



## A N N U A L R E P O R T 2 0 0 3



**DUOPHARMA BIOTECH BERHAD**

( 5 2 4 2 7 1 - W )

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Form of Proxy

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Third Annual General Meeting of the Company will be held at Crystal Crown Hotel, No. 217, Persiaran Raja Muda Musa, 42000 Pelabuhan Klang, Selangor Darul Ehsan on Friday, 25 June 2004 at 9.30 a.m. for the following purposes:-

## AGENDA

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### As Ordinary Business

- |   |  |
|---|--|
| 1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2003 together with the Reports of the Directors and Auditors thereon.                                   | <b>Ordinary Resolution 1</b>                                 |
| 2. To declare a Final Dividend of 5% per share less 28% income tax and 3% per share tax exempt for the year ended 31 December 2003.   | <b>Ordinary Resolution 2</b>                                 |
| 3. To approve the payment of Directors' fees for the year ended 31 December 2003.   | <b>Ordinary Resolution 3</b>                                 |
| 4. To re-elect the following Directors retiring under Article 93 of the Company's Articles of Association:-<br>(i) Mr Valliyappan A/L S. Thevarayan<br>(ii) Dato' Dr. Yap Thong @ Yap Yit Thong | <b>Ordinary Resolution 4</b><br><b>Ordinary Resolution 5</b> |
| 5. To re-elect Dr. Mohd Nasir Bin Hassan who is retiring under Article 99 of the Company's Articles of Association.   | <b>Ordinary Resolution 6</b>                                 |
| 6. To re-elect Mr Lee Siew Kuan pursuant to Section 129(6) of the Companies Act, 1965.  | <b>Ordinary Resolution 7</b>                                 |
| 7. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration.   | <b>Ordinary Resolution 8</b>                                 |

### As Special Business

To consider and, if thought fit, to pass the following Ordinary Resolution:

8. **Authority under Section 132D of the Companies Act, 1965 for the Directors to issue shares**

"That pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed 10% of the Issued Share Capital of the Company for the time being, subject always to the approval of all the relevant regulatory bodies being obtained for such allotment and issue."

**Ordinary Resolution 9**

# Notice of Annual General Meeting (continued)

## NOTICE OF DIVIDEND PAYMENT

**NOTICE IS ALSO HEREBY GIVEN THAT**, subject to the approval of the shareholders at the Third Annual General Meeting, a Final Dividend of 5% per share less 28% income tax and 3% per share tax exempt in respect of the year ended 31 December 2003 will be paid to shareholders on 28 July 2004. The entitlement date for the said dividend shall be 8 July 2004.

A Depositor shall qualify for entitlement to the Dividend only in respect of :

- (a) Shares transferred to the Depositor's securities account before 4.00 p.m. on 8 July 2004 in respect of ordinary transfers;
- (b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

**LUM CHEE YENG (MAICSA 0880217)**

**TONG MEI FONG (MAICSA 0826608)**

**LIM LILY (LS 01066)**

*Secretaries*

Klang, Selangor Darul Ehsan

Date: 2 June 2004

## NOTES:

- 1. A member entitled to attend and vote at the meeting is entitled to appoint more than one proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
- 2. Where a member appoints two (2) or more proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
- 3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 10A, Lebuhraya Gopeng, 41400 Klang, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting.
- 4. If the appointer is a corporation, the instrument appointing a proxy must be executed under its Common Seal or under the hand of its officer or its duly authorised attorney.

## Explanatory Note on Special Business

Ordinary Resolution 9 on the Authority under Section 132D of the Companies Act, 1965 for the Directors to issue shares

The Ordinary Resolution 9 proposed under item 8 of the Agenda, if passed, will empower the Directors to allot and issue shares in the Company up to an amount not exceeding in total 10% of the Issued Share Capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting.

# **Statement Accompanying Notice of Annual General Meeting pursuant to paragraph 8.28(2) of the Bursa Malaysia Securities Berhad Listing Requirements**

## **(1) Directors standing for re-election:-**

*Pursuant to Article 93 of the Company's Articles of Association*

- (a) Mr Valliyappan A/L S. Thevarayan
- (b) Dato' Dr. Yap Thong @ Yap Yit Thong

*Pursuant to Article 99 of the Company's Articles of Association*

- (a) Dr. Mohd Nasir Bin Hassan

*Pursuant to Section 129(6) of the Companies Act, 1965*

- (a) Mr Lee Siew Kuan

## **(2) Details of attendance of Directors at Board Meetings**

There were four (4) Board Meetings held during the financial year ended 31 December 2003. Details of attendance of the Directors are set out in Statement of Corporate Governance appearing on page 13 of the Annual Report.

## **(3) Place, Date and Time of Meeting**

The Third Annual General Meeting of the Company will be held at Crystal Crown Hotel, No. 217, Persiaran Raja Muda Musa, 42000 Pelabuhan Klang, Selangor Darul Ehsan on Friday, 25 June 2004 at 9.30 a.m.

## **(4) Further details of Directors standing for re-election**

Details of Directors standing for re-election are set out in Directors' Profiles appearing on pages 6–8 of the Annual Report.

# Corporate Information

## BOARD OF DIRECTORS

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Tan Sri Dato' Dr. Abu Bakar Suleiman  
(Chairman/Independent Non-Executive Director)

Chia Ting Poh @ Cheah Ting Poh  
(Managing Director)

Ang Bee Lian  
(Executive Director)

Valliyappan A/L S. Thevarayan  
(Executive Director)

Dato' Dr. Yap Thong @ Yap Yit Thong  
(Non-Independent Non-Executive Director)

Lee Siew Kuan  
(Independent Non-Executive Director)

Dr. Mohd Nasir Bin Hassan  
(Independent Non-Executive Director)

## ADVISORS

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Datuk Dr. Anis Bin Ahmad  
Datuk Chor Chee Heung

## COMPANY SECRETARIES

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Lum Chee Yeng (MAICSA 0880217)  
Tong Mei Fong (MAICSA 0826608)  
Lim Lily (LS 01066)

## REGISTERED OFFICE

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No. 10A Lebuhr Gopeng  
41400 Klang  
Selangor Darul Ehsan  
Tel No : 03-3344 3777  
Fax No : 03-3344 3377

## BUSINESS ADDRESS

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Lot 2599  
Jalan Seruling 59  
Kawasan 3  
Taman Klang Jaya  
41200 Klang  
Selangor Darul Ehsan  
Tel No : 03-3323 2759  
Fax No : 03-3323 3923  
Homepage : [www.duopharma.com.my](http://www.duopharma.com.my)  
E-mail : [duofarma@tm.net.my](mailto:duofarma@tm.net.my)

## SHARE REGISTRAR

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Tenaga Koperat Sdn Bhd  
20<sup>th</sup> Floor Plaza Permata  
Jalan Kampar  
Off Jalan Tun Razak  
50400 Kuala Lumpur  
Tel : 03-4041 6522  
Fax : 03-4042 6352

## AUDITORS

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KPMG  
Chartered Accountants  
Wisma KPMG  
Jalan Dungun  
Damansara Heights  
50490 Kuala Lumpur

## PRINCIPAL BANKERS

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

Bumiputra-Commerce Bank Berhad  
No. 1 Lorong Batu 3  
Off Jalan Lintang 3  
41300 Klang  
Selangor Darul Ehsan

## STOCK EXCHANGE LISTING

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Main Board of Bursa Malaysia Securities Berhad

# Directors' Profiles

**Tan Sri Dato' Dr. Abu Bakar Suleiman**, a Malaysian, aged 60, was appointed to the Board as Chairman and Independent Non-Executive Director on 22 May 2002. A medical practitioner by profession, he obtained his Bachelor of Medicine and Bachelor of Surgery degrees from Monash University, Australia in 1968 and a Master of Medicine in International Medicine from University of Singapore in 1974. He is also a member of the Royal Australasian College of Physicians and Honorary Fellow of the American College of Physicians.

He has extensive experience in the medical profession, having been involved in the medical field for over 20 years. He has held various top level positions including being the Head of the Department of Nephrology of Hospital Kuala Lumpur where he was attached for eleven (11) years. In 1987, he held the position of Director of Medical Services of Ministry of Health ("MOH") and became Deputy Director General of Health in 1989 before rising to the rank of Director General of Health of the ministry, a position he held from 1991 to 2001. Presently, he sits on the board of KPJ Healthcare Berhad, a company listed on the Main Board of the Bursa Malaysia Securities Berhad ("Bursa") and several private limited companies.

Tan Sri Dato' Dr. Abu Bakar Suleiman is the Chairman of the Nomination Committee of the Company. He has attended all the Board meetings held in the financial year. He holds 12,000 ordinary shares in the Company and does not hold any shares in its subsidiary. He does not have any family relationship with any director and/or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has not been convicted of any offences within the past ten (10) years.

**Chia Ting Poh @ Cheah Ting Poh**, a Malaysian, aged 59, was appointed to the Board as the Group Managing Director on 22 May 2002. He is a co-founder of Duopharma (M) Sendirian Berhad ("DMSB") and has been its Managing Director since 1979. A pharmacist by profession, he graduated from the Curtin University of Technology, Perth, Australia in 1971 with a Bachelor of Science (Pharmacy) degree. He started his career with the Royal Perth Hospital as a pharmacist before joining Dumex (M) Sdn Bhd as a production pharmacist in 1973. Subsequently, he obtained his Post-Graduate Degree in Business Administration also from the Curtin University of Technology, Australia.

As the Managing Director of the Duopharma Biotech Bhd Group ("DBB Group"), he is responsible for the overall strategic business direction of the Group and developing new target markets locally and abroad. He is presently the council member of Malaysian Industry Government Group For High Technology ("MIGHT") (Pharmaceutical Division) as well as a member of various pharmaceutical organisations such as Malaysian Organisation of Pharmaceutical Industries ("MOPI"), Pharmaceutical Society of Western Australia and Pharmaceutical Society of Malaysia and Parenteral Drug Association.

Chia Ting Poh @ Cheah Ting Poh is a member of the Audit Committee of the Company. He has attended all the Board meetings held in the financial year. He holds 9,600,028 ordinary shares directly and 12,646,968 ordinary shares indirectly in the Company and he is deemed interested in all 1,700,000 ordinary shares held by the Company in DMSB, a wholly-owned subsidiary of the Company, by virtue of his interest of more than 15% in the Company. He is the spouse of Madam Ang Bee Lian, who is the Executive Director and major shareholder of the Company. He does not have any conflict of interest with the Company nor has he been convicted of any offences within the past ten (10) years.

## Directors' Profiles (continued)

**Ang Bee Lian**, a Malaysian, aged 52, is a co-founder of the Group and was appointed to the Board as Executive Director of the Group on 22 May 2002. She is a pharmacist by profession and graduated from the Curtin University of Technology, Australia in 1974 with a Bachelor of Science (Pharmacy) degree. She started her career as a pharmacist with the Sarawak General Hospital in Kuching in 1975 before setting up DMSB in 1979.

She has had hands-on experience in the field of pharmaceutical manufacturing and also in ensuring continuous compliance and upgrading of GMP standard. Her experience has enabled the Group to develop a smooth production flow, enhancing production efficiency to its optimum level. She is involved in the R&D processes undertaken by DMSB. Besides, she is also responsible for the finance, human resource and general administration of the Group and has been with DMSB since its inception in 1979.

She has been a member of the Pharmaceutical Society of Western Australia for the past 17 years and is also a member of the Pharmaceutical Society of Malaysia.

Ang Bee Lian is a member of the Remuneration Committee of the Company. She has attended all the Board meetings held in the financial year. She holds 12,646,968 ordinary shares directly and 9,600,028 ordinary shares indirectly in the Company and she is deemed interested in all 1,700,000 ordinary shares held by the Company in DMSB, a wholly-owned subsidiary of the Company, by virtue of her interests of more than 15% in the Company. She is the spouse of Mr Chia Ting Poh @ Cheah Ting Poh, who is the Managing Director and major shareholder of the Company. She does not have any conflict of interest with the Company nor has she been convicted of any offences within the past ten (10) years.

**Valliyappan A/L S. Thevarayan**, a Malaysian, aged 39, was appointed to the Board as Executive Director on 22 May 2002 and is also the factory manager of DMSB. He holds a Master of Science from the Madurai Kamaraja University of India and a Master of Medical Science from the Universiti Malaya. He has been trained in the field of biotechnology especially in medical biotechnology and has vast experience in the production of monoclonal antibodies and antigens. He joined DMSB in 1994 as a production executive and was promoted to his current position in January 2000, being responsible for the overall production activities of DMSB.

Prior to joining DMSB, he was attached to a commercial biotechnology company for four (4) years. He is also a member of the Parenteral Drug Association.

