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# Notice Of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Second Annual General Meeting of the Company will be held at Level 4, Anggerik Room, Hotel Equatorial, Jalan Sultan Ismail, 50250 Kuala Lumpur on Tuesday, 20 May 2003 at 10.30 a.m. for the following purposes:-

## AGENDA

### As Ordinary Business

1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2002 together with the Reports of the Directors and Auditors thereon.

**Ordinary Resolution 1**

2. To declare a First and Final Dividend of 5% per share less 28% Income Tax and 3% per share tax exempt for the year ended 31 December 2002.

**Ordinary Resolution 2**

3. To approve the payment of Directors' fees for the year ended 31 December 2002.

**Ordinary Resolution 3**

4. To re-elect the following Directors retiring under Article 99 of the Company's Articles of Association:-

(i) Tan Sri Dato' Dr. Abu Bakar Suleiman

**Ordinary Resolution 4**

(ii) Mr Chia Ting Poh @ Cheah Ting Poh

**Ordinary Resolution 5**

(iii) Mdm Ang Bee Lian

**Ordinary Resolution 6**

(iv) Mr Valliyappan A/L S. Thevarayan

**Ordinary Resolution 7**

(v) Dato' Dr. Yap Thong @ Yap Yit Thong

**Ordinary Resolution 8**

(vi) Datuk Dr. Anis Bin Ahmad

**Ordinary Resolution 9**

5. To re-elect Mr Lee Siew Kuan pursuant to Section 129(6) of the Companies Act, 1965.

**Ordinary Resolution 10**

6. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration.

**Ordinary Resolution 11**

## Notice Of Annual General Meeting (continued)

### As Special Business

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

#### **7 Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

"THAT subject always to the Listing Requirements of the Kuala Lumpur Stock Exchange, the Company and/or its subsidiary shall be mandated to enter into the recurrent related party transactions of a revenue or trading nature with the related party as specified in Section 2.2 of the Circular to Shareholders dated 28 April 2003 which are necessary for the Company and/or its subsidiary's day-to-day operations subject further to the following:

- (i) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public, and the transactions are undertaken on arm's length basis and are not to the detriment of the minority shareholders;
- (ii) the approval is subject to annual renewal and shall continue to be in force until:-
  - (a) the conclusion of the next Annual General Meeting of the Company following the forthcoming Annual General Meeting at which the Proposed Shareholders' Mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
  - (b) the expiration of the period within which the next Annual General Meeting after the date it is required to be held pursuant to Section 143 [1] of the Companies Act, 1965 but shall not extend to such extension as may be allowed pursuant to Section 143[2] of the Companies Act, 1965; or
  - (c) revoked or varied by resolution passed by the shareholders in a general meeting,whichever is the earlier; and
- (iii) the disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the Proposed Shareholders' Mandate during the financial year.

AND THAT the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

**Ordinary Resolution 12**

## 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 Second Annual General Meeting, a First and Final Dividend of 5% per share less 28% income tax and 3% per share tax exempt in respect of the year ended 31 December 2002 will be paid to shareholders on 8 July 2003. The entitlement date for the said dividend shall be 25 June 2003.

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 25 June 2003 in respect of ordinary transfers;
- (b) Shares bought on the Kuala Lumpur Stock Exchange on a cum entitlement basis according to the Rules of the Kuala Lumpur Stock Exchange.

BY ORDER OF THE BOARD

**LUM CHEE YENG (MAICSA 0880217)**

**TONG MEI FONG (MAICSA 0826608)**

**LIM LILY (LS 01066)**

*Secretaries*

Kuala Lumpur

Date: 28 April 2003

## Notice Of Annual General Meeting (continued)

### 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 Level 7, Setia 1, 15, Lorong Dungun, Damansara Heights, 50490 Kuala Lumpur 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 12 on the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The Ordinary Resolution 12, under item 7 of the Agenda, if passed, will allow the Company and/or its subsidiary to enter into the recurrent related party transactions in the ordinary course of its business and the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such recurrent related party transactions occur would not arise. This would reduce substantial administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objectives of the Company and/or its subsidiary or adversely affecting the business opportunities available to the Company and/or its subsidiary. The Proposed Shareholders' Mandate is subject to renewal on an annual basis.

# Statement Accompanying Notice Of Annual General Meeting

pursuant to paragraph 8.28(2) of the Kuala Lumpur Stock Exchange Listing Requirements

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

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

- (a) Tan Sri Dato' Dr. Abu Bakar Suleiman
- (b) Mr Chia Ting Poh @ Cheah Ting Poh
- (c) Mdm Ang Bee Lian
- (d) Mr Valliyappan A/L S. Thevarayan
- (e) Dato' Dr. Yap Thong @ Yap Yit Thong
- (f) Datuk Dr. Anis Bin Ahmad

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

Mr Lee Siew Kuan

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

There were two (2) Board Meetings held during the financial year ended 31 December 2002. Details of attendance of the Directors are set out in Statement of Corporate Governance appearing on page 16 of the Annual Report.

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

The Second Annual General Meeting of the Company will be held at Level 4, Anggerik Room, Hotel Equatorial, Jalan Sultan Ismail, 50250 Kuala Lumpur on Tuesday, 20 May 2003 at 10.30 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 8-10 of the Annual Report.

# Corporate Information

## Board of Directors

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  
(Independent Non-Executive Director)

Datuk Dr. Anis Bin Ahmad  
(Non-Independent Non-Executive Director)

Lee Siew Kuan  
(Independent Non-Executive Director)

## Company Secretaries

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

## Registered Office

Level 7, Setia 1  
15 Lorong Dungun  
Damansara Heights  
50490 Kuala Lumpur  
Tel No : 03-2095 7188  
Fax No : 03-2095 0988

## Business Address

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)

## Share Registrar

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

## Auditors

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

## Principal Bankers

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

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

## Stock Exchange Listing

Second Board of Kuala Lumpur  
Stock Exchange

## Directors' Profile

**Tan Sri Dato' Dr. Abu Bakar Suleiman**, a Malaysian aged 59, 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 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 KLSE.

Tan Sri Dato' Dr. Abu Bakar Suleiman is a member of the Nomination Committee of the Company. He has attended all the two (2) Board meetings held in the financial year. He holds 10,000 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 58, 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 Berhad 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 two (2) Board meetings held in the financial year. He holds 12,500,024 ordinary shares directly and 14,949,974 ordinary shares indirectly in the Company and he is deemed interested in all 1,700,00 ordinary shares held by the Company in DMSB, a wholly-owned subsidiary of the Company, by virtue of his interests 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' Profile (continued)

**Ang Bee Lian**, a Malaysian, aged 51, 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 16 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 two (2) Board meetings held in the financial year. She holds 14,949,974 ordinary shares directly and 12,500,024 ordinary shares indirectly in the Company and she is deemed interested in all 1,700,00 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.

**Dato' Dr. Yap Thong @ Yap Yit Thong**, a Malaysian, aged 59, 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 is the Chairman of the Nomination Committee and members of the Audit Committee and Remuneration Committee of the Company. He has attended all the two (2) Board meetings held in the financial year. He holds 60,000 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.

