



DUOPHARMA

DUOPHARMA BIOTECH BERHAD

Registration No: 200001021664 (524271-W)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2022**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 30/6/2022 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/6/2021 RM'000	CURRENT YEAR TO DATE 30/6/2022 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/6/2021 RM'000
Revenue	181,742	155,439	367,683	321,893
Cost of Sales	(112,779)	(94,877)	(222,797)	(193,505)
Gross Profit	68,963	60,562	144,886	128,388
Other operating income	(23)	1,444	31	1,598
Distribution costs	(23,968)	(22,279)	(51,864)	(46,000)
Administration expenses	(20,532)	(17,153)	(40,520)	(36,297)
Other operating expenses	(756)	(109)	(914)	(669)
Profit from operations	23,684	22,465	51,619	47,020
Finance income	292	244	593	658
Finance costs	(2,503)	(2,512)	(4,093)	(4,305)
Profit before taxation	21,473	20,197	48,119	43,373
Taxation	(5,162)	(4,807)	(11,517)	(10,369)
Profit after tax for the period	16,311	15,390	36,602	33,004
Other comprehensive income				
Fair value of available-for-sale financial assets	(10,435)	40	(19,454)	(22,237)
Foreign currency translation differences for foreign operations	200	1,057	395	682
Total other comprehensive income for the period	6,076	16,487	17,543	11,449
Profit attributable to:				
Shareholders of the Company	16,311	15,390	36,602	33,004
Minority interest	-	-	-	-
	16,311	15,390	36,602	33,004
Total comprehensive income attributable to:				
Shareholders of the Company	6,076	16,487	17,543	11,449
Minority interest	-	-	-	-
	6,076	16,487	17,543	11,449
Earnings per share (sen)				
Basic (based on weighted average)	1.72	1.63*	3.88	3.51*
Diluted (based on weighted average)	1.72	1.63*	3.88	3.51*

*Pursuant to MFRS 133 *Earnings Per Share*, the Earnings Per Share for the corresponding quarter and year to date ended 30 June 2021 had been retrospectively adjusted to reflect the effect of the bonus shares allotted on 7 September 2021.

(The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial statements.)



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022**

	AS AT 30/6/2022 RM'000	AS AT 31/12/2021 RM'000
ASSETS		
Property, Plant and Equipment	564,741	542,525
Investment property	1,050	1,050
Intangible assets	38,865	39,524
Other investments	54,082	73,536
Deferred Tax Assets	16,056	12,700
Total non-current assets	674,794	669,335
Inventories	206,916	222,192
Current Tax Assets	1,989	2,922
Trade & Other Receivables	177,078	131,702
Cash & Cash Equivalents	143,600	137,980
Total current assets	529,583	494,796
Total Assets	1,204,377	1,164,131
EQUITY		
Share Capital	419,367	405,856
Reserves	(40,883)	(21,824)
Retained earnings	259,622	239,972
Total Equity	638,106	624,004
LIABILITIES		
Borrowings	315,374	297,797
Trade & Other Payables	2,390	2,478
Deferred Tax Liability	8,320	9,543
Total non-current liabilities	326,084	309,818
Borrowings	101,121	102,925
Trade & Other Payables	126,156	121,326
Taxation	12,910	6,058
Total current liabilities	240,187	230,309
Total Liabilities	566,271	540,127
Total Equity & Liabilities	1,204,377	1,164,131
	-	-
Net assets per share (RM)	0.67	0.66

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial statements.)



