

## Contents

- 2** Notice of Annual General Meeting
- 5** Statement Accompanying Notice of Annual General Meeting
- 6** Corporate Information
- 7** Directors' Profile
- 10** Audit Committee Report
- 14** Statement of Corporate Governance
- 20** Statement on Internal Control
- 22** Chairman's Statement
- 25** Financial Statements
- 56** List of Properties
- 57** Analysis of Shareholdings

Form of Proxy

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Fourth Annual General Meeting of the Company will be held at Crystal Crown Hotel, No. 217, Persiaran Raja Muda Musa, 42000 Pelabuhan Klang, Selangor Darul Ehsan on Wednesday, 29 June 2005 at 10.00 a.m. for the following purposes:-

## AGENDA

### As Ordinary Business

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2004 together with the Reports of the Directors and Auditors thereon.
2. To declare a Final Dividend of 12% (6 sen per share) less 28% income tax for the financial year ended 31 December 2004.
3. To approve the payment of Directors' fees for the financial year ended 31 December 2004.
4. To re-elect the following Directors retiring under Article 93 of the Company's Articles of Association:-
  - (i) Tan Sri Dato' Dr. Abu Bakar Suleiman
  - (ii) Mdm Ang Bee Lian
5. To re-elect Mr Lee Siew Kuan pursuant to Section 129(6) of the Companies Act, 1965.
6. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration.

**Ordinary Resolution 1**

**Ordinary Resolution 2**

**Ordinary Resolution 3**

**Ordinary Resolution 4**

**Ordinary Resolution 5**

**Ordinary Resolution 6**

**Ordinary Resolution 7**

### As Special Business

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

7. **Authority under Section 132D of the Companies Act, 1965 (the "Act") for the Directors to issue shares**

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

**Ordinary Resolution 8**

8. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Renewal of Shareholders' Mandate")**

"That subject to the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities"), 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 7 June 2005 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 AGM of the Company following the forthcoming AGM at which such mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;

## Notice of Annual General Meeting *(cont'd)*

(b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143 [1] of the Act but shall not extend to such extension as may be allowed pursuant to Section 143[2] of the Act; 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 9

#### 9. **Proposed Renewal of Authority for the Company to Purchase its Own Shares ("Proposed Renewal of Authority for Share Buy-Back")**

"That subject to the Act, the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Securities and the approval of all relevant governmental and/or regulatory authorities (if any), the Company be and is hereby authorised to utilise an amount not exceeding the audited share premium and/or retained profits of the Company respectively to purchase such amount of ordinary shares of RM0.50 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares purchased and/or held pursuant to this resolution does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company;

That an amount not exceeding the Company's share premium account and retained profits account be allocated by the Company for the proposed share buy-back;

That authority be and is hereby given to the Directors of the Company to decide at their absolute discretion to either retain the shares so purchased as treasury shares (as defined in Section 67A of the Act) and/or to cancel the shares so purchased and if retained as treasury shares, may resell the treasury shares and/or to distribute them as share dividend and/or subsequently cancel them;

That the authority conferred by this Resolution will be effective immediately upon the passing of this Resolution and will expire at:-

- (i) the conclusion of the next AGM of the Company following the forthcoming AGM at which the Proposed Renewal of Authority for Share Buy-Back was passed, at which time it will lapse unless by a resolution passed at a general meeting of the Company, the authority is renewed;
- (ii) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143 [1] of the Act but shall not extend to such extension as may be allowed pursuant to Section 143[2] of the Act; or
- (iii) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier but not so as to prejudice the completion of the purchase(s) by the Company before the aforesaid expiry date and in any event, in accordance with the provisions of the guidelines issued by Bursa Securities and/or any other relevant governmental and/or regulatory authorities (if any);

And that the Directors of the Company be authorised to take all steps necessary to implement, complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Renewal of Authority for Share Buy-Back as may be agreed or allowed by any relevant governmental and/or regulatory authorities."

### Ordinary Resolution 10

# Notice of Annual General Meeting *(cont'd)*

## **Notice of Dividend Payment**

**NOTICE IS ALSO HEREBY GIVEN THAT**, subject to the approval of the shareholders at the Fourth Annual General Meeting, a Final Dividend of 12% (6 sen per share) less 28% income tax in respect of the year ended 31 December 2004 will be paid to shareholders on 18 August 2005. The entitlement date for the said dividend shall be 28 July 2005.