**Datuk Dr. Anis Bin Ahmad**, a Malaysian aged 57, was appointed to the Board as Non-Independent Non-Executive Director on 22 May 2002. He holds a Ph.D. in Pharmacology from the University of Bath, United Kingdom, a Master of Science in Pharmaceutical Technology from the University of London and a Bachelor of Pharmacy from the University of Singapore. Datuk Dr. Anis has extensive experience in the pharmaceutical industry which he has been involved in for over 20 years. He held various senior positions within the Ministry of Health ("MoH") during his tenure with them, including being Director of National Pharmaceutical Control Bureau ("NPCB"), Secretary of the Drug Control Authority and Director of Pharmacy of MoH. He had also spent a number of years as a lecturer and Head of the Department of Pharmacology of Universiti Kebangsaan Malaysia. Datuk Dr. Anis was awarded the title Pingat Jasa Negara that carries the title "Datuk" by Seri Paduka Baginda Yang Dipertuan Agong in 2001. Presently, he sits on the board of New Hoong Fatt Berhad, a company listed on the Main Board of the KLSE .

## Directors' Profile (continued)

Datuk Dr. Anis Bin Ahmad is the Chairman of Remuneration Committee and member of Nomination Committee of the Company. He has attended all the two (2) Board meetings held in the financial year. He holds 110,000 ordinary shares directly and 4,807,000 ordinary shares indirectly in the Company and does not hold any shares in its subsidiary. He is the spouse of Datin Rosmimiee binti Abbas, a major shareholder of the Company. He does not have any family relationship with any director and/or other 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.

**Valliyappan A/L S. Thevarayan**, a Malaysian, aged 38, 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 two (2) Board meetings held in the financial year. He holds 28,000 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 71, 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.

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 two (2) Board meetings held in the financial year. He holds 10,000 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.

# Audit Committee Report

The Audit Committee was established in May 2002 to act as a committee of the Board of Directors. The Audit Committee had two meetings between 15 July 2002 and 31 December 2002. The members of the Audit Committee and the record of their attendance are as follows:

Name of members	Status	No. of Meetings attended
1. Lee Siew Kuan	Chairman of the Audit Committee Independent Non-Executive Director	2/2
2. Dato' Dr. Yap Thong @ Yap Yit Thong	Member of the Audit Committee Independent Non-Executive Director	2/2
3. Chia Ting Poh @ Cheah Ting Poh	Member of the Audit Committee Managing Director	2/2

## 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:-

- a) Oversee and appraise the quality of the audits conducted both by the Company's internal and external auditors;
- b) 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
- c) 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:-

- a) the audit committee must be composed of no fewer than 3 members;
- b) a majority of the audit committee must be independent directors; and
- c) at least one member of the audit committee:-
  - i) must be a member of the Malaysian Institute of Accountants; or
  - ii) 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

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;
- g) To do the following where an internal audit function exists:-

## Audit Committee Report (continued)

- 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

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

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.

## Audit Committee Report (continued)

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.

### **Summary of activities during the Financial Year:**

During the financial period, the main activities undertaken by the Audit Committee are as follows:

1. Prior to the listing of the Company on 18 July 2002, the Audit Committee met to review the quarterly report in respect of the results for the second quarter ended 30 June 2002 and to recommend it for approval of the Board.
2. Reviewed the third quarterly unaudited financial results before recommending them for the Board's approval.
3. Reviewed the Enterprise Risk Management Report issued by the Consultancy Firm arising from the enterprise risk management exercise carried out as commissioned by the Board.
4. Reviewed the terms of reference of the Audit Committee and recommended them to the Board for approval.
5. Discussed on the consultants' report to assess the effectiveness of the internal control systems.
6. Reviewed and recommended to the Board of Directors to set up an internal audit unit instead of out-sourcing the internal audit function to an external service provider after considering the costs, frequency of audit and the effectiveness of the audit.

### **Internal Audit Function:**

The Board of Directors in agreement with the Audit Committee has decided to establish the Internal Audit Department, which commenced functioning in January 2003. In the interim period from 18 July to December 2002, the Audit Committee had various discussions with the management, particularly with the Managing Director, the Executive Directors and the Financial Controller. The Audit Committee reviewed the Risk Assessment Report prepared by independent consultants and are in agreement with the findings which concluded that a generally satisfactory internal control system is in place. The risks highlighted in the report have and will be constantly monitored. Pro-active measures have been taken by the respective departments, which report to the Risk Management Committee ("RMC"), to manage the risks to a level which is deemed acceptable by the RMC. As the RMC reports to the Board via the Audit Committee, the latter is kept in the loop of things as an embedded and comprehensive enterprise risk management system/framework is crucial in allowing the Internal Audit to operate effectively. The Audit Committee will continue to have dialogues and discussions with the external and internal auditors, and senior executives to monitor the effectiveness of internal controls.

# Statement Of Corporate Governance

## The Code

The Board of Directors is committed to ensuring 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 Group 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 twice during the financial year under review. It is envisaged that the Board will meet at least four times a year, with additional meetings convened 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 met on two (2) occasions. It deliberated upon and considered a variety of matters including the Group's financial results, strategic plan and business plan of the Group. Details of each Directors' meeting attendances during the financial year are as follows:-

## Statement Of Corporate Governance (continued)

Name of Directors	Status	No. of Meetings Attended
Tan Sri Dato' Dr. Abu Bakar Suleiman	Chairman, Independent Non-Executive Director	2/2
Mr. Chia Ting Poh @ Cheah Ting Poh	Managing Director	2/2
Madam Ang Bee Lian	Executive Director	2/2
Mr. Valliyappan A/L S. Thevarayan	Executive Director	2/2
Datuk Dr. Anis Bin Ahmad	Non-Independent Non-Executive Director	2/2
Dato' Dr. Yap Thong @ Yap Yit Thong	Independent Non-Executive Director	2/2
Mr. Lee Siew Kuan	Independent Non-Executive Director	2/2

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 Board has established a Remuneration Committee on 15 July 2002 consisting mainly of the following Non-Executive Directors:

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

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 and key management of the Group with the aim of attracting and retaining the individuals needed to run the Group successfully.



# Statement Of Corporate Governance (continued)

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

### Nomination Committee

The Nomination Committee was also established on 15 July 2002 and comprise wholly of Non-Executive Directors as follows:

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

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 appointment of Directors is the responsibility of the Board. In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to re-election by shareholders at the Annual General Meeting subsequent to their appointment and one third of the remaining Directors, including the Managing Director, are subject to re-election by rotation at each Annual General Meeting thereafter.

The Articles of Association of the Company also provides that each Director shall retire at least once in every three years but shall be eligible for re-election.

### Directors' Training

All Directors have attended and successfully completed the Mandatory Accreditation Programme (MAP) conducted by the Research Institute of Investment Analysis Malaysia (RIIAM). The Directors are also encouraged to undergo continuous education or training programmes to further enhance their skill and knowledge where relevant and to keep themselves updated on the expectations of their roles and other market developments.

## Statement Of Corporate Governance (continued)

### Directors' remuneration

Details of Directors' remuneration paid by the Group for the financial year ended 31 December 2002 are as follows:-

	Salaries, bonus & other emoluments RM '000	Fees RM '000	Benefits in-kind RM'000	Total RM '000
Executive Directors	644	196	56	896
Non-Executive Directors	-	104	-	104

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

Range of Remuneration	Executive	Number of Directors	Non-Executive
Below RM50,000	-		4
RM 150,001 to RM 200,000	1		-
RM 300,001 to RM 350,000	2		-
	3		4

### Investors relation and Shareholders communication

The Board recognises the importance of timely and accurate disclosure of information to the shareholders and investors of the Group. Various announcements on significant events are made throughout the year and quarterly financial results are announced via KLSE's website ([www.klse.com.my](http://www.klse.com.my)) 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.