Valliyappan A/L S. Thevarayan has attended all the Board meetings held in the financial year. He holds 14,000 ordinary shares in the Company and does not hold any shares in its subsidiary. He does not have any family relationship with any director and/or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has not been convicted of any offences within the past ten (10) years.



## Directors' Profiles (continued)

**Dato' Dr. Yap Thong @ Yap Yit Thong**, a Malaysian, aged 60, was appointed to the Board as Independent Non-Executive Director on 22 May 2002. A medical practitioner by profession, he obtained his Bachelor of Medicine and Bachelor of Surgery ("MBBS") degrees from Universiti Malaya in 1970 and also Post-Graduate Degree Member of College of General Practitioner ("MCGP") from Universiti Malaya in 1980. He began his career as a medical officer with the MoH in 1970 and was attached with the ministry for three (3) years. Thereafter, he operated his own medical practice to serve the community from 1973 till now. In addition, Dato' Yap has vast experience in the medical profession and is well versed in the biotechnology area.

Dato' Dr. Yap Thong @ Yap Yit Thong who was redesignated as Non-Independent Non-Executive Director on 19 March 2004, is the Chairman of the Remuneration Committee and a member of the Nomination Committee of the Company. He has attended all the Board meetings held in the financial year. He holds 81,000 ordinary shares in the Company and does not hold any shares in its subsidiary. He does not have any family relationship with any director and/or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has not been convicted of any offences within the past ten (10) years.

**Lee Siew Kuan**, a Malaysian, aged 72, was appointed to the Board as Independent Non-Executive Director on 22 May 2002. He holds a Bachelor of Commerce and Certificate in Accounting from the University of Queensland, Australia. Mr. Lee is a member of the Malaysian Institute of Accountants (MIA), Malaysian Institute of Certified Public Accountants (MICPA) and fellow member of the Certified Practising Accountants Australia (CPA Australia) as well as a member of the Institute of Internal Auditors Malaysia. He worked in the Office of the Auditor General of Malaysia from 1961 where he retired as an Assistant Auditor General in 1986. Thereafter, Mr. Lee was involved in various positions including being the Special Assistant to the Governor of Bank Negara Malaysia, an Executive Counsellor of Pacific Bank Berhad and the Chief Executive Officer of the National Kidney Foundation of Malaysia. He is currently a Director of CPA Australia (M) Sdn Bhd.

Lee Siew Kuan is the Chairman of the Audit Committee and also a member of the Remuneration Committee and Nomination Committee of the Company. He has attended all the Board meetings held in the financial year. He holds 12,000 ordinary shares in the Company and does not hold any shares in its subsidiary. He does not have any family relationship with any director and/or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has not been convicted of any offences within the past ten (10) years.

**Dr. Mohd Nasir Bin Hassan**, a Malaysian, aged 43, was appointed to the Board as Independent Non-Executive Director on 31 October 2003. He obtained his Bachelor of Medicine and Bachelor of Surgery (MBBS) from University of Malaya in 1985. Thereafter, he began his career as Medical Officer with the MOH before undergoing training in Paediatrics and Paediatric Cardiology at University of Liverpool, England.

He was admitted as a member of Royal College of Physician (Edinburgh) in 1991 and was appointed as Paediatric Specialist in MOH in 1992 before joining National Heart Institute in 1994 as Paediatric Cardiology Specialist until 1996. Dr. Mohd Nasir Bin Hassan is currently attached to Ampang Puteri Specialist Hospital as Resident Consultant Paediatrician.

Dr. Mohd Nasir Bin Hassan is a member of the Audit Committee of the Company. He does not hold any shares in the Company and in its subsidiary. He has attended one Board meeting held in the financial year. He does not have any family relationship with any director or major shareholder of the company, nor does he have any conflict of interest with the Company. He has not been convicted of any offences within the past ten (10) years.

# Audit Committee Report

The Audit Committee which was established in 2002 to act as a committee of the Board of Directors had four meetings during the financial year. The members of the committee and record of their attendance are as follows:-

<b>Names of Members</b>	<b>Status</b>	<b>No. of Meetings Attended</b>
Lee Siew Kuan	Chairman of the Audit Committee Independent Non-Executive Director	4/4
Chia Ting Poh @ Cheah Ting Poh	Member of the Audit Committee Managing Director	4/4
Dato' Dr. Yap Thong @ Yap Yit Thong (Resigned on 19/03/2004)	Non-Independent Non-Executive Director*	4/4
Dr. Mohd Nasir Bin Hassan (Appointed on 19/03/2004)	Member of the Audit Committee Independent Non-Executive Director	N/A

\* Redesignated from Independent Non-Executive Director to Non-Independent Non-Executive Director with effect from 19 March 2004.

## TERMS OF REFERENCE:

### OBJECTIVES

The objective of the Audit Committee is to assist the Board of Directors in meeting its responsibilities relating to accounting and reporting practices of the Company and its subsidiary company.

In addition, the Audit Committee shall:

- Oversee and appraise the quality of the audits conducted both by the Company's internal and external auditors;
- Maintain open lines of communication between the Board of Directors, the internal auditors and the external auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities; and
- Determine the adequacy of the Group's administrative, operating and accounting controls, including Management Information System.

### COMPOSITION

The Audit Committee shall be appointed by the Directors from among their number (pursuant to a resolution of the Board of Directors) which fulfils the following requirements:

- the audit committee must be composed of no fewer than 3 members;
- a majority of the audit committee must be independent directors; and
- at least one member of the audit committee:
  - must be a member of the Malaysian Institute of Accountants; or
  - if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
    - he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967; or
    - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967.

# Audit Committee Report (continued)

The members of the Audit Committee shall elect a chairman from among their number who shall be an independent director.

In the event of any vacancy in the Audit Committee resulting in the non-compliance of item 2 (a) to (c) above, the vacancy must be filled within 3 months of that event.

No Alternate Director shall be appointed as a member of the Audit Committee.

The Board of Directors must review the term of office and performance of the Audit Committee and each of its members at least once every 2 years to determine whether the Audit Committee and its members have carried out their duties in accordance with the terms of reference.

## FUNCTION

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The functions of the Audit Committee are as follows:

- a) Review the following and report the same to the Board of Directors:
  - i) with the external auditors, the audit plan;
  - ii) with the external auditors, their evaluation of the system of internal controls;
  - iii) with the external auditors, their audit report;
  - iv) the assistance given by the Company's employees to the external auditors; and
  - v) any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- b) To consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal;
- c) To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- d) To review the quarterly and year-end financial statements of the Company, focusing particularly on:-
  - Any changes in accounting policies and practices;
  - Significant adjustments arising from the audit;
  - The going concern assumption;
  - Compliance with accounting standards and other legal requirements;
- e) To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management where necessary);
- f) To review the external auditor's management letter and management's response;

## Audit Committee Report (continued)

- g) To do the following where an internal audit function exists:
- Review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
  - Review the internal audit programme and results of the internal audit process and where necessary, ensure that appropriate action is taken on the recommendations of the internal audit function;
  - Review any appraisal or assessment of the performance of members of the internal audit function;
  - Approve any appointments or termination of senior staff members of the internal audit function;
  - Inform itself of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- h) To consider the major findings of internal investigations and management's response;
- i) To consider other areas as defined by the Board.

### RIGHTS OF THE AUDIT COMMITTEE

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The Audit Committee shall, wherever necessary and reasonable for the Company to perform of its duties, in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company:

- a) have authority to investigate any matter within its terms of reference;
- b) have the resources which are required to perform its duties;
- c) have full and unrestricted access to any information pertaining to the Company;
- d) have direct communication channels with employees of the Company, the external auditors and person(s) carrying out the internal audit function or activity (if any);
- e) be able to obtain independent professional or other advice; and
- f) be able to convene meetings with the external auditors, excluding the attendance of the executive members of the committee, whenever deemed necessary.

### MEETINGS

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The Audit Committee shall meet at least 4 times a year and such additional meetings as the Chairman shall decide in order to fulfil its duties. However, at least once a year the Audit Committee shall meet with the external auditors without executive Board members present.

In addition, the Chairman may call a meeting of the Audit Committee if a request is made by any committee member, the Company's Chief Executive, or the internal or external auditors.

The Company Secretary or other appropriate senior official shall act as secretary of the Audit Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by explanatory documentation to committee members prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the Audit Committee, and circulating them to committee members and to the other members of the Board of Directors.

A quorum shall consist of a majority of independent directors.

By invitation of the Audit Committee, the Company must ensure that other directors and employees attend the particular audit committee meeting so as requested by the Committee.

# Audit Committee Report (continued)

## SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

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The committee carried out its duties in accordance with its terms of reference and the main activities undertaken during the year by the committee were as follows.

- Reviewed the external auditors' scope of work and audit plans for the year. Prior to the audit, the external auditors presented their audit strategy and plan.
- Reviewed with the external auditors the results of the audit, the audit report and the management letters including management's response.
- Reviewed the effectiveness of the enterprise risk management system and the risk assessment reports from the Risk Management Committee. The significant risk issues were communicated to the Board of Directors for consideration.
- Reviewed the audited financial statements of the company prior to submission to the Board for their consideration and approval.
- Reviewed annual report before submission to the Board for approval.
- Reviewed the quarterly unaudited financial results before recommending them for the Boards' approval.
- Reviewed the recurrent related party transaction by the Company.
- Reviewed the terms of reference of the committee and where necessary, recommend any amendments to the Board for approval.
- Reviewed the reports from external auditors, internal auditors and the risk management committee to assess the effectiveness of internal control systems.

## INTERNAL AUDIT FUNCTION

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The internal audit department was set up in January 2003, and commenced its independent activities or operations during the year. The committee is cognizant of the principal role that the Department is to undertake independent, regular and system reviews of the risk management, internal control and governance systems in order to provide a reasonable assurance that such systems continue to operate satisfactorily and effectively. During the year the Department carried out its audit on internal controls with emphasis on those systems that were most prone to risks and weaknesses. The managers of the respective departments participating in the risk management framework and reporting to the Risk Management Committee quarterly, also contributed to sound control as per the requirement of Pharmaceutical Inspection Cooperation Scheme (PIC'S) guideline which meets the stringent regulatory requirement of MOH and other risk factors. The stringent regular inspections carried out by MOH, proves the proactive action of sound internal control. The external auditors, the internal audit department, the Risk Management Committee, the MOH and top management are the means which assist the audit committee to ensure that internal controls and risks are adequately and efficiently enforced.

The committee will continue to monitor and ensure that internal control, risks and governance systems are under control at all times and will also take proactive action.

# Statement of Corporate Governance

## THE CODE

The Board of Directors is committed to ensure that good corporate governance is being practised throughout the Group, as it is a fundamental part of discharging its responsibilities to enhance shareholders' value and financial performance of the Group. The following statement sets out how the Company has applied the principles in Part I of the Code

## THE BOARD OF DIRECTORS

The Board retains full and effective control of the Group. The Board currently consists of seven (7) members, including three (3) Executive Directors and four (4) Non-Executive Directors. The Directors, with their different backgrounds and specializations, collectively bring with them a wide range of experience and expertise to enable the Board to lead and control the Company effectively. A brief description on the background of the Directors is presented in this Annual Report.

The Board has a balanced composition of Executive and Non-Executive Directors, with one third independent Non-Executive Directors. The Board has met four times during the financial year under review. It is envisaged that the Board will convene additional meetings as necessary. All Board members bring an independent judgment to bear on issues of strategy, performance, resources and standards of conduct.

The Board, in discharging its fiduciary duties, is assisted by three (3) Board Committees, namely the Audit Committee, Remuneration Committee and Nomination Committee, each entrusted with specific tasks.

These Committees have the authority to examine particular issues and report back to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

All Committees have written terms of reference, which have been approved by the Board, and the Board receives report of their proceedings and deliberations. The Chairman of the various committees will report to the Board on the outcome of the Committee meetings and such reports will be incorporated in the minutes of the full Board Meeting.

## MEETINGS AND SUPPLY OF INFORMATION

During the financial year under review, the Board deliberated upon and considered a variety of matters including the Group's financial results, strategic plan and business plan of the Group in the meetings held. Details of each Directors' meeting attendances during the financial year are as follows:-

Names of Directors	Status	No. of Meetings Attended
Tan Sri Dato' Dr. Abu Bakar Suleiman	Chairman, Independent Non-Executive Director	4/4
Mr. Chia Ting Poh @ Cheah Ting Poh	Managing Director	4/4
Madam Ang Bee Lian	Executive Director	4/4
Mr. Valliyappan A/L S. Thevarayan	Executive Director	4/4
Dato' Dr. Yap Thong @ Yap Yit Thong	Non-Independent Non-Executive Director	4/4
Mr. Lee Siew Kuan	Independent Non-Executive Director	4/4
Dr. Mohd Nasir Bin Hassan (Appointed on 31/10/2003)	Independent Non-Executive Director	1/1
Datuk Dr. Anis Bin Ahmad (Resigned on 06/10/2003)	Non-Independent Non-Executive Director	3/3

# Statement of Corporate Governance (continued)

Scheduled Board meetings are structured with a pre-set agenda. Prior to the Board meetings, all Directors are provided with the board papers containing information relevant to the business of the meeting. All Directors, whether as a Board or in their individual capacity have full access to information within the Group and to obtain independent professional advice in furtherance of their duties at the Group's expense, if required. In addition, all directors have access to the advice and service of the Company Secretary.