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 28 July 2005 in respect of ordinary transfers;
- (b) Shares bought on the Bursa Securities on a cum entitlement basis according to the Rules of Bursa Securities.

BY ORDER OF THE BOARD

**SAW BEE LEAN (MAICSA 0793472)**  
**TONG MEI FONG (MAICSA 0826608)**  
**LIM LILY (LS 01066)**

*Secretaries*

Klang, Selangor Darul Ehsan

Date: 7 June 2005

## **NOTES:**

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

## **Explanatory Notes on Special Business**

- (i) Authority under Section 132D of the Act for the Directors to issue shares

Ordinary Resolution 8, if passed, will empower the Directors to allot and issue shares in the Company up to an amount not exceeding in total ten per centum (10%) of the Issued Share Capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM.

- (ii) The explanatory notes for Ordinary Resolution 9 on Proposed Renewal of Shareholders' Mandate and Ordinary Resolution 10 on Proposed Renewal of Authority for Share Buy-Back are set out in the Circular to Shareholders dated 7 June 2005.

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

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

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

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

(b) Ang Bee Lian

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

(a) Mr Lee Siew Kuan

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

There were four (4) Board Meetings held during the financial year ended 31 December 2004. Details of attendance of the Directors are set out in Statement of Corporate Governance appearing on page 14 of the Annual Report.

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

The Fourth Annual General Meeting of the Company will be held at Crystal Crown Hotel, No. 217, Persiaran Raja Muda Musa, 42000 Pelabuhan Klang, Selangor Darul Ehsan on Wednesday, 29 June 2004 at 10.00 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 7-9 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  
(Non-Independent Non-Executive Director)

Lee Siew Kuan  
(Independent Non-Executive Director)

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

## ADVISORS

Datuk Chor Chee Heung  
Datuk Dr. Anis Bin Ahmad (Resigned on 31 March 2005)

## COMPANY SECRETARIES

Saw Bee Lean (MAICSA 0793472, Appointed on 01/09/2004))  
Tong Mei Fong (MAICSA 0826608)  
Lim Lily (LS 01066)  
Lum Chee Yeng (MAICSA 0880217, Resigned on 01/09/2004)

## REGISTERED OFFICE

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

## 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)  
E-mail : [duofarma@tm.net.my](mailto:duofarma@tm.net.my)

## SHARE REGISTRAR

Tenaga Koperat Sdn Bhd  
20th Floor Plaza Permata  
Jalan Kampar  
Off Jalan Tun Razak  
50400 Kuala Lumpur  
Tel No : 03-4041 6522  
Fax No : 03-4043 9233

## AUDITORS

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

## PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad  
No. 19 Jalan Stesen  
41000 Klang  
Selangor Darul Ehsan  
Bumiputra-Commerce Bank Berhad  
No. 1 Lorong Batu 3  
Off Jalan Lintang 3  
41300 Klang  
Selangor Darul Ehsan

## STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia Securities Berhad

## Directors' Profiles

**Tan Sri Dato' Dr. Abu Bakar Suleiman**, a Malaysian, aged 61, was appointed to the Board as Chairman and Independent Non-Executive Director on 22 May 2002. A medical practitioner by profession, he obtained his Bachelor of Medicine and Bachelor of Surgery degrees from Monash University, Australia in 1968 and a Master of Medicine in International Medicine from University of Singapore in 1974. He is also a member of the Royal Australasian College of Physicians and Honorary Fellow of the American College of Physicians.

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

Tan Sri Dato' Dr. Abu Bakar Suleiman is the Chairman of the Nomination Committee of the Company. He has attended all the Board meetings held in the financial year. He holds 26,400 ordinary shares of RM0.50 each directly and 11,000 ordinary shares of RM0.50 each indirectly 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 60, was appointed to the Board as the Group Managing Director on 22 May 2002. He is a co-founder of Duopharma (M) Sendirian Berhad ("DMSB") and has been its Managing Director since 1979. A pharmacist by profession, he graduated from the Curtin University of Technology, Perth, Australia in 1971 with a Bachelor of Science (Pharmacy) degree. He started his career with the Royal Perth Hospital as a pharmacist before joining Dumex (M) Sdn Bhd as a production pharmacist in 1973. Subsequently, he obtained his Post-Graduate Degree in Business Administration also from the Curtin University of Technology, Australia.