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.

## Statement Of Corporate Governance (continued)

### Financial reporting

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

### State of internal control

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

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.

### Directors' responsibilities in relation to the preparation of the Audited Financial Statements

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 then 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 judgements 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.

## Statement Of Corporate Governance (continued)

### Compliance statement

The Company has complied throughout the financial year with all the best practices 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

#### 1. Utilization of proceeds raised from the Rights Issue and the Public Issue of RM26,853,538

The total proceeds raised from the Rights Issue and the Public Issue of RM26,853,538 has been fully utilized as follows

	Proposed Utilisation RM '000	Utilised RM '000	Balance RM '000
Construction of a four (4) storey factory	2,200	(2,200)	-
Purchase of plant & machinery	6,200	(3,400)	2,800
Repayment of bank borrowing	13,750	(16,242)	(2,492)
Working capital	2,704	(3,225)	(521)
Estimated listing expenses	2,000	(1,787)	213
	<b>26,854</b>	<b>(26,854)</b>	<b>-</b>

#### 2. Non-Audit Fees

During the financial year ended 31 December 2002, the non-audit fees paid to the external auditors amounted to RM80,000

#### 3. Material Contracts

There are no material contracts entered into by the Group involving Directors or major shareholders' interest, either subsisting at the end of the financial year ended 31 December 2002 or entered into since the end of the previous financial year.

#### 4. Revaluation policy on landed properties

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

# Statement On Internal Control

## Introduction

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

## Responsibility for Risk and Internal Control

The Board of Directors and senior management recognize the importance of having sound system of internal controls and effective risk management practices prevailing in the Group. The Board acknowledges that it is ultimately responsible for the Group's system of internal controls and for reviewing its adequacy and integrity. This includes establishing and maintaining an appropriate control environment and framework to cover risk management and financial, operational and compliance controls throughout the Group. The Board is aware that the system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and thus can only provide reasonable but not absolute assurance against material misstatement or loss. The Board of Directors is satisfied that a formalised system of internal controls was in place from 15 July 2002.

## Risk Management Framework

The Company was listed on 18 July 2002. In accordance with the Statement on Internal Control : Guidance for Directors of Public Listed Companies, the Board began its initiatives to put in place an ongoing process for identifying, evaluating and managing significant risks faced by the Group. Upon recommendation by the Audit Committee, the Board of Directors agreed to appoint a consultancy firm to undertake a review of the existing enterprise risk management framework and processes of the Group with the objective that the risk management functions across the Group are comprehensive and structured.

The review was conducted on the following key departments:-

- (i) Human Resource Department
- (ii) Production Department
- (iii) Legal and Regulatory Department
- (iv) Machines and Maintenance Department
- (v) Quality Assurance Department
- (vi) Quality Control Department
- (vii) Management Information System Department
- (viii) Sales and Marketing Department
- (ix) Finance and Accounts Department

The review established a comprehensive risk profile and internal controls of the respective departments and presented a risk register for evaluation and implementation. The risk assessment report stated that majority of the risks identified in the Group have been addressed by the respective heads of departments.

In ensuring an ongoing review process for identifying, evaluating and managing the significant risks affecting the Group, internal control procedures with clear lines of accountability and delegated authority have been established.

During the year the Board of Directors has established the Audit Committee to improve and monitor the effectiveness of the internal control systems and risk management processes. Regular reviews and updates of the controls and processes will be carried out to ensure that management adheres to sound internal control systems.

## Statement On Internal Control (continued)

The Board of Directors has also established a risk management committee, headed by the Executive Director, which reports to the Board through the Audit Committee. The risk management committee will:

- co-ordinate with relevant department heads to identify and review key risk exposures;
- perform risk oversight and compile key risk profiles of the Group, review their impact and ensure that risk control systems and management action plans are in place to manage these risks; and
- prepare risk management reports with recommendations to improve the existing risk control systems to further strengthen the integrity of the control mechanism.

### Internal Control

Other key procedures of the Group's internal control systems are as follows:-

- the Group has an organisational structure which clearly defines the responsibilities and reporting lines including relevant authorisation levels
- the Managing Director and Executive Directors are actively involved in monitoring and managing the main risk areas of the business. The Managing Director also reports to the Board on significant changes in the business and the external environment which affects significant risks
- yearly budgeting and forecasting process are undertaken by the Chief Financial Officer
- quarterly performance reports are prepared to provide management with comprehensive information on financial performance, analysed by business indicators including level of service quality
- the competence and technical skills required of employees are maintained through enrolling the respective employees on relevant training and development programme. In addition, a formal performance appraisal system is used to appraise the employees and reward them based on performance
- the Internal Audit Department, established in January 2003, will further enhance the internal control environment by reviewing, assessing and continuously developing the Group's business processes, policies and procedures

### Weaknesses in Internal Control That Results in Material Losses

There were no material losses incurred during the current financial year as a result of weaknesses in internal control.

The Board of Directors and Management will continue to take appropriate measures to strengthen the internal 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 2002.

### Corporate Developments

The progress of Duopharma over the years to where it is today has always been supported by the relentless and unwavering efforts of the promoters and management of Duopharma with the vision that one day, the investing public will be able to participate and share in the success of the Duopharma Group. All the hard work and sacrifices made have been rewarded when Duopharma was successfully listed on the Second Board of the Kuala Lumpur Stock

Exchange ("KLSE") on 18 July 2002. This marked a significant milestone in the corporate history of the Group.

"The listing is not an ends in itself but rather a new beginning." With this, I am confident that the foundation laid so far in respect of Duopharma's involvement in the pharmaceutical industry will enable greater prospects to be tapped competitively whilst maintaining the stringent controls and requirements of the authorities and the customers.

### Review of Financial Performance

Despite the challenging economic environment, Duopharma continued to perform well in the financial year ended 31 December 2002. The Group registered a turnover of RM62.63 million and profit after tax ("PAT") of RM14.37 million (before elimination of pre-acquisition results) as compared to forecast turnover of RM60.65 million and PAT of RM13.62 million. The improved results were due to strong sustained demand for Duopharma's products.

### Dividends

In view of the Group's impressive performance for the financial year 2002, the Board of Directors has recommended a final dividend of 8% comprising 5% per ordinary share less tax and 3% per ordinary share tax exempt.

The total proposed net dividend of 6.6% per share, which is 83% higher than the net dividends committed in our prospectus, is to reward our loyal investors for the confidence placed in the management of the Group.

## 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

Duopharma continues to remain focused on its existing core business as an established manufacturer and distributor of pharmaceutical products and medicines. In addition, the Group strives to continuously improve its performance through enhanced products quality and innovation, efficiency and productivity.

At Duopharma, our commitment is to our customers. This is substantiated by the manner in which Duopharma's operations are directed towards achieving continuous improvement in our products and service quality. Our R&D Department is constantly researching and developing new and innovative ideas and processes. Our new state-of-the-art factory and plant and machinery, which cost approximately RM18 million, is expected to be fully operational by end of 2003, enabling us to comprehensively enhance our range of small volume injectables and thus our competitive edge.

