Annual Report to the Exchange within four (4) months from the close of its financial year via Bursa LINK, the listed issuers would have complied with the requirement as set out under paragraph 9.23 of the Main LR in relation to issuance of Annual Report to the Exchange and its shareholders. In view thereof, and since the MCO is still effective as at the date of issuance of this Annual Report 2019, Duopharma Biotech will be issuing the Notice of the Company’s forthcoming Nineteenth (19th) AGM separately from this Annual Report. The Notice of the 19th AGM will be announced by the Company on a date to be determined. Our Annual Report 2019 will be announced to the Exchange via Bursa LINK and may also be downloaded from the Company’s website at <https://duopharmabiotech.com/investor-relations/annual-report/>.

Due to the non-availability of relevant service providers during the effective period of the MCO and the other Government Advisory/ Directive, printed copies of the Annual Report will only be printed after the relevant service providers resume full operations post cessation of the MCO and other Government Advisory/Directive. As such, the Company will only be able to attend to shareholder’s request for copy of the printed Annual Report as soon as reasonably practicable after printed copies of the Annual Report have been printed after cessation of the MCO and other Government Advisory/Directive. Details on the process for shareholder who wish to request for copy of the printed Annual Report will be announced at a later date.



DUOPHARMA

Smarter Solutions. Healthier Life.

DUOPHARMA BIOTECH BERHAD

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