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

Chia Ting Poh @ Cheah Ting Poh is a member of the Audit Committee of the Company. He has attended all the Board meetings held in the financial year. He holds 20,120,061 ordinary shares of RM0.50 each directly and 26,824,329 ordinary shares of RM0.50 each indirectly in the Company and he is deemed interested in all 1,700,000 ordinary shares of RM1.00 each held by the Company in DMSB, a wholly-owned subsidiary of the Company, by virtue of his interest of more than 15% in the Company. He is the spouse of Madam Ang Bee Lian, who is the Executive Director and major shareholder of the Company. He does not have any conflict of interest with the Company nor has he been convicted of any offences within the past ten (10) years.

## Directors' Profiles *(cont'd)*

**Ang Bee Lian**, a Malaysian, aged 53, is a co-founder of the Group and was appointed to the Board as Executive Director of the Group on 22 May 2002. She is a pharmacist by profession and graduated from the Curtin University of Technology, Australia in 1974 with a Bachelor of Science (Pharmacy) degree. She started her career as a pharmacist with the Sarawak General Hospital in Kuching in 1975 before setting up DMSB in 1979.

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

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

Ang Bee Lian is a member of the Remuneration Committee of the Company. She has attended all the Board meetings held in the financial year. She holds 26,824,329 ordinary shares of RM0.50 each directly and 20,120,061 ordinary shares of RM0.50 each indirectly in the Company and she is deemed interested in all 1,700,000 ordinary shares of RM1.00 each held by the Company in DMSB, by virtue of her interests of more than 15% in the Company. She is the spouse of Mr Chia Ting Poh @ Cheah Ting Poh, who is the Managing Director and major shareholder of the Company. She does not have any conflict of interest with the Company nor has she been convicted of any offences within the past ten (10) years.

**Valliyappan A/L S. Thevarayan**, a Malaysian, aged 40, was appointed to the Board as Executive Director on 22 May 2002 and is also the factory manager of DMSB. He holds a Master of Science from the Madurai Kamaraja University of India and a Master of Medical Science from the Universiti Malaya. He has been trained in the field of biotechnology especially in medical biotechnology and has vast experience in the production of monoclonal antibodies and antigens. He joined DMSB in 1994 as a production executive and was promoted to his current position in January 2000, being responsible for the overall production activities of DMSB.

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

Valliyappan A/L S. Thevarayan has attended all the Board meetings held in the financial year. He holds 30,800 ordinary shares of RM0.50 each in the Company and does not hold any shares in its subsidiary. He does not have any family relationship with any director and/or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has not been convicted of any offences within the past ten (10) years.



## Directors' Profiles *(cont'd)*

**Dato' Dr. Yap Thong @ Yap Yit Thong**, a Malaysian, aged 61, was appointed to the Board as Independent Non-Executive Director on 22 May 2002 and was redesignated as Non-Independent Non-Executive Director on 19 March 2004. 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 Remuneration Committee and a member of the Nomination Committee of the Company. He has attended all the Board meetings held in the financial year. He holds 183,200 ordinary shares of RM0.50 each 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 73, was appointed to the Board as Independent Non-Executive Director on 22 May 2002. He holds a Bachelor of Commerce and Certificate in Accounting from the University of Queensland, Australia. Mr. Lee is a member of the Malaysian Institute of Accountants (MIA), Malaysian Institute of Certified Public Accountants (MICPA) and fellow member of the Certified Practising Accountants Australia (CPA Australia) as well as a member of the Institute of Internal Auditors Malaysia. He worked in the Office of the Auditor General of Malaysia from 1961 where he retired as an Assistant Auditor General in 1986. Thereafter, Mr. Lee was involved in various positions including being the Special Assistant to the Governor of Bank Negara Malaysia, an Executive Counsellor of Pacific Bank Berhad and the Chief Executive Officer of the National Kidney Foundation of Malaysia. He is currently a Director of CPA Australia (M) Sdn Bhd.