### Prospects for 2003

Duopharma's successful listing on the Second Board of the KLSE during 2002 will not only enhance the profile and credibility of Duopharma both locally and abroad, but it will also enable Duopharma to have access to more business opportunities and spread our wings further in the international arena. I am proud to announce that Duopharma has been voted as one of the top three Best Newly Listed Companies in 2002 by a regional business magazine, Asiamoney as well as by a local business newspaper, The Edge.



## Chairman's Statement (continued)

The Malaysian pharmaceutical industry, albeit a comparatively small industry in Malaysia's manufacturing sector, is expected to grow at a steady pace of 10% to 15% annually. It is also expected to contribute positively to Malaysia's future economic growth, offering high value-added consumer products related to the healthcare sector.



The local pharmaceutical industry, which was valued at approximately RM1.8 billion to RM2.0 billion in 2002, is still highly dependent on imported products which constitute 70% of the total local market. As one of the leading local manufacturers of small volume injectables, there is still immense potential to be tapped in this market, especially in respect of products where the patent has expired or is due to expire shortly. Besides the local market, Duopharma has intensified its efforts to develop its export market. Efforts taken in previous years to register our products in overseas market have been fruitful as evidenced by orders received from new customers in the Middle East and the Central Independent States (CIS) region. With our new factory in operation by end 2003, Duopharma will continue to intensify its efforts to broaden its products range and customers base, both locally and abroad.

During the year 2002, Duopharma signed strategic alliance partnership with various renowned pharmaceutical companies as follows:-

- a) LG Life Sciences, Korea – to distribute Hyal, a genetically engineered biotechnology product used during eye surgery;
- b) Samarth Pharma Private Ltd – to contract manufacture small volume cardio injectables for the South East Asia market; and
- c) Eurodrug Laboratories Limited, Hong Kong – to distribute Duopharma's in-house developed products globally

Duopharma intends to move into the herbal products market. Registration of these products is expected to be completed by end 2003.

## Chairman's Statement (continued)

### Appreciation

On behalf of the Board of Directors, I would like to thank all our shareholders and customers for their loyalty and continuous trust in our products and services. I would also like to express my gratitude and appreciation to the various Government Departments, statutory bodies, bankers, financial and investment community, business partners and suppliers for the co-operation and unwavering support that they have given the Group throughout the year.

I also wish to express our deepest appreciation to the management and staff of Duopharma Group for their continuous contributions, dedication, commitment and unity which were instrumental in the Group's success.

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 2002

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 2002.

### 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	9,565,014	3,326,923

### Reserves and provisions

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

### Dividends

No dividend was paid during the year. The Directors recommend the following dividends in respect of the year ended 31 December 2002:

- i) a final dividend of 5% per share less tax totalling RM1,800,000; and
- ii) a final dividend of 3% per share tax exempt totalling RM1,500,000.

### Directors of the company

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

Tan Sri Dato' Dr. Abu Bakar Bin Suleiman (appointed on 22.5.2002)  
 Chia Ting Poh @ Cheah Ting Poh (appointed on 22.5.2002)  
 Ang Bee Lian (appointed on 22.5.2002)  
 Valliyappan A/L S. Thevarayan (appointed on 22.5.2002)  
 Dato' Dr. Yap Thong @ Yap Yit Thong (appointed on 22.5.2002)  
 Datuk Dr. Anis Bin Ahmad (appointed on 22.5.2002)  
 Lee Siew Kuan (appointed on 22.5.2002)  
 Chow Fong Chan (resigned on 22.5.2002)  
 Maheswari A/P K. Rajoo (resigned on 22.5.2002)

## Directors' Report (continued)

for the year ended 31 December 2002

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:-

Name	At 1.1.2002/ date of appointment	Number of ordinary shares of RM1.00 each			At 31.12.2002
		Bought	Sold		
Direct interests in the Company					
Tan Sri Dato' Dr. Abu Bakar Bin Suleiman	-	10,000	-	10,000	
Chia Ting Poh @ Cheah Ting Poh	-	12,500,024	-	12,500,024	
Ang Bee Lian	-	19,999,974	(5,050,000)	14,949,974	
Valliyappan A/L S. Thevarayan	-	20,000	-	20,000	
Dato' Dr. Yap Thong @ Yap Yit Thong	-	60,000	-	60,000	
Datuk Dr. Anis Bin Ahmad	-	10,000	-	10,000	
Lee Siew Kuan	-	10,000	-	10,000	
Deemed interest through spouse's shareholding in Prosearch Information Systems Sdn. Bhd.					
Datuk Dr. Anis Bin Ahmad	-	8,000,000	(2,000,000)	6,000,000	

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.

## Directors' Report (continued)

### for the year ended 31 December 2002

#### Directors' benefits

Since the end of the previous financial period, 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 31,396,460 ordinary shares of RM1.00 each at an issue price of RM1.28 per share as full settlement of the total purchase consideration in Duopharma (M) Sendirian Berhad, a subsidiary.

In conjunction with the Company's listing on the Second Board of the Kuala Lumpur Stock Exchange, the Rights Issue and Public Issue were as follows:-

Class of share	Number of shares	Terms of issue	Purpose of issue
Ordinary shares of RM1.00 each	Rights issue of 11,103,538	Cash	1) To finance the construction of a four storey factory
			2) Purchase of plant and machinery
	Public issue of 7,500,000	Cash	3) Repayment of bank borrowings
			4) Working capital
			5) Listing expenses

## Directors' Report (continued)

### for the year ended 31 December 2002

The Rights Issue of 11,103,538 new ordinary shares of RM1.00 each were issued at a price of RM1.00 per share while the Public Issue of 7,500,000 new ordinary shares of RM1.00 each were issued at a price of RM2.10 per share.

There were no debentures issued during the financial year.

#### Significant events during the year

##### 1. Acquisition of a subsidiary

On 8 May 2002, the Company acquired the entire issued and paid up share capital of Duopharma (M) Sendirian Berhad ("DMSB"), a company incorporated in Malaysia, comprising 1,700,000 ordinary shares of RM1.00 each for a total consideration of RM40,187,469. The purchase consideration was settled via the issuance of 31,396,460 ordinary shares of RM1.00 each in the Company at an issue price of RM1.28 per share.

The principal activities of DMSB is to carry on business as manufacturer, distributor, importer and exporter of pharmaceutical products and medicines.

##### 2. Flotation of the issued and paid up share capital of the Company

On 18 July 2002, the entire issued and paid up share capital of the Company comprising 50,000,000 ordinary shares of RM1.00 each was admitted to the Official List of the Exchange and the listing of and quotation for these shares on the Second Board of Kuala Lumpur Stock Exchange was thereon completed.

#### Options granted over unissued shares

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

#### Other statutory information

Before the 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.

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

## Directors' Report (continued)

for the year ended 31 December 2002

- 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 2002 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

### Auditors

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

Signed in accordance with a resolution of the Directors:

**Ang Bee Lian**

**Chia Ting Poh @ Cheah Ting Poh**

Klang,  
Date: 18 March 2003



# 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 37 to 65 are drawn up in accordance with 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 2002 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: 18 March 2003

34 DUOPHARMA BIOTECH BHD  
(Incorporated in Malaysia)

# Statutory Declaration

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

I, **Chia Ting Poh @ Cheah Ting Poh**, the Director primarily responsible for the financial management of Duopharma Biotech Bhd, do solemnly and sincerely declare that the financial statements set out on pages 37 to 65, 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 abovenamed in Klang in the State of Selangor Darul Ehsan on 18 March 2003.