## AUDIT COMMITTEE

Audit Committee reviews issues of accounting policy and presentation of external financial reporting, monitors the work of the internal audit function and ensures an objective and professional relationship is maintained with the external auditors. The Audit Committee works closely with both the internal and external auditors who, in turn, have access to the Chairman of Audit Committee.

The composition and terms of reference of the Audit Committee are set out in the Audit Committee Report.

## REMUNERATION COMMITTEE

The Remuneration Committee which was established on 15 July 2002 by the Board consists mainly of the following Non-Executive Directors:

Name	Position
Dato' Dr. Yap Thong @ Yap Yit Thong	Chairman (Non-Independent Non-Executive Director)
Madam Ang Bee Lian	Member (Executive Director)
Mr. Lee Siew Kuan	Member (Independent Non-Executive Director)

Datuk Dr. Anis Bin Ahmad who resigned from the Board on 6 October 2003 has also ceased to be the Chairman of Remuneration Committee. He was replaced by Dato' Dr. Yap Thong @ Yap Yit Thong

The objectives of the Remuneration Committee are to establish a remuneration framework for Directors and make recommendations to the Board of Directors on all elements of remuneration, term of employment, reward structure and fringe benefits for Directors.

The Remuneration Committee held one meeting during the period which was attended by all members.

## NOMINATION COMMITTEE

The Nomination Committee which was also established since 15 July 2002, comprise wholly of Non-Executive Directors as follows:

Name	Position
Tan Sri Dato' Dr. Abu Bakar Suleiman	Chairman (Independent Non-Executive Director)
Dato' Dr. Yap Thong @ Yap Yit Thong	Member (Non-Independent Non-Executive Director)
Mr. Lee Siew Kuan	Member (Independent Non-Executive Director)

Datuk Dr. Anis Bin Ahmad who resigned from the Board on 6 October 2003 has also ceased to be a Member of Nomination Committee. Besides, Tan Sri Dato' Dr. Abu Bakar Suleiman has been appointed as Chairman of Nomination Committee, replacing Dato' Dr. Yap Thong @ Yap Yit Thong who now serves as a Member of the committee.

## Statement of Corporate Governance (continued)

The objectives of the Nomination Committee are to review and assess the composition of the Board of Directors to ensure that there is an appropriate balance of skills, experience and expertise among the Board members. The Nomination Committee is also empowered to make recommendations to the Board with regard to appointment of new Directors. The Nomination Committee will assist the Board in carrying out an annual review on the balance and size of Non-Executive participation in the Board as well as establishing procedures and processes for the annual assessment of the effectiveness of the Board as a whole and the contributions of each Director and Board Committee member.

The Nomination Committee had one meeting during the period which was attended by all members.

### RE-ELECTION OF DIRECTOR

The Company's Articles of Association provide that at least one-third (1/3) of the Board are subject to retirement by rotation at each Annual General Meeting provided always that each Directors shall retire at least once in every three years. The Directors to retire in each year are the Directors who have been longest in office since their appointment or re-appointment. A retiring Director is eligible for re-appointment. This provides an opportunity for shareholders to renew their mandates. To assist shareholders in their decision, sufficient information such as personal profile, meeting attendance and the shareholdings in the Company of each Director standing for election are furnished in a separate statement accompanying the Notice of Annual General Meeting.

### DIRECTORS' TRAINING

The Directors undergo Continuing Education Programme (CEP) or relevant training programmes to further enhance their skill, knowledge and to keep themselves updated on the expectations of their roles and other market developments. All Directors including new Board member have attended and successfully completed the Mandatory Accreditation Programme (MAP) conducted by the Research Institute of Investment Analysis Malaysia (RIIAM).

### DIRECTORS' REMUNERATION

Details of Directors' remuneration paid by the Group for the financial year ended 31 December 2003 are as follows:-

	Salaries, bonus & Other emoluments RM '000	Fees RM '000	Benefits in-kind RM'000	Total RM '000
Executive Directors	1,113	234	55	1,402
Non-Executive Directors	—	156	—	156

The number of Directors of the Group whose remuneration fall within the respective bands are as follows:-

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
Below RM50,000	—	4
RM200,001 to RM250,001	1	—
RM550,001 to RM600,000	2	—
	3	4



# Statement of Corporate Governance (continued)

## INVESTORS RELATION AND SHAREHOLDER COMMUNICATION

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The Board recognizes the importance of maintaining effective communication, ensuring timely and accurate disclosure of information to the shareholders and investors of the Group. Besides the information communicated through annual report, various announcements on significant events are made throughout the year and quarterly financial results are announced via Bursa Malaysia Securities Berhad's website ([www.bursamalaysia.com](http://www.bursamalaysia.com)) to provide shareholders with up-to-date overview of the Group's performance and operations.

The Annual General Meeting ("AGM") is the principal forum for dialogue and interaction with shareholders of the Company. Notice of the AGM and annual reports are sent out to the shareholders at least 21 days before the date of the meeting. At each AGM, the Board presents the progress and performance of the business and encourages shareholders to participate in the question and answer session or to seek clarification on the Group's performance and business climate. All members of the Board as well as the Auditors of the Company are available to respond to shareholders' questions raised at the meeting.

Continuous briefing for members of the media, fund managers, institution investors and investment analysts are held to provide updates on key events and latest developments of the Group. The Group's corporate website, [www.duopharma.com.my](http://www.duopharma.com.my) and an Investors' Relation (IR) website, [www.wallstraits.com](http://www.wallstraits.com), provide avenues for dissemination of up-to-date information such as corporate information, financial information, press releases, share price history and other relevant news on the Group. Shareholders and all interested parties can subscribe free of charge to the IR e-alert, enabling them to be alerted on latest developments of the Group.

## FINANCIAL REPORTING

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The Board is responsible for presenting a balanced and fair assessment of the Group's financial performance and prospects through quarterly reports to the Bursa Malaysia Securities Berhad and annual reports to shareholders. The Audit Committee assists the Board in scrutinizing information for disclosure to ensure accuracy, completeness and quality of reporting.

## STATE OF INTERNAL CONTROL

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The Directors are fully aware of the responsibilities to maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets. The Directors' responsibilities for the Group's system of internal controls cover not only financial aspects of the business but also operational and compliance controls as well as risk management matters.

The Internal Audit Department was established in 2003 to assist the Audit Committee and the Board of Directors as follows:-

- Perform regular review on compliance of operational procedures using risk based audit approach
- Conduct investigations on specific areas or issues as directed by the Audit Committee and the Management
- Facilitate and evaluate the risk management processes

The Statement on Internal Control is presented in this Annual Report to provide an overview of the state of internal controls within the Group.

## RELATIONSHIP WITH THE AUDITORS

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The Company has established and maintained a professional and transparent relationship with the Company's external auditors, Messrs KPMG in seeking professional advice and ensuring compliance with the accounting standards in Malaysia.

# Statement of Corporate Governance (continued)

## DIRECTORS' RESPONSIBILITIES IN RELATION TO THE PREPARATION OF THE AUDITED FINANCIAL STATEMENTS

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The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which gives a true and fair view of the state of affairs of the Company and Group as at the end of the financial year and of the results and cash flow of the Company and Group for the year ended thereat.

In preparing the financial statements, the Directors are required to select appropriate accounting policies and apply them consistently to make reasonable and prudent judgments and estimates, and to state that all accounting standards which they consider to be applicable have been followed. The Directors are also required to prepare the financial statements on the going concern basis unless it is inappropriate to do so.

The Directors have responsibility for ensuring that the Group keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and which enables them to ensure that the financial statements comply with the Companies Act, 1965. The Directors also have responsibility for taking such steps that are reasonable to safeguard the assets of the Company and Group and for the prevention and detection of fraud and other irregularities.

## COMPLIANCE STATEMENT

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The Company has complied throughout the financial year with all the best practice of corporate governance set out in Part 2 of the Code, except for Best Practice AAVII (Nomination of a Senior Independent Non-executive Director). Given the current composition of the Board which reflects a strong independent element and the separation of the roles of the Chairman and Group Managing Director, the Board does not consider it necessary at this juncture to nominate a Senior Independent Non-Executive Director.

## OTHER INFORMATION

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### 1. Non-Audit Fees

During the financial year ended 31 December 2003, the non-audit fees paid to the external auditors amounted to approximately RM17,000.00.

### 2. Material Contracts

There are no contracts entered into by the Group involving Directors or major shareholders' interest, either subsisting at the end of the financial year ended 31 December 2003 or entered into since the end of the previous financial year.

### 3. Revaluation policy

During the financial year, the Group does not have any revaluation policy on landed properties.

# Statement On Internal Control

## INTRODUCTION

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The Board of Directors subscribes to the Malaysian Code on Corporate Governance to maintain a sound system of internal control in the Group to safeguard shareholders' investments and Group's assets. The Board is continuously taking appropriate initiatives to further strengthen the transparency, accountability and efficiency of operations in compliance with the Bursa Malaysia Securities Berhad Listing Requirements.

## RESPONSIBILITY FOR RISK AND INTERNAL CONTROL

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The Board of Directors and senior management recognise the importance of ensuring a sound system of internal control and effective risk management practices in place in the Group. The Board is aware that ultimately the responsibility for the Group's system of internal control, which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity rest with the Board. As there are limitations that are inherent in any system of internal control, the system is therefore designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives. Thus it can only provide reasonable but not absolute assurance against material misstatement or loss. Internal control covers financial, operational and compliance controls and risk management procedures.

## RISK MANAGEMENT FRAMEWORK

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In adhering to the statement on internal control guidance for Directors of Public Listed companies ("Internal Control Guidance"), the Board has established an ongoing process for identifying, evaluating and managing significant risks faced by the Group. For this purpose the Board has established a Risk Management Committee headed by the Executive Director to initiate and enforce the risk management framework. The risk management committee will, inter alia;

- Co-ordinate with heads of relevant departments to identify and review key risk exposures.
- Perform risk oversight and compile risk profiles, review their impact and ensure that risk control system and management action plans are in place to manage the risks.
- Prepare risk management reports with recommendation to improve the existing risk control system to further strengthen the integrity of the control mechanism.

The risk management committee convened four (4) meetings and the Chairman of the audit committee attended all the meetings upon invitation during the financial year. In each meeting the head of the respective department numbering nine in total, who has been delegated the task to implement the system of risk management and internal control in his or her department presented an up-dated risk balance management reports control to the committee. Any new risk or weakness in internal control brought up in the report was promptly responded by the committee and suggestion given to arrest the risk or weakness. The quarterly report and its review and evaluation provided an assurance on the effectiveness of internal control system. The findings of the risk management committee were reported to the Board through the audit committee.

The Board considers that the enterprise risk management framework is robust, but will still subject the framework to continuous improvement, taking into consideration better practices and the changing business environment.

# Statement On Internal Control (continued)

## INTERNAL AUDIT FUNCTION

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The Board has also established an internal audit department, which provides the Board with some assurance it requires regarding the adequacy and effectiveness of risk management, internal control and governance systems. During the financial year the audit department carried out its audit on internal controls with emphasis on those systems in the key activities of the Group's businesses. Internal audit also reviewed the risk and internal controls identified by the risk management committee.

The audit committee continuously reviews the risk monitoring and compliance procedures, ensuring that an appropriate mix of technique is used to obtain the level of assurance required by the Board. The audit committee presents its finding to the Board on a quarterly basis or earlier as appropriate.

In addition to the risk management procedures and processes conducted by the risk management committee and the internal controls review undertaken by the internal audit department, the Ministry of Health has regularly conducted review and evaluation of the operation and manufacturing processes and procedures in the production of medical products in the manufacturing plants. The checks by the Ministry have been most stringent as the processes and procedures of production must reach the international and national standards approved by the Ministry of Health. The check and evaluation is a continuous process by the Ministry and it maintains its highest standards.

## OTHER RISK AND CONTROL PROCESSES

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Apart from risk management, internal audit and the Ministry's check and evaluation; the Board has put in place an organisational structure with clearly defined lines of responsibility and delegation. A process of hierarchical reporting has been established which provide for a documented and auditable trail of accountability. The procedures include the establishment of limits of authority and the issuance of guidelines or directives highlighting policies on health and safety, training and development, equality of opportunity, staff performance and serious misconduct. There are also regular reports/papers prepared on yearly budget, capital expenditure investments and for monitoring the Group's business and performance.