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2022

Group	<----- Non-distributable ----->			Distributable	
	Share Capital RM '000	Translation Reserve RM '000	Fair value Reserve RM '000	Retained Profit RM '000	Total RM '000
At 1 January 2022	405,856	117	(21,941)	239,972	624,004
Foreign currency translation differences for foreign operations	-	395	-	-	395
Net change in fair value of equity instrument designated at FVOCI	-	-	(19,454)	-	(19,454)
Profit for the year	-	-	-	36,602	36,602
Profit and total comprehensive income for the period	-	395	(19,454)	36,602	17,543
Issuance of 10,474,002 new shares pursuant to Dividend Reinvestment Plan	13,511	-	-	-	13,511
2021 Second Interim Dividend (1.8 sen)	-	-	-	(16,952)	(16,952)
At 30 June 2022	419,367	512	(41,395)	259,622	638,106



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2022

Group	<----- Non-distributable ----->			Distributable	
	Share Capital RM '000	Translation Reserve RM '000	Fair value Reserve RM '000	Retained Profit RM '000	Total RM '000
At 1 January 2021	404,922	(123)	18,840	220,182	643,821
Foreign currency translation differences for foreign operations		240			240
Net change in fair value of equity instrument designated at FVOCI			(40,781)		(40,781)
Profit for the year				65,683	65,683
Profit and total comprehensive income for the period	-	240	(40,781)	65,683	25,142
Issuance of 303,275 new shares pursuant to Dividend Reinvestment Plan	934	-	-	-	934
2020 Second Interim Dividend (6.0 sen)	-	-	-	(42,362)	(42,362)
2021 First Interim Dividend (0.5 sen)	-	-	-	(3,531)	(3,531)
At 31 December 2021	405,856	117	(21,941)	239,972	624,004

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial statements.)

DUOPHARMA BIOTECH BERHAD
Registration No: 200001021664 (524271-W)

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**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2022**

	30 June 2022 RM '000	30 June 2021 RM '000
Cash flows from operating activities		
Profit before taxation	48,119	43,373
Adjustments for:		
Depreciation of property, plant and equipment	15,528	14,246
Amortisation of intangible asset	1,236	1,143
Finance income from		
- Cash and cash equivalents	(593)	(658)
Impairment of inventories	19,496	5,345
Finance costs	4,093	4,305
Net impairment loss on trade receivables	1,434	95
Net unrealised foreign exchange loss	671	494
<i>Operating profit before changes in working capital</i>	<u>89,984</u>	<u>68,343</u>
Change in inventories	(4,218)	(38,982)
Change in receivables, deposits and prepayments	(46,810)	(19,167)
Change in payables and accruals	<u>4,657</u>	<u>21,480</u>
<i>Cash generated from operations</i>	<u>43,613</u>	<u>31,674</u>
Finance costs paid	(4,093)	(4,305)
Net Income tax paid	<u>(7,586)</u>	<u>(2,146)</u>
Net cash from operating activities	<u>31,934</u>	<u>25,223</u>
Cash flows from investing activities		
Acquisition of other investment	-	(2,070)
Acquisition of property, plant and equipment	(37,744)	(69,168)
Acquisition of intangible assets	(576)	(1,034)
Interest received from		
- Cash and cash equivalents	593	658
Net cash used in investing activities	<u>(37,727)</u>	<u>(71,614)</u>
Cash flows from financing activities		
Drawdown of borrowings	41,564	46,649
Repayment of borrowings	(26,755)	(8,123)
Dividends paid to shareholders of the Company	(3,440)	(41,427)
Payment of lease liabilities	(351)	(316)
Net cash from/(used in) financing activities	<u>11,018</u>	<u>(3,217)</u>
Net increase/(decrease) in cash and cash equivalents	5,225	(49,608)
Exchange differences on translation of financial statement of foreign operations	395	682
Cash and cash equivalents at 1 January	137,980	158,029
Cash and cash equivalents as at 30 June	<u>143,600</u>	<u>109,103</u>

(l) Cash and cash equivalents comprise:

	RM '000	RM '000
Deposits placed with licensed banks	13,853	5,468
Cash and bank balances	61,804	86,400
Highly liquid investment with financial institutions	67,943	17,235
	<u>143,600</u>	<u>109,103</u>

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial statements.)