Lee Siew Kuan is the Chairman of the Audit Committee and also a member of the Remuneration Committee and Nomination Committee of the Company. He has attended all the Board meetings held in the financial year. He holds 26,400 ordinary shares of RM0.50 each in the Company and does not hold any shares in its subsidiary. He does not have any family relationship with any director and/or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has not been convicted of any offences within the past ten (10) years.

**Dr. Mohd Nasir Bin Hassan**, a Malaysian, aged 44, was appointed to the Board as Independent Non-Executive Director on 31 October 2003. He obtained his Bachelor of Medicine and Bachelor of Surgery (MBBS) from University of Malaya in 1985. Thereafter, he began his career as Medical Officer with the MOH before undergoing training in Paediatrics and Paediatric Cardiology at University of Liverpool, England.

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

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

# Audit Committee Report

## MEMBERSHIP

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The present members of the Audit Committee (the “Committee”) comprise: -

Lee Siew Kuan	-	Chairman, Independent Non-Executive Director
Chia Ting Poh @ Cheah Ting Poh	-	Managing Director
Dr Mohd Nasir Bin Hassan	-	Independent Non-Executive Director

## TERMS OF REFERENCE

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The Committee was established in 2002 to act as a Committee of the Board of Directors, with the terms of reference as set out on page 11.

During the year, the Board reviewed the terms of reference of the Committee but had not made any amendment or revision to them.

## MEETINGS

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The Committee convened (4) meetings, which were attended by all the members, during the financial year. The meetings appropriately structured through the use of agendas, which were distributed to members with sufficient notification.

The Company Secretary, representatives of the external auditors, Messrs KPMG and the Financial Controller were present by invitation in all the meetings.

## SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

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The Committees carried out its duties in accordance with its term of reference, and the main activities undertaken during the year by the Committee were as follows: -

- Reviewed the external auditors’ scope of work and audit plan for the year. Prior to the audit, the external auditors presented their audit strategy and plan.
- Met with the external auditors once during the year without the presence of any executive Board Members.
- Reviewed with the external auditors the results of the audit, the audit report and the management letter including management’s response.
- Reviewed the effectiveness of the enterprise risk management system and the risk assessment reports from the Risk Management Committee. The significant risk issues were communicated to the Board of Director for consideration.
- Reviewed the audited financial statements of the Company prior to submission to the Board for the consideration and approval.
- Reviewed the annual report before submission to the Board for approval.
- Reviewed the quarterly unaudited financial results before recommending them for the Boards’ approval.
- Reviewed the recurrent related party transactions by the Company.
- Reviewed the terms of reference of the committee and where necessary, recommend any amendments to the Board for approval.
- Reviewed the reports from external auditors, internal auditors and the risk management committee to assess the effectiveness of the internal control systems.

# Audit Committee Report *(cont'd)*

## INTERNAL AUDIT FUNCTION

The internal audit department was set up in January 2003, and commenced its independent activities or operations of other operating units. The committee is aware of the principal role that the Department is to undertake independent, regular and systematic reviews of the risk management, internal control and governance systems in order to provide a reasonable assurance that such systems continue to operate satisfactorily and effectively. During the year the Department carried out its audit on internal controls with emphasis on those systems that were most prone to risks and weaknesses. The Department is responsible to provide the Audit Committee with independent and objective reports on the state of risk management, control and governance of the various operating units and the extent of compliance of the units with the Company's policies and procedures as well as relevant statutory requirements. The Internal Audit significant findings, if any, are submitted to the Board for its attention and comment.

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

## TERMS OF REFERENCE OF THE AUDIT COMMITTEE

### OBJECTIVE

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.

### COMPOSITON

The Audit Committee shall be appointed by the Directors from among their number (pursuant to a resolution of the Board of Directors) which fulfills 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 I 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; or
  - iii) fulfils such other requirements as prescribed by the Securities Exchange.

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

# Audit Committee Report *(cont'd)*

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

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

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

## FUNCTION

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The functions of the Audit Committee are as follows:

- a) Review the following and report the same to the Board of Directors:
  - i) with the external auditors, the audit plan;
  - ii) with the external auditors, their evaluation of the system of internal control;
  - 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 if 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 auditors 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:
  - 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 resignation 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.