The Managing Director reports to the Board on significant changes in the business and the external environment. The Finance Manager provides the Board with quarterly financial information, which includes key financial indicators. This includes; inter alia, the monitoring of results against budget, with variances being analysed and action taken by management where necessary. The Board is also receptive to any suggestion or recommendation for any areas of improvement made by the Audit Committee, the Risk Management Committee and management.

There were no material losses incurred during the current financial year as a result of weaknesses in internal control. The Board and management will continue to take measures to strengthen the control environment.

# Chairman's Statement

## Dear Valued Shareholders,

On behalf of the Board of Directors, I have great pleasure to present the Annual Report and Audited Financial Statements of the Duopharma Group and Company for the financial year ended 31 December 2003.

## REVIEW OF FINANCIAL PERFORMANCE

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The Malaysian economy in 2003 benefited from more robust external demand and increased private sector activity in the domestic economy. A better than expected real gross domestic product (GDP) performance of 5.2% was recorded during the year, exceeding the official forecast of 4.5%.

Premised on the above, the Duopharma continued to perform well in the financial year ended 31 December 2003. The Group registered a turnover of RM73.83 million and profit after tax ("PAT") of RM17.72 million in 2003 as compared to turnover of RM62.63 million and PAT of RM14.37 million (before elimination of pre-acquisition results) in 2002, representing an increase of 17.9% and 23.3% respectively.

## DIVIDENDS

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In view of the Group's continuous impressive performance, the Board of Directors has recommended a total dividend of 13% for the financial year 2003 as follows:

- a) A final dividend of 8% comprising 5% per ordinary share less tax of 28% and 3% per ordinary share tax exempt, subject to shareholders' approval in the coming Annual General Meeting (AGM).
- b) An interim of 5% less tax of 28%, which was paid on 20 October 2003.

The above total net dividend of 10.2% per share for financial year 2003, which is 55% higher than the net dividend of 6.6% paid for financial year 2002, is to reward our loyal investors for the confidence placed in the management of the Group.

## CORPORATE DEVELOPMENTS

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Since our debut on Second Board of Bursa Malaysia Securities Berhad (BMSB) on 18 July 2002, the management have relentlessly and unwaveringly strived to bring Duopharma to greater heights. Migration of Duopharma from Second Board to Main Board of BMSB on 3 November 2003 is a testimonial of our success. The transfer to Main Board will enable Duopharma to better reflect the current stature of the operation of the Group. It has also accorded the Group with greater recognition and acceptance amongst investors besides enhancing our prestige, reputation and confidence of the shareholders.

Enroute to Main Board of BMSB, the Company has rewarded its valued shareholders with a one for five bonus issue for their continuous support. This has enabled the shareholders to have greater participation in the equity of the Company as well as to enhance the marketability and liquidity of shares in the market. The bonus issue has also increased the capital base of the Company to adequately reflect the scale and diversity of the Company's present and future activities. Shareholders will be further rewarded as the Company has proposed a bonus issue of one for ten, which is subject to shareholders' approval in the coming extraordinary general meeting (EGM). The Company will also seek shareholders' approval for the following corporate exercises in the said EGM.

- a) Proposed share split
- b) Proposed establishment of an Employees Share Option Scheme (ESOS)
- c) Proposed Share buy-back
- d) Proposed renewal of shareholders' mandate for recurring related party transaction.

# Chairman's Statement (continued)

## CORPORATE GOVERNANCE

We have highlighted in our Corporate Governance Report the measures/principles that have been implemented by Duopharma in relation to the Malaysian Code on Corporate Governance. The Board has and will take further steps to enhance corporate governance and is committed to ensuring that the highest standards of corporate governance are practiced throughout the Group.

## REVIEW OF OPERATIONS

The quest to broaden our customers and products base has achieved satisfactory results. Duopharma has successfully penetrated into new export markets namely Philippines, Cambodia and Kazakhstan besides enhancing our presence in existing overseas market. Our relentless effort to expand export markets is further evidenced by the signing of Memorandum of Understanding with Department of Health, Papua New Guinea (PNG) to supply all medicines as required by PNG which the Duopharma is capable of producing now or in the future through PNG's Government Tender Procedures.

Duopharma's continued focus on its existing core business as an established manufacturer and distributor of pharmaceutical products and medicines has borne fruit with the introduction of our own brand of over the counter (OTC) products. This bodes well with the Group's diversification plan into OTC segment which offers huge potential. We are pleased to note that the new range of innovative OTC products namely Donna, Natberry and Villosa is very well accepted in the market. Promotional and advertisement efforts will be further intensified to educate the public and instill brand awareness of the current and future OTC products of the Group.

As part of the Group's plan to extensively expand coverage of private market, we have enhanced our sales force to cater to the needs of each segment as follows:-

- a) Rehabilitation Division,
- b) OTC Division
- c) Private General Practitioners and Pharmacies Division
- d) Hospitals (Private and Public) Division

Resources have been invested to ensure that more products are introduced to meet the market needs. In respect of this, we are pleased to inform that registration of approximately 50 new products have been submitted to MOH for approval.

We have also responded to Government's call to eradicate drug addiction problem by sponsoring the pilot study jointly conducted by National Drug Agency, Universiti Malaya Medical Centre and Universiti Sains Malaysia. Our newly launched drug rehabilitation product, methadone, has been approved to be used as drug substitution therapy for clinical trial in rehabilitation centers. As a continuous effort to promote methadone, we have embarked on several workshops to guide approved private practitioners on the usage of methadone as treatment for drug addictions.

## PROSPECTS FOR 2004

The pharmaceutical industry has recovered from the effects of regional economic slump and is expected to grow at around 10% per annum. An important factor driving growth is continued modernization of the market, with greater awareness and better access to healthcare. The persistent growth is expected to propel market size to approximately RM3.0 billion by 2006.

The OTC market can be expected to grow steadily too, in tandem with overall market development. A better knowledge of self medication in healthcare should see a rise in OTC sales, which is estimated at RM800 million by 2006. Recent developments in OTC market coupled with aggressive promotion and branding strategies will augur well with Duopharma in years to come.

## Chairman's Statement (continued)

We are well positioned to reap the growth of both OTC and also generic market as our capacity will be increased by around 50% once our new state-of-the-art factory and plant and machinery, which cost approximately RM20 million becomes fully operational soon after stringent and thorough audit by MOH. This will enable us to comprehensively enhance our range of products in the field of OTC and also small volume injectables.

### APPRECIATION

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I wish to extend my deepest appreciation to the management and staff of Duopharma who have worked tirelessly and demonstrated high degree of loyalty, dedication and commitment to fulfill the ever increasing demands of pharmaceutical industry. I would like to assure them that their hard work, commitment and perseverance will be duly rewarded.

On behalf of the Board, I wish to record our appreciation to Datuk Anis Bin Ahmad who resigned from the Board on 6 October, 2003. Datuk Anis, who chaired the Remuneration Committee since it was formed in year 2002, has led the team with integrity and vision. I am pleased to inform that Duopharma is still able to count on Datuk Anis's contribution as he has consented to act as advisor to the Group. I am also happy to welcome Dr. Mohd Nasir Bin Hassan as a new member of the Board.

Last but not least, I wish to extend my sincere appreciation for the support and guidance that has been provided by my fellow members of the Board.

**Tan Sri Dato' Dr. Abu Bakar Suleiman**  
Chairman

# Financial Statements

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# Directors' Report

## for the year ended 31 December 2003

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2003.

### PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding, whilst the principal activities of the subsidiary are stated in Note 3 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

### RESULTS

	Group RM	Company RM
Net profit for the year	17,719,318	9,959,647

### RESERVES AND PROVISIONS

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

### DIVIDENDS

Since the end of the previous financial year, the Company paid:

- i) a final dividend of 5% per share less tax and 3% per share tax exempt totalling RM3,300,000 in respect of the year ended 31 December 2002 on 8 July 2003; and
- ii) an interim dividend of 5% per share less tax totalling RM1,800,000 in respect of the year ended 31 December 2003 on 20 October 2003. The dividend was based on the paid-up share capital of 50,000,000 ordinary shares of RM1.00 each prior to the issue of bonus shares.

The Directors recommend a final dividend in respect of the year ended 31 December 2003 as follows:

- i) 5% per share less tax totalling RM2,160,000; and
- ii) 3% per share tax exempt totalling RM1,800,000.

### DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

Tan Sri Dato' Dr. Abu Bakar Bin Suleiman  
Chia Ting Poh @ Cheah Ting Poh  
Ang Bee Lian  
Valliyappan a/l S. Thevarayan  
Dato' Dr. Yap Thong @ Yap Yit Thong  
Lee Siew Kuan  
Dr. Mohd Nasir Bin Hassan (appointed on 31.10.2003)  
Datuk Dr. Anis Bin Ahmad (resigned on 6.10.2003)

# Directors' Report

## for the year ended 31 December 2003 (continued)

The holdings and deemed holdings in the ordinary shares of the Company of those who were Directors at year end as recorded in the Register of Director's Shareholdings are as follows:

	At 1.1.2003	Number of ordinary shares of RM1.00 each			At 31.12.2003
		Bonus issue	Bought	Sold	
Direct interests in the Company					
Tan Sri Dato' Dr. Abu Bakar Bin Suleiman	10,000	2,000	—	—	12,000
Chia Ting Poh @ Cheah Ting Poh	12,500,024	2,300,004	9,500,000*	12,700,000*	11,600,028
Ang Bee Lian	14,949,974	2,789,994	9,000,030*	12,200,030**	14,539,968
Valliyappan a/l S. Thevarayan	20,000	3,000	8,000	13,000	18,000
Dato' Dr. Yap Thong @ Yap Yit Thong	60,000	12,000	3,000	—	75,000
Lee Siew Kuan	10,000	2,000	—	—	12,000

\* Transactions included 9,500,000 shares transferred from the pledged account to the Director's personal account.

\*\* Transactions included 9,000,030 shares transferred from the pledged account to the Director's personal account.

Mr Chia Ting Poh @ Cheah Ting Poh and Madam Ang Bee Lian are also deemed to have interests by virtue of his/her spouse's direct shareholdings in the Company.

By virtue of their interest in the Company, the Directors are deemed to have interest in the wholly owned subsidiary. The other Director did not hold or deal in any shares of the Company or its related corporation during the financial year.

### DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of related companies) 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, other than certain Directors who may be deemed to derive a benefit by virtue of trading transactions in the ordinary course of business between the Company and a company in which the Directors have interests.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### ISSUE OF SHARES OR DEBENTURES

During the financial year, the Company issued 10,000,000 ordinary shares of RM1.00 each at par as bonus shares on the basis of one new ordinary share for every five existing shares held. The bonus issue was approved at an Extraordinary General Meeting held on 28 August 2003 and was allotted on 10 October 2003 and credited as fully paid-up ordinary shares through capitalisation of a sum of RM10,000,000 from the Company's share premium account.

There were no other changes in the issued and paid-up capital of the Company during the financial year. There were no debentures issued during the year.

# Directors' Report

for the year ended 31 December 2003 (continued)

## SIGNIFICANT EVENTS DURING THE YEAR

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**i) Acquisition of an associate**

On 15 October 2003, the Company subscribed for 30% equity interest comprising 750,000 ordinary shares of RM1.00 each in Altratec Sdn. Bhd., a company incorporated in Malaysia, for a total consideration of RM750,000. Altratec Sdn. Bhd. is principally engaged in contract packing for the food industry.

**ii) Transfer of listing to the Main Board of Malaysia Securities Exchange Berhad**

On 3 November 2003, the entire issued and paid up capital of the Company comprising 60,000,000 ordinary shares of RM1.00 each was transferred from the Second Board to the Main Board of the Malaysia Securities Exchange Berhad.

## EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

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**a) Proposed share split, proposed bonus issued and proposed ESOS**

On 26 February 2004, the Board of Directors have approved and announced the following proposed corporate exercise:

**i) Proposed share split**

Proposed share split of every one (1) existing ordinary share of par value RM1.00 each into two (2) ordinary shares of par value of RM0.50 each.

**ii) Proposed bonus issue**

Proposed bonus issue of 12,000,000 new ordinary shares of RM0.50 each on the basis of one (1) bonus share for every ten (10) existing ordinary shares of RM0.50 each held after the Proposed Share Split.

The proposed bonus issue will be effected by way of capitalisation of RM4,800,000 and RM1,200,000 from the Company's share premium and retained profits accounts respectively.

**iii) Proposed employee's share option scheme ("ESOS")**

Proposed establishment of the employee's share option scheme to grant options to eligible employees and directors of the Company and its subsidiary for an amount not exceeding fifteen per centum (15%) of the issued and paid-up share capital of the Company at any point of time.