**Chia Ting Poh @ Cheah Ting Poh**

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 37 to 65. 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 2002 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.

## Report Of The Auditors (continued)

to the members of Duopharma Biotech Bhd

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: 18 March 2003

# Group Balance Sheet

at 31 December 2002

	Note	2002 RM
<b>Property, plant and equipment</b>	2	43,702,044
<b>Current assets</b>		
Inventories	4	12,285,419
Trade and other receivables	5	15,971,029
Cash and cash equivalents	7	13,481,760
		41,738,208
<b>Current liabilities</b>		
Trade and other payables	8	4,101,915
Taxation		786,158
Provision	9	672,336
		5,560,409
Net current assets		36,177,799
		79,879,843
<b>Financed by:</b>		
<b>Capital and reserves</b>		
Share capital	10	50,000,000
Reserves		29,079,843
Shareholders' funds		79,079,843
<b>Long term and deferred liabilities</b>		
Deferred taxation		800,000
		79,879,843

The financial statements were approved and authorised for issue by the Board of Directors on 18 March 2003.

The notes set out on pages 47 to 65 form an integral part of, and should be read in conjunction with, these financial statements.

# Group Income Statement

for the year ended 31 December 2002

	Note	2002* RM
<b>Revenue</b>	24	43,125,695
Cost of sales		(25,427,105)
<b>Gross profit</b>		17,698,590
Other operating income		822,986
Distribution costs		(2,695,231)
Administration expenses		(2,369,109)
Other operating expenses		(301,444)
<b>Operating profit</b>	12	13,155,792
Financing costs	14	(194,913)
<b>Profit before taxation</b>		12,960,879
Tax expense	15	(3,395,865)
<b>Net profit for the year</b>		9,565,014
<b>Basic earnings per share (sen)</b>	16	31.14
<b>Dividends per ordinary share (sen) (net)</b>	17	6.60

\* The results of the Group is consolidated from the date of acquisition of Duopharma (M) Sendirian Berhad ("DMSB"). Accordingly, the Group income statement for the year ended 31 December 2002 would only reflect the 8 months apportionment 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 24 to the financial statements.

The notes set out on pages 47 to 65 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 2002

		Non-distributable		Distributable (Accumulated loss)/ Retained profit	
	Share capital RM	Share premium RM	Reserve on conso- lidation RM	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)
Reserve on consolidation arising from acquisition of a subsidiary	-	-	4,808,699	-	4,808,699
Amortisation of reserve on consolidation	-	-	(480,870)	-	(480,870)
Net profit for the year	-	-	-	9,565,014	9,565,014
<b>At 31 December 2002</b>	50,000,000	15,253,242	4,327,829	9,498,772	79,079,843

Note 10

\* Losses not recognised in the Income Statement

The notes set out on pages 47 to 65 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 2002

	<b>2002 RM</b>
<b>Cash flows from operating activities</b>	
Profit before taxation	12,960,879
Adjustments for:	
Depreciation	1,523,745
Interest income	(205,865)
Interest expense	116,747
Amortisation of reserve on consolidation	(480,870)
Operating profit before working capital changes	13,914,636
Changes in working capital:	
Inventories	(541,915)
Trade and other receivables	2,404,806
Trade and other payables	3,133,169
Provision	(170,012)
Cash generated from operations	18,740,684
Income taxes paid	(4,323,407)
Interest received	205,865
Interest paid	(38,463)
<b>Net cash generated from operating activities</b>	<b>14,584,679</b>
<b>Cash flows from investing activities</b>	
Purchase of property, plant and equipment	(8,953,438)
Acquisition of a subsidiary, net of cash acquired (Note 24)	(1,760,838)
<b>Net cash used in investing activities</b>	<b>(10,714,276)</b>
<b>Cash flows from financing activities</b>	
Proceeds from issuance of shares	26,853,538
Listing expenses	(1,787,767)
Repayment of term loans	(8,856,132)
Repayment of bills payables	(6,520,000)
Interest paid	(78,284)
<b>Net cash generated from financing activities</b>	<b>9,611,355</b>



Group Cash Flow Statement (continued)  
for the year ended 31 December 2002

	2002 RM
Net increase in cash and cash equivalents	13,481,758
Cash and cash equivalents at beginning of year	2
Cash and cash equivalents at end of year	13,481,760

i) Cash and cash equivalents

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

	2002 RM
Deposits placed with licensed banks	11,609,961
Cash and bank balances	1,871,799
	13,481,760

The notes set out on pages 47 to 65 form an integral part of, and, should be read in conjunction with, these financial statements.

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(Incorporated in Malaysia)

# Company Balance Sheet

at 31 December 2002

	Note	2002 RM	2001 RM
<b>Investment in a subsidiary</b>	3	40,187,469	-
<b>Current asset</b>			
Amount due from a subsidiary	6	21,343,665	-
Cash and cash equivalents	7	7,078,309	2
		28,421,974	2
<b>Current liabilities</b>			
Trade and other payables	8	51,020	66,242
Taxation		44,500	-
		95,520	66,242
<b>Net current assets/(liabilities)</b>		28,326,454	(66,240)
		68,513,923	(66,240)
<b>Financed by:</b>			
<b>Capital and reserves</b>			
Share capital	10	50,000,000	2
Reserves		18,513,923	(66,242)
<b>Surplus/(deficit) in shareholders' funds</b>		68,513,923	(66,240)

The financial statements were approved and authorised for issue by the Board of Directors on 18 March 2003.

The notes set out on pages 47 to 65 form an integral part of, and, should be read in conjunction with, these financial statements.

# Company Income Statement

for the year ended 31 December 2002

	Note	Year ended 31.12.2002 RM	Period from 23.8.2000 to 31.12.2001 RM
Revenue – Dividend income		3,400,000	-
Other operating income		187,192	-
Administration expenses		(210,269)	(66,242)
<b>Profit/(loss) before taxation</b>	12	3,376,923	(66,242)
Tax expense	15	(50,000)	-
<b>Net profit/(loss) for the year/period</b>		<b>3,326,923</b>	<b>(66,242)</b>

The notes set out on pages 47 to 65 form an integral part of, and, should be read in conjunction with, these financial statements.

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(Incorporated in Malaysia)

## Company Statement Of Changes In Equity

for the year ended 31 December 2002

	Share capital	Non- distributable Share premium	Distributable (Accumulated loss)/Retained profits	Total
	RM	RM	RM	RM
<b>At 23 August 2000</b>				
(date of incorporation)	2	-	-	2
Net loss for the period	-	-	(66,242)	(66,242)
<b>At 31 December 2001</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
	Note 10		Note 11	

\* Losses not recognised in the Income statement.

The notes set out on pages 47 to 65 form an integral part of, and, should be read in conjunction with, these

# Company Cash Flow Statement

for the year ended 31 December 2002

financial statements.