# Audit Committee Report *(cont'd)*

## **RIGHTS OF THE AUDIT COMMITTEE**

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

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

## **MEETINGS**

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

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

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

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

A quorum shall consist of a majority of independent directors.

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

# Statement of Corporate Governance

## THE CODE

The Board of Directors is pleased to report that the Board had complied with the Malaysian Code on Corporate Governance and will continue to practice good governance throughout the Group as it is a fundamental part of discharging its responsibilities to enhance shareholders' value and financial performance of the Group.

## THE BOARD OF DIRECTORS

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

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

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

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

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

## MEETINGS AND SUPPLY OF INFORMATION

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

Names of Directors	Status	No. of Meetings Attended
Tan Sri Dato' Dr. Abu Bakar Suleiman	Chairman, Independent Non-Executive Director	4/4
Mr. Chia Ting Poh @ Cheah Ting Poh	Managing Director	4/4
Madam Ang Bee Lian	Executive Director	4/4
Mr. Valliyappan A/L S. Thevarayan	Executive Director	4/4
Dato' Dr. Yap Thong @ Yap Yit Thong	Non-Independent Non-Executive Director	4/4
Mr. Lee Siew Kuan	Independent Non-Executive Director	4/4
Dr. Mohd Nasir Bin Hassan	Independent Non-Executive Director	4/4

# Statement of Corporate Governance *(cont'd)*

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 that an objective and professional relationship is maintained with the external auditors. The Audit Committee works closely with both the internal and external auditors who, in turn, have access to the Chairman of Audit Committee.

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

## REMUNERATION COMMITTEE

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

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

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

The Remuneration Committee held two meetings during the period.

## NOMINATION COMMITTEE

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

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

# Statement of Corporate Governance *(cont'd)*

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

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

## RE-ELECTION OF DIRECTOR

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

## DIRECTORS' TRAINING

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

## DIRECTORS' REMUNERATION

Details of Directors' remuneration paid by the Group for the financial year ended 31 December 2004 are as follows:-

	<b>Salaries, bonus &amp; Other emoluments RM '000</b>	<b>Fees RM '000</b>	<b>Benefits in-kind RM'000</b>	<b>Total RM '000</b>
Executive Directors	1,398	234	49	1,681
Non-Executive Directors	—	156	—	156

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

	<b>Number of Directors</b>	
<b>Range of Remuneration</b>	<b>Executive</b>	<b>Non-Executive</b>
Below RM50,000	—	4
RM200,001 to RM250,000	1	—
RM700,001 to RM750,000	2	—
	<u>3</u>	<u>4</u>



# Statement of Corporate Governance *(cont'd)*

## INVESTORS RELATION AND SHAREHOLDER COMMUNICATION

The Board recognises the importance of maintaining effective communication, ensuring timely and accurate disclosure of information to the shareholders and investors of the Group. Besides the information communicated through annual report, various announcements on significant events are made throughout the year and quarterly financial results are announced via Bursa Malaysia Securities Berhad's website ([www.bursamalaysia.com](http://www.bursamalaysia.com)) to ensure shareholders are apprised 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 external auditors of the Company are available to respond to shareholders' queries raised at the meeting.

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

## FINANCIAL REPORTING

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

## STATE OF INTERNAL CONTROL

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 function of the Internal Audit Department is 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.

# Statement of Corporate Governance *(cont'd)*

## **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 ended thereat.

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

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

## **COMPLIANCE STATEMENT**

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

## **OTHER INFORMATION**

### **1. Non-Audit Fees**

During the financial year ended 31 December 2004, the non-audit fees paid to the external auditors amounted to approximately RM20,000.00.

### **2. Material Contracts**

There are no contracts entered into by the Group involving Directors or major shareholders' interest, either subsisting at the end of the financial year ended 31 December 2004 or entered into since the end of the previous financial year.

### **3. Revaluation policy**

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

Subsequent to 31 December 2004, the Group adopts a policy of revaluation on landed properties every five years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying amount. The landed properties have been revalued during the financial year ending 31 December 2005. The revalued amount is shown on page 56 of the annual report.