**b) Proposed share buy-back**

On 1 March 2004, the Board has announced the Company's intention to undertake a share buy-back of up to nine per centum (9%) of the Company's issued and paid-up share capital after the proposed share split and proposed bonus issue but before the proposed ESOS.

The above corporate exercises are subject to shareholders' approval.

As at the date of this report, the above corporate exercises have yet to be completed.

## OPTIONS GRANTED OVER UNISSUED SHARES

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

## OTHER STATUTORY INFORMATION

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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) all current assets have been stated at the lower of cost and net realisable value.

# Directors' Report

## for the year ended 31 December 2003 (continued)

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 Group and in the Company's financial statements misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet its obligations as and when they fall due.

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2003 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

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The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors:

**Ang Bee Lian**

**Chia Ting Poh @ Cheah Ting Poh**

Klang,

Date: 12 March 2004

# Statement By Directors

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

In the opinion of the Directors, the financial statements set out on pages 30 to 56, are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2003 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:

**Ang Bee Lian**

**Chia Ting Poh @ Cheah Ting Poh**

Klang,

Date: 12 March 2004

# Statutory Declaration

pursuant to Section 169(16) of the Companies Act, 1965

I, **Chek Wu Kong**, the officer primarily responsible for the financial management of Duopharma Biotech Bhd, do solemnly and sincerely declare that the financial statements set out on pages 30 to 56, are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Klang in the State of Selangor Darul Ehsan on 12 March 2004.

**Chek Wu Kong**

Before me:

**Chew Kim Swee@Chew Too Nyaah**

Commissioner For Oaths B102

# Report Of The Auditors

## to the Members of Duopharma Biotech Bhd

We have audited the financial statements set out on pages 30 to 56. The preparation of the financial statements is the responsibility of the Company's Directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
  - i) the state of affairs of the Group and of the Company at 31 December 2003 and the results of their operations and cash flows for the year ended on that date; and
  - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiary of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

We are satisfied that the financial statements of the subsidiary that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit report on the financial statements of the subsidiary was not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

### KPMG

Firm Number: AF 0758

Chartered Accountants

**Lim Hun Soon @ David Lim**

Partner

Approval Number: 1514/05/04(J)

Kuala Lumpur,

Date: 12 March 2004

# Group Balance Sheet

## at 31 December 2003

	Note	2003 RM	2002 RM
<b>Property, plant and equipment</b>	2	48,041,172	43,702,044
<b>Investment in an associate</b>	4	641,229	—
<b>Current assets</b>			
Inventories	5	12,928,170	12,285,419
Trade and other receivables	6	18,822,903	15,971,029
Tax recoverable		7,800	—
Cash and cash equivalents	8	19,294,378	13,481,760
		51,053,251	41,738,208
<b>Current liabilities</b>			
Trade and other payables	9	5,796,227	4,101,915
Taxation		1,079,160	786,158
Provision	10	1,109,334	672,336
		7,984,721	5,560,409
<b>Net current assets</b>		43,068,530	36,177,799
		91,750,931	79,879,843
<b>Financed by:</b>			
<b>Capital and reserves</b>			
Share capital	11	60,000,000	50,000,000
Reserves		27,203,972	24,752,014
<b>Shareholders' funds</b>		87,203,972	74,752,014
<b>Negative goodwill</b>	13	3,846,959	4,327,829
<b>Long term and deferred liabilities</b>			
Deferred taxation	14	700,000	800,000
		91,750,931	79,879,843

The financial statements were approved and authorised for issue by the Board of Directors on 12 March 2004.

The notes set out on pages 39 to 56 form an integral part of, and should be read in conjunction with, these financial statements.

# Group Income Statement

## for the year ended 31 December 2003

	Note	2003 RM	2002* RM
<b>Revenue</b>		73,832,950	43,125,695
Cost of sales		(38,297,219)	(25,427,105)
Gross profit		35,535,731	17,698,590
Other operating income		1,023,798	822,986
Distribution costs		(5,192,465)	(2,695,231)
Administration expenses		(4,343,830)	(2,369,109)
Other operating expenses		(2,583,550)	(301,444)
Operating profit	15	24,439,684	13,155,792
Financing costs	17	(111,480)	(194,913)
Share of loss of associate		(108,771)	–
Profit before taxation		24,219,433	12,960,879
Tax expense	18	(6,500,115)	(3,395,865)
Net profit for the year		17,719,318	9,565,014
Basic earnings per share (sen)	19	29.53	23.49
Dividends per ordinary share (sen) (net)	20	10.20	6.60

\* The results of the Group for 2002 is consolidated from the date of acquisition of Duopharma (M) Sendirian Berhad ("DMSB"). Accordingly, the Group income statement for year ended 31 December 2002 would only reflect the 8 months apportionment of results of DMSB.

The complete year's results of the Group is reflected in the Proforma income statement of the Group as tabled in Note 27 to the financial statements.

The notes set out on pages 39 to 56 form an integral part of, and, should be read in conjunction with, these financial statements.



# Group Statement Of Changes In Equity

for the year ended 31 December 2003

		<i>Non- distributable</i>	<i>Distributable (Accumulated loss)/</i>	
	Share capital RM	Share premium RM	Retained profit RM	Total RM
<b>At 1 January 2002</b>	2	–	(66,242)	(66,240)
Issue of shares				
– Acquisition of a subsidiary	31,396,460	8,791,009	–	40,187,469
– Rights issue	11,103,538	–	–	11,103,538
– Public issue	7,500,000	8,250,000	–	15,750,000
Listing expenses*	–	(1,787,767)	–	(1,787,767)
Net profit for the year	–	–	9,565,014	9,565,014
<b>At 31 December 2002</b>	50,000,000	15,253,242	9,498,772	74,752,014
Issue of shares				
– Bonus issue	10,000,000	(10,000,000)	–	–
Share issue expenses*	–	(167,360)	–	(167,360)
Net profit for the year	–	–	17,719,318	17,719,318
Dividends				
– 2002 final	–	–	(3,300,000)	(3,300,000)
– 2003 interim	–	–	(1,800,000)	(1,800,000)
<b>At 31 December 2003</b>	60,000,000	5,085,882	22,118,090	87,203,972

Note 11

\* Expenses set-off against share premium account

The notes set out on pages 39 to 56 form an integral part of, and, should be read in conjunction with, these financial statements.

# Group Cash Flow Statement

## for the year ended 31 December 2003

	2003 RM	2002 RM
<b>Cash flows from operating activities</b>		
Profit before taxation	24,219,433	12,960,879
Adjustments for:		
Depreciation	2,841,065	1,523,745
Gain on disposal of property, plant and equipment	(10,374)	–
Interest income	(392,055)	(205,865)
Interest expense	7,543	116,747
Amortisation of reserve on consolidation	(480,870)	(480,870)
Share of loss of associate	108,771	–
	<hr/>	<hr/>
Operating profit before working capital changes	26,293,513	13,914,636
Changes in working capital:		
Inventories	(642,751)	(541,915)
Trade and other receivables	(2,851,874)	2,404,806
Trade and other payables	1,694,312	3,133,169
Provision	436,998	(170,012)
	<hr/>	<hr/>
Cash generated from operations	24,930,198	18,740,684
Income taxes paid	(6,314,913)	(4,323,407)
Interest received	392,055	205,865
Interest paid	(7,543)	(38,463)
	<hr/>	<hr/>
<b>Net cash generated from operating activities</b>	18,999,797	14,584,679
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant and equipment	358,000	–
Acquisition of an associate	(750,000)	–
Purchase of property, plant and equipment	(7,527,819)	(8,953,438)
Acquisition of a subsidiary, net of cash acquired (Note 27)	–	(1,760,838)
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	(7,919,819)	(10,714,276)
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of shares	–	26,853,538
Share issue/listing expenses	(167,360)	(1,787,767)
Repayment of term loans	–	(8,856,132)
Repayment of bills payables	–	(6,520,000)
Interest paid	–	(78,284)
Dividend paid	(5,100,000)	–
	<hr/>	<hr/>
<b>Net cash (used in)/generated from financing activities</b>	(5,267,360)	9,611,355
	<hr/>	<hr/>

The notes set out on pages 39 to 56 form an integral part of, and, should be read in conjunction with, these financial statements.

# Group Cash Flow Statement

for the year ended 31 December 2003 (continued)

	2003 RM	2002 RM
Net increase in cash and cash equivalents	5,812,618	13,481,758
Cash and cash equivalents at beginning of year	13,481,760	2
Cash and cash equivalents at end of year	19,294,378	13,481,760

*i) Cash and cash equivalents*

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

	2003 RM	2002 RM
Deposits placed with licensed banks	11,695,375	11,609,961
Cash and bank balances	7,599,003	1,871,799
	19,294,378	13,481,760

The notes set out on pages 39 to 56 form an integral part of, and, should be read in conjunction with, these financial statements.

# Company Balance Sheet

at 31 December 2003

	Note	2003 RM	2002 RM
<b>Investment in a subsidiary</b>	3	40,187,469	40,187,469
<b>Investment in an associate</b>	4	750,000	—
<b>Current asset</b>			
Other receivables	6	9,695	—
Amount due from a subsidiary	7	25,569,645	21,343,665
Tax recoverable		7,800	—
Cash and cash equivalents	8	6,757,601	7,078,309
		32,344,741	28,421,974
<b>Current liabilities</b>			
Other payables	9	76,000	51,020
Taxation		—	44,500
		76,000	95,520
<b>Net current assets</b>		32,268,741	28,326,454
		73,206,210	68,513,923
<b>Financed by:</b>			
<b>Capital and reserves</b>			
Share capital	11	60,000,000	50,000,000
Reserves		13,206,210	18,513,923
Shareholders' funds		73,206,210	68,513,923

The financial statements were approved and authorised for issue by the Board of Directors on 12 March 2004

The notes set out on pages 39 to 56 form an integral part of, and, should be read in conjunction with, these financial statements.

# Company Income Statement

for the year ended 31 December 2003

	Note	2003 RM	2002 RM
<b>Revenue</b> – Dividend income		13,260,000	3,400,000
Other operating income		196,205	187,192
Administration expenses		(460,516)	(210,269)
<b>Profit before taxation</b>	15	12,995,689	3,376,923
Tax expense	18	(3,036,042)	(50,000)
<b>Net profit for the year</b>		<u>9,959,647</u>	<u>3,326,923</u>

The notes set out on pages 39 to 56 form an integral part of, and, should be read in conjunction with, these financial statements.

# Company Statement Of Changes In Equity

for the year ended 31 December 2003

	Share capital RM	Non- distributable  Share premium RM	Distributable (Accumulated loss)/ Retained profit RM	Total RM
<b>At 1 January 2002</b>	2	–	(66,242)	(66,240)
Issue of shares				
– Acquisition of a subsidiary	31,396,460	8,791,009	–	40,187,469
– Rights issue	11,103,538	–	–	11,103,538
– Public issue	7,500,000	8,250,000	–	15,750,000
Listing expenses*	–	(1,787,767)	–	(1,787,767)
Net profit for the year	–	–	3,326,923	3,326,923
<b>At 31 December 2002</b>	50,000,000	15,253,242	3,260,681	68,513,923
Issue of shares				
– Bonus issue	10,000,000	(10,000,000)	–	–
Share issue expenses*	–	(167,360)	–	(167,360)
Net profit for the year	–	–	9,959,647	9,959,647
Dividends				
– 2002 final	–	–	(3,300,000)	(3,300,000)
– 2003 interim	–	–	(1,800,000)	(1,800,000)
<b>At 31 December 2003</b>	60,000,000	5,085,882	8,120,328	73,206,210
	Note 11		Note 12	

\* Expenses set-off against share premium account

The notes set out on pages 39 to 56 form an integral part of, and, should be read in conjunction with, these financial statements.