(Incorporated in Malaysia)
Quarterly Report On Results For The Period Ended 30 June 2022
NOTES TO INTERIM FINANCIAL REPORT

A1 Accounting Policies and Method of Computation

The interim financial statements are unaudited and have been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad, MFRS 134: *Interim Financial Reporting* and with IAS 34, *Interim Financial Reporting*.

These interim financial statements should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2021 and the explanatory notes attached to the interim financial statements.

The following MFRSs and Amendments to MFRSs applicable to the Group have been adopted with effect from 1 January 2022 :

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 April 2021

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

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:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

MFRSs, Interpretations and amendments effective for 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 initial application of the above pronouncements did not have any material impact to the consolidated financial statements of the Group.

A2 Audit Report

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

A3 Seasonal or Cyclical Factors

The Group's sales typically peak in the first three quarters of the calendar year with higher demand in the public health sector and will gradually taper off in the final quarter of the calendar year.

A4 Exceptional/Extraordinary Items

There were no exceptional/extraordinary items for the financial period under review.

A5 Changes in Estimates

There was no change in estimates that have a material effect in the current quarter results.

A6 Debts and Equity Securities

During the current financial quarter, 10,474,002 new ordinary shares of Duopharma Biotech were issued in relation to the Dividend Reinvestment Plan ("DRP") exercise undertaken by the Company. The said shares were listed and quoted on the Main Market of Bursa Malaysia Securities Bhd on 17 May 2022.

A7 Dividend Paid

The Group paid a second interim dividend of 1.8 sen per share (2021: a second interim dividend of 6 sen per share) equivalent to RM 16.95 million (2021: RM 42.36 million) in respect of financial year ended 31 December 2021 during the current quarter.

Out of the total cash distribution, a total of RM 13.51 million was converted into 10,474,002 new ordinary shares of the Company at the conversion price of RM 1.29 per ordinary share under the Dividend Reinvestment Plan.

A8 Segment Information

	Quarter Ended		Year To Date	
	30/6/2022		30/6/2022	
	RM ' 000		RM ' 000	
	Sales	Gross Profit	Sales	Gross Profit
Sales by operating sector :-				
Local	171,599	65,257	349,431	138,111
Export	10,143	3,706	18,252	6,775
	181,742	68,963	367,683	144,886

A9 Post Balance Sheet Events

There are no material events after the period ended up to 16 August 2022 (latest practicable date which is not earlier than 7 days from the date of issuance of this quarterly report) that have not been reflected in the financial statements for the financial period ended 30 June 2022.

A10 Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter.

ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS

B1 Review of Performance

	Year To Date (30/6/22) RM'000	Year To Date (30/6/21) RM'000	Variance	
			RM'000	%
Revenue	367,683	321,893	45,790	14.23
Profit before tax (PBT)	48,119	43,373	4,746	10.94
Profit after tax (PAT)	36,602	33,004	3,598	10.90

The Group recorded a revenue and PBT of RM367.68 million and RM48.12 million respectively for current period ended 30 June 2022 as compared to RM321.89 million and RM43.37 million for the corresponding period last year. The Group's revenue has improved as compared to last year corresponding period mainly due to higher sales to ethical classic market and public health sector during current period. The Group's PBT also improved as compared to last year corresponding period mainly due to the increase in sales throughout the current period.

B2 Comparison with the Preceding Quarter's Results

	Qtr 2 2022 (30/6/22) RM'000	Qtr 1 2022 (31/3/22) RM'000	Variance	
			RM'000	%
Revenue	181,742	185,941	(4,199)	(2.26)
Profit before tax (PBT)	21,473	26,646	(5,173)	(19.41)
Profit after tax (PAT)	16,311	20,291	(3,980)	(19.61)

The Group has recorded a revenue of RM181.74 million for current quarter ended 30 June 2022 which is marginally lower as compared to RM185.94 million in the preceding quarter mainly due to a lower demand from public health sector and consumer healthcare business. The Group's PBT has decreased mainly due to lower sales and increase in cost of sales primarily driven by higher impairment of inventories and also higher research and development expenditure were incurred during the current quarter than preceding quarter.