## Statement of Corporate Governance *(cont'd)*

### 4. Share Buy-back

Details of share purchased and retained as treasury shares subsequent to 31 December 2004 are as follows:-

Month	No of shares purchased and retained as treasury shares	Lowest price paid (RM)	Highest price paid (RM)	Average price paid (RM)	Total consideration paid (RM)
April 2005	564,700	2.30	2.43	2.3683	1,337,368
01/05/2005 to 27/05/2005	93,300	2.48	2.64	2.5740	240,156
<b>TOTAL</b>	<b>658,000</b>				<b>1,577,524</b>

### 5. Employees' Share Option Scheme ("ESOS")

The Company's proposed ESOS was approved by the Company's shareholders on 25 June 2004. On 26 January 2005, the Company granted options to eligible employees of the Group to subscribe for a total of 8,425,000 new ordinary shares of RM0.50 each in the Company at an option price of RM2.32 per share. To date, none of the options had been exercised.

The Audit Committee has verified that the options granted were made in accordance with the By-laws of the ESOS.

# 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 in the Group to safeguard shareholders' investment and Group's assets. The Board takes initiatives as appropriate to strengthen the efficiency of operations in compliance with the Bursa Malaysia Securities Berhad Listing Requirements.

## RESPONSIBILITY FOR RISK AND INTERNAL CONTROL

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

## RISK MANAGEMENT FRAMEWORK

In adhering to the statement on internal control guidance for Directors of Public Listed companies ("Internal Control Guidance"), the Board has established an ongoing process for identifying, evaluating and managing significant risks faced by the Group. For this purpose the Risk Management Committee headed by an Executive Director had continuously enforced the risk management practices that were in place in 2004. The risk management committee will, inter alia;

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

During the financial year, the risk management committee convened four (4) meetings and the Chairman of the Audit Committee attended all the meetings upon invitation. In each meeting the head of the respective departments, who had been delegated the task to implement and enforce risk management and internal control procedures in his or her department, presented an up-dated risk management report to the committee. Any new risk or weakness in internal control brought up in the report was promptly addressed by the committee and suggestion given to respond to the risk or weakness. The quarterly report and its review and evaluation provided some form of assurance on the effectiveness of internal control system. The salient aspects of the risk management committee's findings were reported to the Board through the Audit Committee.

## Statement On Internal Control *(Cont'd)*

The Board considers that the enterprise risk management framework enables the Group to achieve better management of the Group's risks and controls. The framework will be subjected to continuous improvement, taking into consideration new and better practices which may come on stream and the changing business environment.

### INTERNAL AUDIT FUNCTION

The internal audit department provides the Board with some assurance it requires regarding the adequacy and effectiveness of risk management, internal control and governance systems. During the financial year, the audit department carried out its audit on various internal controls systems and the internal audit findings were highlighted to the Audit Committee Chairman.

The Audit Committee Chairman reviews the risk monitoring and compliance procedures, ensuring that an appropriate mix of technique is used and presents his findings to the Board as appropriate.

In addition to the risk management procedures and processes conducted by the risk management committee and the internal controls review undertaken by the internal audit department, the Ministry of Health has conducted a review and evaluation of the operation and manufacturing processes and procedures in the production of medical products in the manufacturing plants, to ascertain that it is in accordance with the requirements of the Pharmaceutical Inspection Co-operation Scheme (PIC's) guidelines and the regulatory requirements of the Ministry of Health. In Dec 2004, an audit on the manufacturing site of sterile injectables, eye drop and dental cartridges was performed together with a member country auditor from Norway under the joint Visit Program by PIC/s. The audit confirmed the Company's compliance with PIC's guide to GMP for Medicinal Products, PE009 - 2: July 2004, PIC/S Geneva as well as Guideline on Good Storage Practice of MOH, Malaysia 2004.

### OTHER RISK AND CONTROL PROCESSES

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

The Board of Directors was briefed on significant changes in the business and the external environment. The Finance Manager provides the Board with quarterly financial information. This includes, inter alia, the monitoring of results, with variances being analysed and actions taken by management where necessary. The Board is also receptive to any suggestion or recommendation for any areas of improvement made by the Audit Committee, the Risk Management Committee and management.

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

# Chairman's Statement

On behalf of the Board of Directors of Duopharma Biotech Berhad (Duopharma), I have the pleasure in presenting the Annual Report and Financial Statements for the financial year ended 31 December 2004.