# Company Cash Flow Statement

for the year ended 31 December 2003

	Note	2003 RM	2002 RM
<b>Cash flows from operating activities</b>			
Profit before taxation		12,995,689	3,376,923
Adjustments for:			
Interest income		(196,205)	(187,192)
Dividend income		(13,260,000)	(3,400,000)
Operating loss before working capital changes		(460,516)	(210,269)
Changes in working capital:			
Amount due from a subsidiary		(4,225,980)	(21,343,665)
Other receivables		(9,695)	(15,222)
Other payables		24,980	–
Cash used in operations		(4,671,211)	(21,569,156)
Income taxes paid		(89,542)	(5,500)
Interest received		196,205	187,192
<b>Net cash used in operating activities</b>		<b>(4,564,548)</b>	<b>(21,387,464)</b>
<b>Cash flows from investing activities</b>			
Dividend received		10,261,200	3,400,000
Acquisition of associate		(750,000)	–
<b>Net cash generated from investing activities</b>		<b>9,511,200</b>	<b>3,400,000</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of shares		–	26,853,538
Share issue/Listing expenses		(167,360)	(1,787,767)
Dividend paid		(5,100,000)	–
<b>Net cash (used in)/generated from financing activities</b>		<b>(5,267,360)</b>	<b>25,065,771</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(320,708)</b>	<b>7,078,307</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>7,078,309</b>	<b>2</b>
<b>Cash and cash equivalents at end of year</b>		<b>6,757,601</b>	<b>7,078,309</b>

## i) Cash and cash equivalents

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

	2003 RM	2002 RM
Deposits placed with licensed banks	6,616,527	6,607,244
Cash and bank balances	141,074	471,065
	<b>6,757,601</b>	<b>7,078,309</b>

The notes set out on pages 39 to 56 form an integral part of, and, should be read in conjunction with, these financial statements.

# Notes To The Financial Statements

## 1. Summary of significant accounting policies

The following accounting policies are adopted by the Group and the Company and are consistent with those adopted in previous years except for the adoption of the following standards which have been adopted retrospectively:

- i) MASB 25, Income Taxes; and
- ii) MASB 29, Employee Benefits

Apart from the inclusion of the new policies and extended disclosures where required by these new standards, the adoption of these standards does not have any effect on the financial statements.

### (a) Basis of accounting

The financial statements of the Group and the Company are prepared on the historical cost basis except as disclosed in the notes to the financial statements and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

### (b) Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting

A subsidiary is excluded from consolidation when either control is intended to be temporary if the subsidiary is acquired and held exclusively with a view of its subsequent disposal in the near future and it has not previously been consolidated or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the Company. Subsidiaries excluded on these grounds are accounted for as investments.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or negative goodwill as appropriate.

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

### (c) Negative goodwill

Negative goodwill arising on consolidation represents the excess of the fair values of the net identifiable assets acquired over the cost of acquisition.

Negative goodwill arising on consolidation is amortised on a straight line basis over a maximum of 10 years from the date of acquisition.

### (d) Property, plant and equipment

Freehold land, building under construction and capital work-in-progress are stated at cost. All other property, plant and equipment are stated at cost less accumulated depreciation.



# Notes To The Financial Statements (continued)

## 1. Summary of significant accounting policies (*cont'd*)

### (d) Property, plant and equipment (*cont'd*)

#### **Depreciation**

Freehold land, building under construction and capital work-in-progress are not amortised. Depreciation is provided on a straight line basis so as to write off the cost of the other assets over their estimated useful lives at the following principal annual rates:

Buildings	2%
Plant and machineries	10%–20%
Office equipment and furniture and fittings	5% – 10%
Motor vehicles	10% – 25%
Renovations	10%

### (e) Impairment

The carrying amount of the Group's assets, other than inventories and financial assets (other than investment in subsidiary and associate) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised. The reversal is recognised in the income statement.

### (f) Investment in a subsidiary

Investment in a subsidiary is stated at cost less impairment losses, where applicable.

### (g) Investment in an associate

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies.

The consolidated financial statements include the total recognised gains and losses of associates on an equity accounted basis, based on the associates' unaudited management accounts made up to 31 December 2003, from the date that significant influence effectively commences until the date that significant influence effectively ceases.

Unrealised profits arising on transactions between the Group and its associates which are included in the carrying amount of the related assets and liabilities are eliminated partially to the extent of the Group's interests in the associates. Unrealised losses on such transactions are also eliminated partially unless cost cannot be recovered.

### (h) Inventories

Raw materials, work-in-progress, packaging materials and manufactured inventories are stated at the lower of cost and net realisable value with first-in-first-out being the main basis for cost. For work-in-progress and manufactured inventories, cost consists of materials, direct labour and an appropriate proportion of fixed and variable production overheads.

# Notes To The Financial Statements (continued)

## 1. Summary of significant accounting policies (*cont'd*)

### (i) Trade and other receivables

Trade and other receivables are stated at cost less allowance for doubtful debts. Bad debts are written off in the financial year in which they are identified.

### (j) Cash and cash equivalents

Cash comprises cash on hand, balances and demand deposits with banks. The deposits comprise placement made with tenure of not more than 12 months which are readily convertible to known amount of cash.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amount of cash and have an insignificant risk of changes in value.

### (k) Liabilities

Trade and other payables are stated at cost.

### (l) Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

### (m) Provision

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation (legal or constructive) as a result of a past event and a reliable estimate can be made of the amount.

#### ***Provision for warranties***

A provision for warranties is recognised when the underlying products or services are sold. It is based on historical warranty data and a weighting of all possible outcomes against the associated probabilities.

### (n) Foreign currency transactions

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

The closing rates used in the translation of foreign currency monetary assets and liabilities are as follows:

	2003	2002
1USD	RM3.8000	RM3.8000
1EURO	RM4.7590	RM3.7000
1SGD	RM2.2400	RM2.2000

# Notes To The Financial Statements (continued)

## 1. Summary of significant accounting policies (*cont'd*)

### (o) Revenue recognition

#### *i) Goods sold*

Revenue from the sale of goods is measured at the fair value of the consideration receivable less returns and discounts allowed and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

#### *ii) Dividend income*

Dividend income is recognised when the right to receive payment is established.

### (p) Interest income

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

### (q) Expenses

#### *i) Operating lease payments*

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

#### *ii) Financing costs*

All interest and other costs incurred in connection with borrowings are expensed as incurred.

### (r) Research and development expenditure

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

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred.

Capitalised development expenditure is amortised and recognised as an expense on a systematic basis so as to reflect the pattern in which the related economic benefits are recognised over 3 years.

### (s) Employee benefits

#### *(i) Short term benefits*

Wages, salaries, bonus and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group.

#### *(ii) Defined contribution plan*

Obligation for contributions to the state pension scheme, the Employees Provident Fund ("EPF") are recognised as an expense in the Income Statement as incurred.

## Notes To The Financial Statements (continued)

### 2. Property, plant and equipment

Group	Freehold land	Buildings	Plant and machineries	Office and equipment furniture and fittings	Motor vehicles	Renovations	Building under construction	Capital work-in-progress	Total
Cost	RM	RM	RM	RM	RM	RM	RM	RM	RM
At 1 December 2003	9,168,528	7,895,000	18,790,911	1,282,612	2,463,136	257,596	10,752,134	7,321,102	57,931,019
Additions	2,188,714	—	2,318,936	164,235	556,188	—	1,870,315	429,431	7,527,819
Disposals	—	—	—	—	(27,425)	—	(347,625)	—	(375,050)
Transfer	—	12,274,824	—	—	—	—	(12,274,824)	—	—
At 31 December 2003	11,357,242	20,169,824	21,109,847	1,446,847	2,991,899	257,596	—	7,750,533	65,083,788
<b>Depreciation</b>									
At 1 December 2003	—	463,790	11,433,022	769,292	1,377,007	185,864	—	—	14,228,975
Charge for the year	—	280,648	2,180,296	108,358	246,003	25,760	—	—	2,841,065
Disposals	—	—	—	—	(27,424)	—	—	—	(27,424)
At 31 December 2003	—	744,438	13,613,318	877,650	1,595,586	211,624	—	—	17,042,616
<b>Net book value</b>									
At 31 December 2003	11,357,242	19,425,386	7,496,529	569,197	1,396,313	45,972	—	7,750,533	48,041,172
At 31 December 2002	9,168,528	7,431,210	7,357,889	513,320	1,086,129	71,732	10,752,134	7,321,102	43,702,044
Depreciation charge for the year ended 31 December 2002	—	103,164	1,241,675	52,431	109,301	17,174	—	—	1,523,745

## Notes To The Financial Statements (continued)

### 2. Property, plant and equipment (cont'd)

#### Security

The subsidiary is in the process of securing the discharge on freehold land and buildings at cost of RM12,650,000 (2002 – RM16,670,000) which are held under charge to banks as security for borrowings previously granted to the subsidiary.

### 3. Investment in a subsidiary

	Company	
	2003 RM	2002 RM
Unquoted shares, at cost	40,187,469	40,187,469

Details of the subsidiary are as follows:

Name of Company	Principal Activities	Country of Incorporation	Effective Ownership Interest	
			2003	2002
Duopharma (M) Sendirian Berhad	Manufacturing, distributing, importing and exporting of pharmaceutical products and medicines	Malaysia	100%	100%

### 4. Investment in an associate

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Unquoted shares, at cost	750,000	–	750,000	–
Share of post-acquisition losses	(108,771)	–	–	–
	641,229	–	750,000	–
Represented by:				
Group's share of net assets	641,229	–	–	–

Details of the associate are as follows:

Name of Company	Principal Activities	Country of Incorporation	Effective Ownership Interest	
			2003	2002
Altratec Sdn. Bhd	Contract packing for food industries	Malaysia	30%	–

# Notes To The Financial Statements (continued)

## 5. Inventories

	Group	
	2003 RM	2002 RM
<b>At cost</b>		
Raw materials	5,923,924	5,310,396
Work-in-progress	365,679	334,085
Packaging materials	1,121,230	1,382,802
Manufactured inventories	5,517,337	5,258,136
	<u>12,928,170</u>	<u>12,285,419</u>

## 6. Trade and other receivables

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Trade receivables	21,007,792	17,631,028	—	—
Less: Allowance for doubtful debts	(2,346,614)	(1,886,614)	—	—
	<u>18,661,178</u>	<u>15,744,414</u>	<u>—</u>	<u>—</u>
Other receivables, deposits and prepayments	161,725	226,615	9,695	—
	<u>18,822,903</u>	<u>15,971,029</u>	<u>9,695</u>	<u>—</u>

6.1 Bad debts written off against allowance for doubtful debts during the financial year amounted to Nil (2002 – RM99,285).

6.2 Included in trade receivables of the Group is an amount of RM2,197,979 (2002 – RM1,680,760) due from a company in which certain Directors have interest. Subsequent to the year end, the Group had received total repayment of RM484,000 from the customer.

6.3 Included in other receivables, deposits and prepayments of the Group for 2002 is an amount of RM59,795 being development costs capitalised. This cost was written off to the income statement during the year.

## 7. Amount due from a subsidiary

The amount due from a subsidiary is non-trade in nature, unsecured, interest free and has no fixed term of repayment.

## 8. Cash and cash equivalents

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Deposits placed with licensed banks	11,695,375	11,609,961	6,616,527	6,607,244
Cash and bank balances	7,599,003	1,871,799	141,074	471,065
	<u>19,294,378</u>	<u>13,481,760</u>	<u>6,757,601</u>	<u>7,078,309</u>

## Notes To The Financial Statements (continued)

### 9. Trade and other payables

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Trade payables	1,675,551	1,289,101	–	–
Other payables and accruals	4,120,676	2,812,814	76,000	51,020
	<u>5,796,227</u>	<u>4,101,915</u>	<u>76,000</u>	<u>51,020</u>

Included in other payables and accruals of the Group is an amount of RM174,239 (2002 – RM156,266) due to certain Directors. This amount is unsecured, interest free and has no fixed term of repayment.

### 10. Provision

	Group	
	2003 RM	2002 RM
Balance at 1 January	672,336	–
Acquisition of a subsidiary	–	842,348
Provision made during the year	660,000	–
Provision used during the year	(223,002)	(170,012)
Balance at 31 December	<u>1,109,334</u>	<u>672,336</u>

#### Warranties

The provision in respect of warranties relates to pharmaceutical products sold. The provision is based on estimates made from historical warranty data associated with similar products. The Group expects to incur the liability over the next 2 years.

### 11. Share capital

	Group and Company	
	2003 RM	2002 RM
Ordinary shares of RM1.00 each		
Authorised	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid		
At 1 January	50,000,000	2
Issued during the year		
Acquisition of a subsidiary	–	31,396,460
Rights issue	–	11,103,538
Public issue	–	7,500,000
Bonus issue	10,000,000	–
At 31 December	<u>60,000,000</u>	<u>50,000,000</u>

At an Extraordinary General Meeting held on 28 August 2003, the shareholders of the Company approved a bonus issue of 10,000,000 new ordinary shares of RM1.00 each to be credited as fully paid-up ordinary shares on the basis of one (1) new ordinary share for every five (5) existing fully paid-up ordinary shares held. The bonus issue of RM10,000,000 ordinary shares was allotted on 10 October 2003 and credited as fully paid-up ordinary shares through capitalisation from the Company's share premium account.

# Notes To The Financial Statements (continued)

## 12. Retained profits (distributable)

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income under the Income Tax Act, 1967 to frank all of its retained profits as at 31 December 2003 if paid out as dividends.