	Note	Year ended 31.12.2002 RM	Period from 23.8.2000 to 31.12.2001 RM
<b>Cash flows from operating activities</b>			
Profit/(loss) before taxation		3,376,923	(66,242)
Adjustments for:			
Interest income		(187,192)	-
Dividend income		(3,400,000)	-
Operating loss before working capital changes		(210,269)	(66,242)
Changes in working capital:			
Amount due from a subsidiary		(21,343,665)	-
Other payables and accruals		(15,222)	66,242
Cash used in operations		(21,569,156)	-
Income taxes paid		(5,500)	-
Interest received		187,192	-
<b>Net cash used in operating activities</b>		(21,387,464)	-
<b>Cash flows from investing activity</b>			
Dividend received		3,400,000	-
<b>Net cash generated from investing activity</b>		3,400,000	-
<b>Cash flows from financing activities</b>			
Proceeds from issuance of shares		26,853,538	2
Listing expenses		(1,787,767)	-
<b>Net cash generated from financing activities</b>		25,065,771	2
<b>Net increase in cash and cash equivalents</b>		7,078,307	2
<b>Cash and cash equivalents at beginning of year/period</b>		2	-
<b>Cash and cash equivalents at end of year/period</b>		7,078,309	2

Company Cash Flow Statement (continued)  
for the year ended 31 December 2002

i) Cash and cash equivalents

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

	2002 RM	2001 RM
Deposits placed with licensed banks	6,607,244	-
Cash and bank balances	471,065	2
	7,078,309	2

The notes set out on pages 47 to 65 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:

- (i) MASB 20, Provisions, Contingent Liabilities and Contingent Assets (see Note 9), and MASB 21, Business Combination (see Note 24) which are applied retrospectively. Comparative figures have not been restated and no prior year adjustment is shown as the previous accounting policies were in line with the accounting standards;
- (ii) MASB 23, Impairment of Assets which is applied prospectively. The restatement of comparative figures and prior year adjustment are therefore not presented; and
- (iii) MASB 24, Financial Instruments: Disclosure and Presentation which has been adopted prospectively.

### (a) Basis of accounting

The financial statements of the Group and of the Company are prepared in compliance with 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 reserve on consolidation as appropriate.

# Notes To The Financial Statements (continued)

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) Reserve on consolidation**

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**

Property, plant and equipment except for freehold land, building under construction and capital work-in-progress are stated at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment retired from active use and held for disposal are stated at the lower of net book value and net realisable value.

***Depreciation***

Freehold land, building under construction and capital work-in-progress are stated at cost and 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%



## Notes To The Financial Statements (continued)

### (e) Impairment

The carrying amount of the Group's assets, other than inventories and financial assets (other than investment in subsidiaries) 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, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to equity.

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 determined, net of depreciation or amortisation, if no impairment loss has been recognised. The reversal is recognised in the income statement, unless it reverses an impairment loss on a revalued asset, in which case it is taken to equity.

### (f) Investment in a subsidiary

Investment in a subsidiary is stated at cost. An allowance is made when the Directors are of the view that there is a diminution in their value which is other than temporary.

### (g) Inventories

Raw materials, work-in-progress 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)

### (h) 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.

### (i) Cash and cash equivalents

Cash comprises cash on hand, balances and demand deposits with banks. The deposits comprise placement made with the 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.

For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts.

### (j) Liabilities

Trade and other payables are stated at cost.

### (k) Taxation

The tax expense in the income statement represents taxation at current tax rates based on profit earned during the financial year.

Deferred taxation is provided on the liability method for all timing differences except where no liability is expected to arise in the foreseeable future and there are no indications the timing differences will reverse thereafter. Deferred tax benefits are only recognised where there is a reasonable expectation of realisation in the near future.

### (l) 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.

## Notes To The Financial Statements (continued)

**(m) 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:

	2002
1USD	RM3.8000
1EURO	RM3.7000
1SGD	RM2.2000

**(n) 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.

**(o) Interest income**

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

**(p) 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.

## Notes To The Financial Statements (continued)

### (q) 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.

## Notes To The Financial Statements (continued)

### 2. Property, plant and equipment

Group	Freehold land RM	Buildings RM	Plant and machineries RM	Office equipment and furniture and fittings RM	Motor vehicles RM	Renovations RM	Building under construction RM	Capital work-in- progress RM	Total RM
<b>Cost</b>									
Acquisition of a subsidiary	8,775,000	7,895,000	17,619,170	1,069,840	2,356,669	257,596	7,206,857	3,797,449	48,977,581
Additions	393,528	-	1,171,741	212,772	106,467	-	3,545,277	3,523,653	8,953,438
At 31 December 2002	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
<b>Depreciation</b>									
Acquisition of a subsidiary	-	360,626	10,191,347	716,861	1,267,706	168,690	-	-	12,705,230
Charge for the year	-	103,164	1,241,675	52,431	109,301	17,174	-	-	1,523,745
At 31 December 2002	-	463,790	11,433,022	769,292	1,377,007	185,864	-	-	14,228,975
<b>Net book value</b>									
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

#### Security

All freehold land and buildings of the Group are currently charged to banks as security for borrowings previously granted to a subsidiary. The subsidiary is in the process of securing the discharge of these properties from the banks.

## Notes To The Financial Statements (continued)

### 3. Investment in a subsidiary

	2002 RM	Company 2001 RM
Unquoted shares, at cost	40,187,469	-

Details of the subsidiary are as follows:-

Name of company	Principal activities	Effective ownership interest		Country of incorporation
		2002	2001	
Duopharma (M) Sendirian Berhad	Manufacturing, distributing, importing and exporting of pharmaceutical products and medicines	100%	-	Malaysia

### 4. Inventories

	Group 2002 RM
<b>At cost</b>	
Raw materials	5,310,396
Work-in-progress	334,085
Packaging materials	1,382,802
Manufactured inventories	5,258,136
	12,285,419

### 5. Trade and other receivables

	Group 2002 RM
Trade receivables	15,744,414
Other receivables, deposits and prepayments	226,615
	15,971,029

## Notes To The Financial Statements (continued)

5.1 Bad debts written off against allowance for doubtful debts during the financial year amounted to RM99,285.

5.2 Included in trade receivables is an amount of RM1,680,760 due from a company in which certain Directors have interest.

5.3 Included in other receivables, deposits and prepayments is an amount of RM59,795 being development costs capitalised which will be amortised when the product is available for sale.

### 6. 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.

### 7. Cash and cash equivalents

	Group 2002 RM	2002 RM	Company 2001 RM
Deposits placed with licensed banks	11,609,961	6,607,244	-
Cash and bank balances	1,871,799	471,065	2
	13,481,760	7,078,309	2

### 8. Trade and other payables

	Group 2002 RM	2002 RM	Company 2001 RM
Trade payables	1,289,101	-	-
Other payables and accruals	2,812,814	51,020	66,242
	4,101,915	51,020	66,242

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

## Notes To The Financial Statements (continued)

### 9. Provision

	Group 2002 RM
Acquisition of a subsidiary	842,348
Provision used during the year	(170,012)
Balance at 31 December 2002	672,336

#### *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.

### 10. Share capital

	Group and Company 2002 RM	2001 RM
Ordinary shares of RM1.00 each		
Authorised	100,000,000	100,000,000
Issued and fully paid		
At 1 January	2	-
Issued during the year	-	2
Acquisition of a subsidiary	31,396,460	-
Rights issue	11,103,538	-
Public issue	7,500,000	-
At 31 December	50,000,000	2

### 11. Retained profits (Distributable)

Subject to agreement by the Inland Revenue Board, the Company has sufficient tax exempt income under the Income Tax Act, 1967 to frank all of its retained profits as at 31 December 2002 if paid out as dividends.