## REVIEW OF FINANCIAL PERFORMANCE

The momentum of economic growth in Malaysia which began in the second half of 2003 gathered pace in 2004. Real gross domestic product (GDP) increased by 7.1% in 2004 (2003 : 5.3%), the fastest growth since 2000. The private sector was the main force of the economic expansion, while the Government continued with fiscal consolidation. The improvement in the economy was reflected by positive growth across all sectors except construction.

For the year under review, Duopharma continued its growth for the financial year ended 31 December 2004. The Group achieved a revenue of RM79.14 million and profit after tax (PAT) of RM22.76 million compared with a revenue and PAT of RM73.83 million and RM17.72 million in the previous financial year. This represents an increase of 7.2% and 28.4% respectively.

## DIVIDEND

In ensuring that the Group rewards its shareholders, your Board is pleased to recommend a final dividend of 12% (6 sen) per share less 28% tax amounting to approximately RM5.70 million subject to the shareholders' approval at the forthcoming Annual General Meeting.

Upon approval by shareholders and coupled with an interim dividend of 6.0% (3 sen) per share less 28% income tax amounting to RM2.85 million which was paid on 8 November 2004, the total dividend paid and payable in respect of financial year ended 31 December 2004 is RM8.55million. This represents an increase of 48% in the total dividend payout as compare to RM5.76 million for financial year ended 31 December 2003.

It is a pleasure to note that the Group has consistently increased dividend payout since our debut on Bursa Malaysia Securities Bhd (Bursa Securities) in line with the improved profitability. The Group aims to achieve a dividend payout ratio of approximately 40% of profit after tax in the coming years.

## CORPORATE DEVELOPMENTS

With a view of facilitating wider spread of shareholders, the Company has implemented a share split to increase marketability and liquidity of Duopharma's shares on Bursa Securities. We are pleased to inform that for second successive year since our debut on Bursa Malaysia, we rewarded our valued shareholders with bonus issue (1 for 10) for their continuous support. The bonus issue has further increased the capital base of the Company to a level which will better reflect the scale and diversity of the Company's activities.

The above share split and bonus issue were approved by shareholders at an Extraordinary General Meeting (EGM) held on 25 June 2004. Other corporate exercises approved during the same EGM were as follows:-

- a) Establishment of an Employees Share Option Scheme (ESOS),
- b) Share buy-back, and
- c) Renewal of shareholders mandate for recurring related party transaction.

The ESOS was implemented on 26 January 2005 for all eligible employees of the Group to inculcate in all employees a stronger and more lasting sense of belonging with the Group. It also acknowledges employees as vital assets to the continued growth of the Group.

The share buy-back was implemented with effect from 11 April 2005. The buy-back will enable the Company to utilize its financial resources not immediately required for other use to purchase Duopharma's shares. It will also stabilize the supply and demand of the Company's shares on the Bursa Securities and thereby support its fundamental value.

# Chairman's Statement *(cont'd)*

## CORPORATE GOVERNANCE

As an integral part and in pursuit of good Corporate Governance, Duopharma has implemented various measures/principles as highlighted in our Corporate Governance Report in relation to the Malaysian Code of Corporate Governance. The Board and the management are committed to ensure compliance and also undertake further steps to enhance Corporate Governance. The risk management committee met regularly during the year to ensure that continuous highest level of understanding and compliance are adhered at all level throughout the Group.

## REVIEW OF OPERATIONS

We are delighted to inform that after stringent and thorough audit by the Ministry of Health (MOH), our new state-of-the-art small volume injectable factory and plant and machinery have been approved to commence production in June 2004. Coupled with the existing production capacity to manufacture tablets and capsules, the Group's total production capacity has leaped by approximately 50%. This has astutely positioned Duopharma in an enviable position to reap the potential market growth especially in OTC segment where the trend of consumers spending has evolved to prevention rather than cure. This involvement coupled with the Group's relentless effort in advocating product branding through aggressive promotion have ensured our products reach out to all corners of Malaysia.

During the year, the Group has launched a variety of products such as Natberry and Natberry Plus (for tired eyes) and Lipasu (for slimming purpose) for OTC market and Lipaco, a cholesterol reducing product.

Our continuous effort to register more products for export bear fruits when our in-house developed osteoarthritis product, Artronil capsule (equivalent to Donna) has successfully penetrated into the Thailand market. Intensified joint efforts with our distributor, Eurodrug Hong Kong is now underway to register similar product in other territories worldwide.