## 13. Negative goodwill

	Group	
	2003 RM	2002 RM
<b>Cost</b>		
At 1 January	4,808,699	—
Acquisition of a subsidiary	—	4,808,699
	<hr/>	<hr/>
At 31 December	4,808,699	4,808,699
	<hr/>	<hr/>
<b>Accumulated amortisation</b>		
At 1 January	480,870	—
Amortisation charge for the year	480,870	480,870
	<hr/>	<hr/>
At 31 December	961,740	480,870
	<hr/>	<hr/>
<b>Net carrying value</b>		
	<hr/>	<hr/>
At 31 December	3,846,959	4,327,829
	<hr/>	<hr/>

## 14. Deferred taxation

	Group	
	2003 RM	2002 RM
At 1 January	800,000	—
Acquisition of a subsidiary	—	520,000
Transfer (to)/from income statement	(100,000)	280,000
	<hr/>	<hr/>
At 31 December	700,000	800,000
	<hr/>	<hr/>

The recognised deferred tax assets and liabilities are as follows:

Property, plant and equipment		
– capital allowances	1,670,000	1,660,000
Provisions	(310,000)	(190,000)
Allowance for doubtful debts	(660,000)	(530,000)
Other items	—	(140,000)
	<hr/>	<hr/>
	700,000	800,000
	<hr/>	<hr/>



## Notes To The Financial Statements (continued)

### 15. Operating profit

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Operating profit is arrived at after crediting:				
Amortisation of negative goodwill	480,870	480,870	—	—
Dividend income	—	—	13,260,000	3,400,000
Interest income	392,055	205,865	196,205	187,192
Gain on disposal of property, plant and equipment	10,374	—	—	—
and after charging:				
Allowance for doubtful debts	460,000	—	—	—
Auditors' remuneration	42,000	39,500	10,000	8,000
Depreciation	2,841,065	1,523,745	—	—
Directors' remuneration				
– fees	390,000	300,000	270,000	180,000
– other emoluments	1,112,803	643,673	—	—
Inventories written off	625,706	373,408	—	—
Realised foreign exchange loss	53,690	31,315	—	—
Rental of premises	112,538	50,141	—	—
Product development cost written off	59,795	—	—	—
Provision for product warranty	660,000	—	—	—
Research and development expenditure	804,573	540,633	—	—
Estimated monetary value of Directors' benefits-in-kind	54,725	55,950	—	—

### 16. Employee information

	Group	
	2003 RM	2002* RM
Salaries	8,301,913	4,989,770
Social security costs	1,007,470	532,026
Other costs	12,791	7,120
	<u>9,322,174</u>	<u>5,528,916</u>

The number of employees of the Group (including Directors) at the end of the year was 325 ( 2002 – 307).

\* The comparative figure for staff cost for 2002 represents 8 months' staff cost incurred subsequent to the acquisition of the subsidiary.

# Notes To The Financial Statements (continued)

## 17. Financing costs

	Group	
	2003 RM	2002 RM
Interest expense on:		
Bank overdrafts	7,543	38,463
Bills payable	–	37,718
Term loans	–	40,566
	<u>7,543</u>	<u>116,747</u>
Bank charges	103,937	78,166
	<u>111,480</u>	<u>194,913</u>

The interest expense in 2002 arose on borrowings of the subsidiary which had been fully settled as at the end of financial year 2002.

## 18. Tax expense

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Income tax expense				
– current year	6,735,200	3,115,865	3,034,000	50,000
– over/(under)provision in prior year	(135,085)	–	2,042	–
	<u>6,600,115</u>	<u>3,115,865</u>	<u>3,036,042</u>	<u>50,000</u>
Deferred tax expense				
Origination and reversal of temporary differences	(100,000)	280,000	–	–
	<u>6,500,115</u>	<u>3,395,865</u>	<u>3,036,042</u>	<u>50,000</u>

### Reconciliation of effective tax rate

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Profit before taxation	<u>24,219,433</u>	<u>12,960,879</u>	<u>12,995,689</u>	<u>3,376,923</u>
Income tax using Malaysian tax rates	6,781,400	3,629,000	3,638,800	945,540
Non-deductible expenses	259,600	134,000	110,590	58,200
Tax exempt income	–	–	(714,000)	352,000)
Non-taxable income	(134,600)	(134,600)	–	–
Tax incentives	–	(144,300)	–	–
Utilisation of reinvestment allowances	(384,000)	(200,000)	–	–
Effect of prior year's deferred tax recognised	114,500	50,000	–	–
Other items	(1,700)	61,765	(1,390)	(1,740)
	<u>6,635,200</u>	<u>3,395,865</u>	<u>3,034,000</u>	<u>50,000</u>
Over/(Under) provision in prior year	(135,085)	–	2,042	–
Tax expense	<u>6,500,115</u>	<u>3,395,865</u>	<u>3,036,042</u>	<u>50,000</u>

## Notes To The Financial Statements (continued)

### 19. Earnings per ordinary share – Group

The basic earnings per ordinary share is calculated by dividing the Group's net profit attributable to ordinary shareholders of RM17,719,318 (2002 - RM9,565,014) by the weighted average number of ordinary shares outstanding during the financial year of 60,000,000 (2002 - 40,717,947).

*Weighted average number of ordinary shares is calculated as follows:*

	2003 RM	2002 RM
Issued ordinary shares at beginning of the year	50,000,000	2
Effect of ordinary shares issued in May 2002	–	20,472,212
Effect of rights issue in May 2002	–	6,814,226
Effect of public issue in July 2002	–	3,431,507
Effect of bonus issue in October 2003	10,000,000	10,000,000
Weighted average number of ordinary shares	<u>60,000,000</u>	<u>40,717,947</u>

The previous year earnings per ordinary share has been restated based on the net profit attributable to ordinary shareholders of RM9,565,014 and the weighted average number of ordinary shares outstanding during the year of 40,717,947 ordinary shares after taking into consideration the bonus issue of 10,000,000 ordinary shares on the assumption that it was issued prior to 31 December 2002.

### 20. Dividends

	Group and Company	
	2003 RM	2002 RM
Interim paid:		
2003 - 5% per share less tax (2002 - Nil)	1,800,000	–
Final paid:		
2002 – 5% per share less tax	1,800,000	–
– 3% per share tax exempt	1,500,000	–
(2001 – Nil)		
	<u>5,100,000</u>	<u>–</u>

The proposed final dividends of 5% per share less tax totalling RM2,160,000 and 3% per share tax exempt totalling RM1,800,000 for year ended 31 December 2003 have not been accounted for in the financial statements.

### 21. Contingent liabilities (unsecured)

	Company	
	2003 RM	2002 RM
Guarantees for banking facilities granted to a subsidiary	<u>22,680,000</u>	<u>20,180,000</u>

# Notes To The Financial Statements (continued)

## 22. Operating leases

### *Leases as lessee*

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Group	
	2003 RM	2002 RM
Less than one year	—	62,681

The Group leases a number of shophouses under operating leases. The leases typically run for an initial period of one year, with an option to renew the leases after the date of expiration. None of the leases include contingent rentals.

## 23. Related party transactions

Significant transactions with related parties other than those disclosed elsewhere in the financial statements are as follows:

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
With a subsidiary				
Duopharma (M) Sendirian Berhad				
– Dividend received	—	—	13,260,000	3,400,000
With a company in which				
Madam Ang Bee Lian				
and Mr. Chia Ting Poh @				
Cheah Ting Poh,				
the Directors, have interest:				
Duopharma Trading (S) Pte. Ltd.				
– Sales	1,638,397	779,082	—	—

The Directors are of the opinion that the above transactions have been entered into in the normal course of business and have been established under negotiated terms.

## 24. Capital commitment

	Group	
	2003 RM	2002 RM
Property, plant and equipment		
Approved and contracted for	1,002,000	1,191,372
Approved and not contracted for	—	2,037,000

## Notes To The Financial Statements (continued)

### 25. Segmental information

Segmental information is not provided as the Group is principally engaged in the pharmaceutical industry and its operations are carried out solely in Malaysia.

### 26. Financial instruments

#### Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, credit and liquidity risks. The Board reviews and agrees policies for managing each of these risks as summarised below:

#### Interest rate risk

At balance sheet date, the Group does not have any exposure to interest rate risk.

#### Foreign currency risk

The Group incurs minimum foreign currency risk on its overseas sales and purchases as more than 70% of the Group's exports and imports are transacted in US dollars. For purchases denominated in a foreign currency other than US dollars, the Group will hedge the purchases if the amount exceeds pre-determined thresholds.

#### Credit risk

The Group has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers who require credit facility. When the credit limit and/or credit period is exceeded, no further transaction will be allowed until the credit limit or credit period is streamlined to appropriate levels. The Group does not require collateral in respect of this financial asset.

At balance sheet date, there are no significant concentration of credit risk. The maximum exposure to credit risk for the Group is represented by the carrying amount of the financial assets.

## Notes To The Financial Statements (continued)

### 26. Financial instruments (*cont'd*)

#### Liquidity risk

The Company monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations.

#### *Effective interest rates and repricing analysis:*

The following table indicates the effective interest rates at the balance sheet date of interest-earning financial assets and the period in which they reprice.

Financial asset	Effective interest rate %	Total RM	Within 1 year RM
<b>Group</b>			
<b>2003</b>			
Deposits with licensed banks	2.92	11,695,375	11,695,375
<b>2002</b>			
Deposits with licensed banks	2.83	11,609,961	11,609,961
<b>Company</b>			
<b>2003</b>			
Deposits with licensed banks	2.86	6,616,527	6,616,527
<b>2002</b>			
Deposits with licensed banks	2.82	6,607,244	6,607,244

#### Fair values

#### *Recognised financial instruments*

The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate fair value due to the relatively short term nature of these financial instruments.

## Notes To The Financial Statements (continued)

### 27. Acquisition of a subsidiary – Group

In 2002, Duopharma Biotech Bhd (“DBB” or “the Company”) acquired the entire equity interest in Duopharma (M) Sendirian Berhad (“DMSB”) comprising 1,700,000 ordinary shares of RM1.00 each for a total purchase consideration of RM40,187,469 satisfied by the issuance of 31,396,460 new ordinary shares of RM1.00 each in DBB, at an issue price of RM1.28 per ordinary share. The acquisition was accounted for using the acquisition method of accounting.

The effects of the acquisition of DMSB on the financial results and financial position of the Group for the financial year ended 31 December 2002 were as follows:-

	<b>2002</b> <b>From date of acquisition</b> <b>RM</b>
Revenue	43,125,695
Operating expenses	(30,622,609)
Profit before taxation	12,503,086
Tax expense	(3,345,865)
Increase in Group’s net profit attributable to shareholders	9,157,221
	<b>2002</b> <b>RM</b>
Property, plant and equipment	36,272,351
Current assets	30,413,902
Current liabilities	(15,986,334)
Long term liabilities	(5,678,359)
Net assets	45,021,560
Less: Research and development cost	(25,392)
Negative goodwill	(4,808,699)
Purchase consideration	40,187,469
Purchase consideration settled via issuance of shares	(40,187,469)
Less: Cash and cash equivalents of subsidiary	(1,760,838)
Cash flow on acquisition, net of cash acquired	(1,760,838)

## Notes To The Financial Statements (continued)

### 27. Acquisition of a subsidiary – Group (cont'd)

The proforma income statement of the Group based on a full year's results of the Group would be as follows:

	2003 RM	2002 RM
Revenue	73,832,950	62,624,667
Cost of sales	(38,297,219)	(35,852,469)
Gross profit	35,535,731	26,772,198
Other operating income	1,023,798	914,612
Distribution costs	(5,192,465)	(3,659,539)
Administration expenses	(4,343,830)	(3,260,342)
Other operating expenses	(2,583,550)	(878,520)
Operating profit	24,439,684	19,888,409
Financing costs	(111,480)	(494,696)
Share of loss of associate	(108,771)	–
Profit before taxation	24,219,433	19,393,713
Tax expense	(6,500,115)	(5,020,000)
Profit after taxation	17,719,318	14,373,713
Less: Pre-acquisition profit	–	(4,808,699)
Net profit for the year	17,719,318	9,565,014

### 28. Significant events during the year – Company

#### i) Acquisition of an associate

On 15 October 2003, the Company subscribed for 30% equity interest comprising 750,000 ordinary shares of RM1.00 each in Altratec Sdn. Bhd., a company incorporated in Malaysia, for a total consideration of RM750,000. Altratec Sdn. Bhd. is principally engaged in contract packing for the food industry.

#### ii) Transfer of listing to the Main Board of Malaysia Securities Exchange Berhad

On 3 November 2003, the entire issued and paid up capital of the Company comprising 60,000,000 ordinary shares of RM1.00 each was transferred from the Second Board to the Main Board of the Malaysia Securities Exchange Berhad.