## Notes To The Financial Statements (continued)

### 12. Operating profit/(loss)

	Group	Company	
	2002	Year ended	Period from
	RM	31.12.2002	23.8.2000 to
		RM	31.12.2001
			RM
Operating profit/(loss) is arrived at			
after crediting:			
Amortisation of reserve on consolidation	480,870	-	-
Dividend income	-	3,400,000	-
Interest income	205,865	187,192	-
and after charging:			
Auditors' remuneration	39,500	8,000	2,000
Depreciation	1,523,745	-	-
Directors' remuneration			
- fees	300,000	180,000	-
- other emoluments	643,673	-	-
Inventories written off	373,408	-	-
Realised foreign exchange loss	31,315	-	-
Rental of premises	50,141	-	-
Estimated monetary value of Directors' benefits-in-kind	55,950	-	-

### 13. Employee information

	Group
	2002
	RM
Staff costs	5,528,916

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

## Notes To The Financial Statements (continued)

### 14. Financing costs

	Group 2002 RM
Interest expense on:	
Bank overdrafts	38,463
Bills payable	37,718
Term loans	40,566
	116,747
Bank charges	78,166
	194,913

The interest expense arose on borrowings of the subsidiary acquired during the financial year. All borrowings have been fully settled during the year.

### 15. Tax expense

	Group 2002 RM	Company Year ended 31.12.2002 RM	Company Period from 23.8.2000 to 31.12.2001 RM
Income tax expense	3,115,865	50,000	-
Deferred tax expense	280,000	-	-
	3,395,865	50,000	-

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

The Company's effective tax rate is lower than the prima facie tax rate as the dividend income from a subsidiary is tax exempt. The current year's tax expense is in respect of interest income.

## Notes To The Financial Statements (continued)

### 15. Tax expense (continued)

During the year, the Inland Revenue Board has served a notice to a subsidiary in relation to income tax undercharged and income tax penalty for years of assessment from 1981 to 1994, the total of which amounted to RM815,000.

Certain Directors of the Company have assumed the payment of the tax liability on behalf of the subsidiary and these Directors have agreed that they will not re-claim the payments made by them from the subsidiary.

### 16. 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 RM9,565,014 by the weighted average number of ordinary shares outstanding during the financial year of 30,717,947.

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

	<b>2002 RM</b>
Issued ordinary shares at beginning of the year	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
<b>Weighted average number of ordinary shares</b>	<b>30,717,947</b>

### 17. Dividends

The proposed final dividends of 5% per share less tax totalling RM1,800,000 and 3% per share tax exempt totalling RM1,500,000 for 2002 have not been accounted for in the financial statements.

## Notes To The Financial Statements (continued)

### 18. Contingent liabilities (unsecured)

	Company 2002 RM	2001 RM
Guarantees for banking facilities granted to a subsidiary	20,180,000	-

### 19. Operating leases

Leases as lessee

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

	Group 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.

### 20. Related party transactions

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

	Group 2002 RM	Company Year ended 31.12.2002 RM	Period from 23.8.2000 to 31.12.2001 RM
With a subsidiary			
Duopharma (M) Sendirian Berhad			
- Dividend receivable	-	3,400,000	-

## Notes To The Financial Statements (continued)

### 20. Related party transactions (continued)

	Group	Company
	2002 RM	Year ended 31.12.2002 RM
		Period from 23.8.2000 to 31.12.2001 RM
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	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.

### 21. Capital commitment

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

### 22. Segmental information

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

### 23. 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 and credit risks. The Board reviews and agrees policies for managing each of these risks as summarised below:

# Notes To The Financial Statements (continued)

## 23. Financial instruments (continued)

### Interest rate risk

The Group's interest rate risk mainly arise from interest-bearing debts. At balance sheet date, there are no exposure to interest rate risk as all borrowings have been fully settled.

### 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.

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

2002 Group	Effective interest rate %	Total RM	Within 1 year RM	1-5 years RM	After 5 years RM
<b>Financial asset</b>					
Cash and cash equivalents	2.83	13,481,760	13,481,760	-	-

## Notes To The Financial Statements (continued)

### 23. Financial instruments (continued)

2002 Company	Effective interest rate %	Total RM	Within 1 year RM	1-5 years RM	After 5 years RM
<b>Financial asset</b>					
Cash and cash equivalents	2.82	7,078,309	7,078,309	-	-

### 24. Acquisition of a subsidiary - Group

On 8 May 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 of the Group for the financial year ended 31 December 2002 are as follows:-

	2002 From date of acquisition RM
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

# Notes To The Financial Statements (continued)

## 24. Acquisition of a subsidiary - Group (continued)

The effects of the acquisition of DMSB on the financial position of the Group as at 31 December 2002 are as follows:

	<b>2002 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)
Reserve on consolidation	(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

The proforma income statement of the Group for 2002 based on a complete year's results of the Group would be as follows:

	<b>2002 Full year consolidation RM</b>
Revenue	62,624,667
Cost of sales	(35,852,469)
Gross profit	26,772,198
Other operating income	914,612
Distribution costs	(3,659,539)
Administration expenses	(3,260,342)



## Notes To The Financial Statements (continued)

### 24. Acquisition of a subsidiary - Group (continued)

	<b>2002 Full year consolidation RM</b>
Other operating expenses	(878,520)
Operating profit	19,888,409
Financing costs	(494,696)
Profit before taxation	19,393,713
Tax expense	(5,020,000)
Profit after taxation	14,373,713
Less: Pre-acquisition profit	(4,808,699)
Net profit for the year	9,565,014

### 25. Significant events during the year - Company

#### 1. Acquisition of a subsidiary

On 8 May 2002, the Company acquired the entire issued and paid up share capital of Duopharma (M) Sendirian Berhad ("DMSB"), a company incorporated in Malaysia, comprising 1,700,000 ordinary shares of RM1.00 each for a total consideration of RM40,187,469. The purchase consideration was settled via the issuance of 31,396,460 ordinary shares of RM1.00 each in the Company at an issue price of RM1.28 per share.

The principal activities of DMSB is to carry on business as manufacturer, distributor, importer and exporter of pharmaceutical products and medicines.

#### 2. Flotation of the issued and paid up share capital of the Company

On 18 July 2002, the entire issued and paid up share capital of the Company comprising 50,000,000 ordinary shares of RM1.00 each was admitted to the Official List of the Exchange and the listing of and quotation for these shares on the Second Board of Kuala Lumpur Stock Exchange was thereon completed.

### 26. Comparatives

No comparative figures are presented for the Group as this is the first set of consolidated Financial Statements.