B3 Prospects for the Remainder of Current Financial Year

Based on the International Monetary Fund's ("IMF") latest World Economic Outlook Update, Malaysia's economic growth in 2022 was revised to 5.1%, which is slightly lower than the 5.6% as previously forecasted, mainly driven by the global inflationary pressures, military conflict in Ukraine, tight labour market, monetary policies etc. Albeit the IMF's latest forecast is lower than Bank Negara Malaysia ("BNM")'s projected GDP growth range of 5.3% to 6.3% for 2022, Malaysia's economy is expected to remain stable in 2022, supported by the positive growth momentum from export and retail spending following the reopening of international borders and recovery in tourism-related sectors as well as improved employment and improving income prospect.

Positively, the Malaysia Government has increased its allocation to pharmaceutical sector in its 2022 Budget to RM 32.4 billion, the highest allocation in history. The outlook of pharmaceutical industry is expected to bode well with the continuous emphasis placed by the Malaysia Government in the healthcare sector. The following developments also augur well for the overall business of Duopharma Group:

a) The Government of Malaysia had accepted the tender offer from Duopharma Marketing Sdn. Bhd. ("DMktg") (a wholly-owned subsidiary of Duopharma Biotech Berhad) and Biocon Sdn. Bhd. ("Biocon") to supply Insugen-Insulin Recombinant Human Formulations (hereinafter referred to as the "Products") under the Ministry of Health's ("MOH") procurement by way of direct negotiation for a period of three (3) years commencing on 29 April 2022 until 28 April 2025 with a total contract value of RM375 million (hereinafter referred to as the "Revised Letter of Award"). DMktg and Biocon (M) Sdn. Bhd. have acknowledged receipt and acceptance of the Revised Letter of Award on 25 April 2022 and submitted the same to the Ministry of Health on 25 April 2022. The supply of the Products to the Government of Malaysia has already commenced. Pursuant to the terms of the Revised Letter of Award, the previous letter of award that was issued to DMktg for the supply of the Products that was announced to Bursa Malaysia Securities Berhad on 17 December 2021 was revoked.

b) The Contract Period for the supply of pharmaceutical and/or non-pharmaceutical products to hospitals, clinics and others under the Government of Malaysia for APPL 2017-2019 vide the Supply Agreements between Pharmaniaga Logistics Sdn Bhd and Duopharma (M) Sendirian Berhad ("DMSB") (a wholly-owned subsidiary of Duopharma Biotech Berhad) that was due to expire on 31 December 2021 had been further extended for twelve (12) months and that the new expiry date of the Supply Agreements will be on 31 December 2022.

c) Based on the Finance Act 2021 gazetted on 31 December 2021, the special reinvestment allowance incentive that is under the PENJANA stimulus package has been extended until the year of assessment 2024. Accordingly, the Group may enjoy potential savings of more than RM10 million upon completion of the qualifying assets including K3 by 2024.

d) In July 2021, the Drug Control Authority, Malaysia ("DCA") has granted DMSB the conditional registration of COVILO Suspension for Injection COVID-19 Vaccine (Vero Cell), Inactivated ("Covid-19 Sinopharm Vaccine") developed by China National Biotech Group Company Limited for use in Malaysia. The Covid-19 Sinopharm Vaccine has been approved by MOH to be used as booster dose in Malaysia and is widely available at clinics and private hospitals nationwide facilitating appointments and walk-in demand at the ceiling price of RM62 per dose (wholesale) and RM77 per dose (retail) which took effect on 20 May 2022.

The Group had suspended sales of COVILO following the unexpected price ceiling gazettement in January 2022. The ceiling price was revised and gazetted in May 2022 and the Group has resumed sales of COVILO since then.