## Notes To The Financial Statements (continued)

### 29. Events subsequent to the balance sheet date

#### (a) Proposed share split, proposed bonus issue and proposed ESOS

On 26 February 2004, the Board of Directors have approved and announced the following proposed corporate exercise:

##### i) *Proposed share split*

Proposed share split of every one (1) existing ordinary share of par value RM1.00 each into two (2) ordinary shares of par value of RM0.50 each.

##### ii) *Proposed bonus issue*

Proposed bonus issue of 12,000,000 new ordinary shares of RM0.50 each on the basis of one (1) bonus share for every ten (10) existing ordinary shares of RM0.50 each held after the Proposed Share Split.

The proposed bonus issue will be effected by way of capitalisation of RM4,800,000 and RM1,200,000 from the Company's share premium and retained profits accounts respectively.

##### iii) *Proposed employee's share option scheme ("ESOS")*

Proposed establishment of the employee's share option scheme to grant options to eligible employees and directors of the Company and its subsidiary for an amount not exceeding fifteen per centum (15%) of the issued and paid-up share capital of the Company at any point of time.

#### (b) *Proposed share buy-back*

On 1 March 2004, the Board has announced the Company's intention to undertake a share buy-back of up to nine per centum (9%) of the Company's issued and paid-up share capital after the proposed share split and proposed bonus issue but before the proposed ESOS.

The above corporate exercises are subject to shareholders' approval.

As at the date of this report, the above corporate exercises have yet to be completed.

### 30. Comparative figures

The following comparative figures have been restated to conform with current year's presentation:

	Group	
	As restated RM	As previously stated RM
Balance sheet		
Reserves	24,752,014	29,079,843
Negative goodwill	4,327,829	—

# List Of Properties

Postal address/ Location of the property	Land area (acre / sq m)	Description/ Existing use (Built up area)	Tenure/ Approx. age of building	Open market valuation by independent valuer <sup>1</sup> RM	Date of valuation/ Methods of valuation	Net book value as at 31.12.2003 RM
GM 1391 Lot No. 2599, Mukim and District of Kelang, State of Selangor Darul Ehsan/Lot No. 2599, Jalan Seruling 59, Kawasan 3, Taman Klang Jaya, 41200 Klang, Selangor Darul Ehsan.	2.88 acre	a) Industrial land built-upon with a double storey office block cum factory building, a single storey pump house cum boiler house, a parking shed, a guardhouse and a water tank. (built up area : 91,336 sq ft)	Freehold/ 10 years old	10,000,000	2 October 2000/ Cost and Investment Methods	9,457,810
		b) Four storey factory cum office (built up area: 91,000 sq ft)	Freehold/ 1 year old	Not Applicable	Not Applicable	12,152,076
H.S.(D) 52204 and 52205 PT Nos. 9570(30063) and 9571(30064), Mukim and District of Kelang, State of Selangor Darul Ehsan/Nos. 29 and 27, Jalan Serunai 16, Taman Klang Jaya, 41200 Klang, Selangor Darul Ehsan.	476.50 sq m each	Two units of 1½ storey semi- detached factories. (Built up : 3,588 sq ft each)	Freehold/ 18 years old	900,000	2 October 2000/ Comparison and Investment Methods	871,200
H.S.(D) 14330 Lot No. 9575 (30068) Mukim and District of Kelang State of Selangor Darul Ehsan/No. 19, Jalan Serunai 16, Taman Klang Jaya, 41200 Klang, Selangor Darul Ehsan.	431.44 sq m	1½ storey semi- detached factory (Built up: 3,120 sq ft)	Freehold/ 18 years old	410,000	2 October 2000/ Comparison and Investment Methods	396,900
H.S.(M) 27455 and 27454 PT Nos. 48576 and 48575, Mukim and District of Klang, State of Selangor Darul Ehsan/No.51 & 53, Jalan Rebana 3, off Jalan Seruling 59, Taman Klang Jaya, 41200 Klang, Selangor.	191 sq m and 260 sq m respectively	Two units double storey terrace light industrial buildings (Built-up: 4, 108 sq ft and 5,588 sq ft respectively)	Freehold 6 years old	750,000	30 October 2000/ Comparison and Investment Methods	712,400
GM 994 Lot No. 2555, Mukim and District of Klang, State of Selangor Darul Ehsan.	3.0 acres	Vacant industrial land	Freehold	1,960,000	2 October 2000/ Comparison Method	2,353,528
GM 1649 Lot No. 2556, Mukim and District of Klang, State of Selangor Darul Ehsan.	3.0 acres	Vacant industrial land	Freehold	2,650,000	2 October 2000/ Comparison Method	2,650,000
GM 549 Lot No. 2707, Mukim and District of Klang, State of Selangor Darul Ehsan.	4.38 acres	Vacant agriculture land	Freehold	Not Applicable	2 May 2003 (Date of Acquisition)	2,188,714

## Note:

<sup>1</sup> DMSB is the registered and beneficial owner of all the above properties. The valuation was carried out on 2 October 2000 and 30 October 2000 by an independent firm of professional valuers, Messrs Colliers, Jordan Lee & Jaafar (S) Sdn Bhd.

# Analysis Of Shareholdings

as at 28 April 2004

Authorised Share Capital : RM100,000,000  
 Issued and Fully Paid Share Capital : RM60,000,000  
 Class of Shares : Ordinary Shares of RM1 each  
 Voting Rights : One vote per ordinary share

## SHAREHOLDING DISTRIBUTION

Size of Holdings	No of Shareholders/ Depositors	% of Shareholders/ Depositors	No of Shares Held	% of Issued Capital
1 – 99	13	0.87	524	0.00
100 – 1,000	314	21.03	256,840	0.43
1,001 – 10,000	878	58.81	2,922,700	4.87
10,001 – 100,000	234	15.67	6,816,120	11.36
100,001 – 2,999,999	51	3.42	21,483,080	35.81
3,000,000 and above	3	0.20	28,520,736	47.53
<b>TOTAL</b>	<b>1,493</b>	<b>100.00</b>	<b>60,000,000</b>	<b>100.00</b>

## LIST OF TOP 30 SHAREHOLDERS/DEPOSITORS

No.	NAME	No. Of Share Held	%
1	ANG BEE LIAN	12,539,968	20.90
2	CHIA TING POH @ CHEAH TING POH	9,600,028	16.00
3	EMPLOYEES PROVIDENT FUND BOARD	6,380,740	10.63
4	PERMODALAN NASIONAL BERHAD	2,095,400	3.49
5	BHLB TRUSTEE BERHAD TA SMALL CAP FUND	1,990,000	3.32
6	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD AMANAH SAHAM DIDIK	1,934,100	3.22
7	AMMB NOMINEES (TEMPATAN) SDN BHD AMTRUSTEE BERHAD FOR SBB DANA AL-IHSAN (5-2-7)	1,400,000	2.33
8	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD SBB DANA AL-AZAM	1,066,600	1.78
9	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR OSK-UOB SMALL CAP OPPORTUNITY UNIT TRUST (3548)	1,042,500	1.74
10	BHLB TRUSTEE BERHAD TA COMET FUND	916,600	1.53
11	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD SBB EMERGING COMPANIES GROWTH FUND	850,000	1.42
12	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD AMANAH SAHAM MALAYSIA	775,700	1.29
13	AMANAH RAYA BERHAD AMTOTAL RETURN	631,680	1.05

# Analysis Of Shareholdings

as at 28 April 2004 (continued)

## LIST OF TOP 30 SHAREHOLDERS/DEPOSITORS (continued)

No.	NAME	No. Of Share Held	%
14	LEMBAGA TABUNG ANGKATAN TENTERA	560,000	0.93
15	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD TA ISLAMIC FUND	540,000	0.90
16	MALAYSIAN ASSURANCE ALLIANCE BERHAD AS BENEFICIAL OWNER (GROWTH FUND)	519,200	0.87
17	AM NOMINEES (TEMPATAN) SDN BHD AMMERCHANT BANK BERHAD	419,800	0.70
18	AM NOMINEES (TEMPATAN) SDN BHD AMFINANCE BERHAD	419,800	0.70
19	MCIS ZURICH INSURANCE BERHAD	368,800	0.61
20	HSBC NOMINEES (ASING) SDN BHD TNTC FOR GOVERNMENT OF SINGAPORE INVESTMENT CORPORATION PTE LTD	351,700	0.59
21	CARTABAN NOMINEES (ASING) SDN BHD STATE STREET AUSTRALIA FUND UAJF FOR UNITED INTERNATIONAL GROWTH FUND (BTSL AS TRUSTEE)	320,000	0.53
22	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD DANA JOHOR	319,000	0.53
23	JERNEH INSURANCE BHD	300,260	0.50
24	AM NOMINEES (TEMPATAN) SDN BHD TABUNG AMANAH WARISAN NEGERI JOHOR (A/C 1)	256,300	0.43
25	TASEC NOMINEES (TEMPATAN) SDN BHD TA ASSET MANAGEMENT SDN BHD FOR SABAH ENERGY CORPORATION SDN BHD	245,000	0.41
26	COMMERCE LIFE ASSURANCE BHD	242,100	0.40
27	CITICORP NOMINEES (ASING) SDN BHD CBHK PBGHK FOR AVON PACIFIC LIMITED	240,000	0.40
28	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD AMANAH SAHAM JOHOR	239,100	0.40
29	AM NOMINEES (TEMPATAN) SDN BHD AMASSURANCE BERHAD (LIFE PAR 1)	190,400	0.32
30	BIMSEC NOMINEES (TEMPATAN) SDN BHD SYARIKAT TAKAFUL MALAYSIA BERHAD	164,400	0.27

# Analysis Of Shareholdings

as at 28 April 2004 (continued)

## DIRECTORS' SHAREHOLDINGS AS AT 28 APRIL 2004

Name	No. of Shares Held			
	Direct	%	Indirect	%
Tan Sri Dato' Dr. Abu Bakar Suleiman	12,000	0.02	—	—
Chia Ting Poh @ Cheah Ting Poh	9,600,028	16.00	12,646,968	21.08
Ang Bee Lian	12,646,968	21.08	9,600,028	16.00
Valliyappan A/L S. Thevarayan	14,000	0.02	—	—
Dato' Dr. Yap Thong @ Yap Yit Thong	81,000	0.14	—	—
Lee Siew Kuan	12,000	0.02	—	—
Dr Mohd Nasir Bin Hassan	—	—	—	—

## SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 28 APRIL 2004

Name	No. of Shares Held			
	Direct	%	Indirect	%
Chia Ting Poh @ Cheah Ting Poh	9,600,028	16.00	12,646,968	21.08
Ang Bee Lian	12,646,968	21.08	9,600,028	16.00
Employees Provident Fund Board	6,604,040	11.01	—	—



**DUOPHARMA BIOTECH BHD (524271-W)**  
(Incorporated in Malaysia)

**PROXY FORM**

Number of Shares Held

I/We, .....  
of .....  
being a member/members of the above-named Company do hereby appoint .....  
of .....  
or failing him/her, .....  
of .....

as my/our proxy to vote for me/us on my/our behalf at the Third Annual General Meeting of the Company to be held at Crystal Crown Hotel, No. 217, Persiaran Raja Muda Musa, 42000 Pelabuhan Klang, Selangor Darul Ehsan on Friday, 25 June 2004 at 9.30 a.m. and at any adjournment thereof.

My/our proxy is to vote as indicated below:

No.	Resolution	For	Against
Resolution 1	Adoption of the Audited Financial Statements and Reports for the year ended 31 December 2003		
Resolution 2	Declaration of a Final Dividend of 5% per share less 28% income tax and 3% per share tax exempt		
Resolution 3	Approval of Directors' Fees for the year ended 31 December 2003		
Resolution 4	Re-election of Mr Valliyappan A/L S. Thevarayan		
Resolution 5	Re-election of Dato' Dr. Yap Thong @ Yap Yit Thong		
Resolution 6	Re-election of Dr. Mohd Nasir Bin Hassan		
Resolution 7	Re-election of Mr Lee Siew Kuan		
Resolution 8	Re-appointment of Messrs KPMG as Auditors		
Resolution 9	Authority under Section 132D of the Companies Act, 1965 for the Directors to issue shares		

[Please indicate with an "X" in the spaces provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.]

Dated this ..... day of ..... 2004.

.....  
Signature:  
Shareholder or Common Seal

**NOTES:**

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member appoints two (2) or more proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 10A, Lebuhraya Gopeng, 41400 Klang, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting.
4. If the appointer is a corporation, the instrument appointing a proxy must be executed under its Common Seal or under the hand of its officer or its duly authorised attorney.

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Affix  
Stamp

The Company Secretary  
Duopharma Biotech Bhd  
No. 10A, Lebuhraya Gopeng  
41400 Klang  
Selangor Darul Ehsan

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