## 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 31.12.2002 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.	2.88acre	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/ 9 year old	10,000,000	2 October 2000/Cost and Investment Methods	9,595,810
		b) Four storey factory cum office under construction (built up area: 91,000 sq ft)	Freehold	Not Applicable	Not Applicable	10,404,509
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.	5,219 sq.ft. each	Two units of 1½ storey semi- detached factories. (Built up : 3,588 sq. ft. each)	Freehold/ 17 year old	900,000	2 October 2000/ Comparison and Investment	878,400

## List of Properties (continued)

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 31.12.2002 RM
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.	4,644 sq.ft.	1½ storey semi- detached factory (Built up : 3,120 sq. ft)	Freehold/ 17 year old	410,000	2 October 2000/ Comparison and Investment Methods	400,200
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 5 years old	750,000	30 October 2000 / Comparison and Investment Methods	721,800
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

## List of Properties (continued)

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 31.12.2002 RM
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
Lot 15, Phase 1A1, Beachfront Bungalow Lot, Pulau Indah, Selangor (Master title: Pajakan Negeri 7375, Lot 72779, Mukim and District of Klang, State of Selangor Darul Ehsan.)	7,725 sq. ft.	Vacant Land under development	Leasehold 99 years expiring 24.03.2096  Residual lease 93 years	Not Applicable	2 November 1996 (Date of acquisition)	347,625

**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 26 March 2003

Authorised Share Capital	:	RM100,000,000
Issued and Fully Paid Share Capital	:	RM50,000,000
Class of Shares	:	Ordinary Shares of RM1 each
Voting Rights	:	One vote per Ordinary Share

## Shareholdings Distribution

Size of Holdings	No. of Shareholders/ Depositors	% of Shareholders/ Depositors	No. of Shares Held	% of Issued Capital
1 – 999	2	0.20	2	0.00
1,000 – 10,000	854	86.61	2,022,000	4.04
10,001 – 100,000	101	10.25	3,006,000	6.01
100,001 – 2,499,999	23	2.33	8,609,000	17.22
2,500,000 and above	6	0.61	36,362,998	72.73
Total	986	100.00	50,000,000	100.00

## List of Top 30 Shareholders/Depositors

No.	Name	No. of Shares Held	%
1.	Bumiputra-Commerce Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chia Ting Poh @ Cheah Ting Poh (DBB ESOS)	9,500,000	19.00
2.	Bumiputra-Commerce Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ang Bee Lian (DBB ESOS)	9,000,030	18.00
3.	Ang Bee Lian	5,949,944	11.90
4.	Prosearch Information Systems Sdn Bhd	5,000,000	10.00
5.	Amanah Raya Nominees (Tempatan) Sdn Bhd Skim Amanah Saham Bumiputera	3,913,000	7.83
6.	Chia Ting Poh @ Cheah Ting Poh	3,000,024	6.00
7.	Lembaga Tabung Angkatan Tentera	1,972,000	3.94
8.	Employees Provident Fund Board	1,444,000	2.89
9.	Permodalan Nasional Berhad	699,000	1.40
10.	BHLB Trustee Berhad TA Comet Fund	493,000	0.99
11.	Malaysian Assurance Alliance Berhad As Beneficial Owner (Growth Fund)	400,000	0.80

# Analysis Of Shareholdings

as at 26 March 2003

No.	Name	No.of Shares Held	%
12.	BHLB Trustee Berhad TA Comet Fund	383,000	0.77
13.	Amanah Raya Berhad Amtotal Return	369,000	0.74
14.	Universal Trustee (Malaysia) Berhad KL City Sapphire Fund	311,000	0.62
15.	Universal Trustee (Malaysia) Berhad TA Islamic Fund	276,000	0.55
16.	Wong Chee Moon	259,000	0.52
17.	Wong Sim Pah	221,000	0.44
18.	Amanah Raya Nominees (Tempatan) Sdn Bhd Dana Johor	194,000	0.39
19.	PM Nominees (Tempatan) Sdn Bhd Megawise Sdn Bhd for Sepang Sutra Sdn Bhd	193,000	0.39
20.	Leong Chiam Phin	168,000	0.34
21.	Tasec Nominees (Tempatan) Sdn Bhd TA Asset Management Sdn Bhd for Sabah Energy Corporation Sdn Bhd	157,000	0.31
22.	Amanah Raya Berhad Kumpulan Modal Bumiputra Pahang	150,000	0.30
23.	Amanah Raya Nominees (Tempatan) Sdn Bhd Amanah Saham Johor	145,000	0.29
24.	Jegathesan A/L N M Vasagam	140,000	0.28
25.	Tasec Nominees (Tempatan) Sdn Bhd TA Securities (HK) Limited for TA First Credit Sdn Bhd (TAAM)	135,000	0.27
26.	Tasec Nominees (Tempatan) Sdn Bhd TA Securities (HK) Limited for Tan Kuay Fong (TAAM)	135,000	0.27
27.	Tasec Nominees (Tempatan) Sdn Bhd TA Asset Management Sdn Bhd for Yayasan Sabah (YS-SL)	130,000	0.26
28.	Liew Fatt Seong	125,000	0.25
29.	Datuk Dr. Anis Bin Ahmad	110,000	0.22
30.	Ng Kim York	100,000	0.20

**Directors' Shareholdings as at 26 March 2003**

Name	No. of Shares Held			
	Direct	%	Indirect	%
Tan Sri Dato' Dr. Abu Bakar Suleiman	10,000	0.02	-	-
Chia Ting Poh @ Cheah Ting Poh	12,500,024	25.00	14,949,974	29.90
Ang Bee Lian	14,949,974	29.90	12,500,024	25.00
Valliyappan A/L S. Thevarayan	28,000	0.06	-	-
Dato' Dr. Yap Thong @ Yap Yit Thong	60,000	0.12	-	-
Datuk Dr. Anis Bin Ahmad	110,000	0.22	5,000,000	10.00
Lee Siew Kuan	10,000	0.02	-	-

**Substantial Shareholders as per Register of Substantial Shareholders as at 26 March 2003**

Name	No. of Shares Held			
	Direct	%	Indirect	%
Chia Ting Poh @ Cheah Ting Poh	12,500,024	25.00	14,949,974	29.90
Ang Bee Lian	14,949,974	29.90	12,500,024	25.00
Datuk Dr. Anis Bin Ahmad	110,000	0.22	5,000,000	10.00
Datin Rosmimée Binti Abbas	-	-	5,110,000	10.22
Prosearch Information Systems Sdn Bhd	5,000,000	10.00	-	-

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

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 Second Annual General Meeting of the Company to be held at Level 4, Anggerik Room, Hotel Equatorial, Jalan Sultan Ismail, 50250 Kuala Lumpur on Tuesday, 20 May 2003 at 10.30 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 2002		
Resolution 2	Declaration of a First and 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 2002		
Resolution 4	Re-election of Tan Sri Dato' Dr. Abu Bakar Suleiman		
Resolution 5	Re-election of Mr Chia Ting Poh @ Cheah Ting Poh		
Resolution 6	Re-election of Mdm Ang Bee Lian		
Resolution 7	Re-election of Mr Valliyappan A/L S. Thevarayan		
Resolution 8	Re-election of Dato' Dr. Yap Thong @ Yap Yit Thong		
Resolution 9	Re-election of Datuk Dr. Anis Bin Ahmad		
Resolution 10	Re-election of Mr Lee Siew Kuan		
Resolution 11	Re-appointment of Messrs KPMG as Auditors		
Resolution 12	Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		

[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 \_\_\_\_\_ 2003.

\_\_\_\_\_  
Signature:  
Shareholder or Common Seal

- 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 Level 7, Setia 1, 15, Lorong Dungun, Damansara Heights, 50490 Kuala Lumpur 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.