Barring unforeseen market changes and developments, the Group aims to deliver a satisfactory performance in 2022.

B4 Profit Forecast

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

B5 Taxation

Details of taxation are as follows :-

	Current Year Quarter 30/6/22 RM'000	Current Year To Date 30/6/22 RM'000
Based on results for the quarter/year	(8,888)	(15,773)
Transfer to deferred tax	3,726	4,256
	<u>(5,162)</u>	<u>(11,517)</u>

The Group's tax expense is recognised in each financial quarter based on the best estimate of the expected annual income tax rate for the full financial year.

B6 Unquoted Investments and Properties

There was no disposal of unquoted investment and/or properties during the current financial quarter.

B7 Status of Corporate Proposals

a) On 15 February 2022, the Board of Directors had resolved that the Dividend Reinvestment Plan ("DRP") approved by the shareholders at the Company's Extraordinary General Meeting held on 31 May 2018 would apply to the Second Interim Dividend of 1.8 sen per share amounting to approximately RM16.96 million. The issue price of the new ordinary shares in the Company issued pursuant to the DRP was fixed at RM 1.29 per new Duopharma Biotech Berhad share. The issue price was at a discount of approximately 10% to the 5-day ex-dividend volume weighted average market price (VWAMP) of RM 1.43.

A total of 10,474,002 new shares have been issued and allocated pursuant to the Dividend Reinvestment Plan. The aforesaid new Duopharma Biotech Shares were listed and quoted on the Main Market of Bursa Malaysia Securities with effect from 17 May 2022.

B8 Borrowings and Debt Securities

Details of Group's borrowings are as follows :-

	As at 30 June 2022 RM'000	As at 31 December 2021 RM'000
Current - unsecured	101,121	102,925
Non-current - unsecured	315,374	297,797
Total	<u>416,495</u>	<u>400,722</u>

B9 Material litigation

There was no material litigation up to 16 August 2022.

B10 Dividend

For the current financial period ended 30 June 2022, the Board of Directors has resolved that an interim dividend of 0.5 sen per share be paid by the Company based on paid up capital of 952,239,690 shares amounting to approximately RM4.762 million (2021: an interim dividend of 0.5 sen per share equivalent to approximately RM3.532 million). The entitlement date and the payment date will be on 30 August 2022 and 14 September 2022 respectively.

The Board of Directors has also resolved that the Dividend Reinvestment Plan shall not apply to the aforesaid interim dividend.

B11 Earnings per Share**a) Basic EPS**

Net profit (RM'000)

Current
year
quarter
30/6/22

16,311

Current
year
to date
30/6/22

36,602

Weighted average number of ordinary
shares in issue ('000)

-Balance b/f

941,765

941,765

-Weighted average number of shares arising from
Effect of Dividend Reinvestment Plan

5,064

2,546

946,829

944,311

Basic EPS (sen)

1.72

3.88

b) Dilutive EPSAdjusted weighted average number of ordinary shares in issue
('000)

-In issue during the period

946,829

944,311

946,829

944,311

Dilutive EPS (sen)

1.72

3.88

B12 Profit Before TaxCurrent year
quarter
30/6/22
RM '000Current year
to date
30/6/22
RM '000**Operating profit is arrived at after charging / (crediting):**

Depreciation of property, plant and equipment

7,796

15,528

Finance costs

2,503

4,093

Impairment of inventories

10,638

19,496

Net foreign exchange loss

675

814

Interest income

292

593

Other than the above, there were no impairment of assets nor gain or loss on derivatives for the current quarter and current period ended 30 June 2022.

B13 Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 16 August 2022.

By Order of the Board

Ibrahim Hussin Salleh

Secretary

License No.: LS 0009121

SSM Practising Certificate No.: 201908001032

Kuala Lumpur

16 August 2022