An equally notable achievement after our new small volume injectable factory commenced production is the production of Ovaprim, an ovulation / spermiating agent in vial form for aquatic industry. Ovaprim, which promotes and facilitate reproduction of many species of fish is exported to Canada.

The pilot study and clinical trial by University Malaya Medical Centre and Universiti Sains Malaysia on Methadone have been proven successful as a drug substitution therapy. Response on the usage of Methadone among private practitioners is very encouraging.

## PROSPECTS

We are moving into the year ahead with a challenging business environment amidst which the pharmaceutical industry is expected to grow by another 8 per cent to 10 per cent. Well planned strategies have been in place for the Group as our ongoing effort to reduce reliance on and to mitigate possibility of reduced market share in the sales to Government hospitals especially with looming competition from overseas suppliers.

Moving forward, the Group aims to tap four (4) core segments of growth which have huge potential, namely:-

- a) OTC market,
- b) Supply of methadone for rehabilitation market,
- c) Introduction of SLN 30 and SLN 40 tablet for HIV / AIDS patients, and
- d) Other generic products especially small volume injectable.

2005 will see a cluster of new OTC products being launched. Amongst others are Cool Melon (herbal lozenges), Proactive (energy booster) and Tempol (pain relief). Other range of Natberry such as Natberry Junior and Natberry Plus Junior Chewable are also in the pipeline.

In tandem with Government's call to eradicate drug addiction problem which estimated to have 300,000 addicts, the Group has continued to conduct workshops to educate and guide private practitioners and Government doctors on the usage of Methadone. We are pleased to inform that our Government has approved the usage of Methadone in a pilot project of methadone maintenance treatment program.

## Chairman's Statement *(cont'd)*

Another exciting new range of products in the pipeline is SLN 30 and SLN 40 tablet, a 3-in-1 Fixed Dose Combination (FDC) antiretroviral product manufactured using 3 types of active ingredient i.e. stavudine, lamivudine and nevirapine. The new FDC life-prolonging drug which is recommended by World Health Organization will be the first to be introduced in Malaysia. Under the FDC dosage, a patient is required to take two tablets a day as compared to the existing prescription of six tablets a day.

Fully subsidized FDC would cost the Government between RM15 million to RM26 million, which is only 20% of existing treatment cost. This significant cost saving coupled with the convenient FDC dosage will enable the Government to treat more HIV / AIDS patients. The Government aims to treat all HIV/AIDS patients, estimated to be 60,000 with almost 20 new cases reported daily.

We are honoured to be permitted by the patent holder to use lamivudine to produce SLN 30 and SLN 40 tablet for the use in Government hospitals to treat HIV/AIDS patients.

### **APPRECIATION**

Given all the challenges we faced, it is fitting that I record here our deep appreciation to the various regulatory bodies and organizations which have facilitated and supported us through these years.

I must also thank all our shareholders for their continued faith in Duopharma and our business partners who have contributed in one way or other to our achievement to date. Special thanks to staff for their hard work, dedication, continuing support and ability in rolling out the best products and services to our customers and partners. These will ensure our success for years to come.

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



## Financial Statements

- 26** Directors' Report
- 30** Statement by Directors
- 30** Statutory Declaration
- 31** Report of the Auditors
- 32** Consolidated Balance Sheet
- 33** Consolidated Income Statement
- 34** Consolidated Statement of Changes in Equity
- 35** Consolidated Cash Flow Statement
- 37** Company Balance Sheet
- 38** Company Income Statement
- 39** Company Statement of Changes in Equity
- 40** Company Cash Flow Statement
- 41** Notes to the Financial Statements

# Directors' Report

for the year ended 31 December 2004

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 2004.

## PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding, whilst the principal activities of the subsidiary are to carry on business as manufacturer, distributor, importer and exporter of pharmaceutical products and medicines. 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	22,755,247	4,433,145

## RESERVES AND PROVISIONS

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

## DIVIDENDS

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

- i) a final dividend of 5% per share less tax and 3% per share tax exempt totalling RM3,960,000 in respect of the year ended 31 December 2003 on 8 July 2004. The dividend was based on the paid-up share capital of 60,000,000 ordinary shares of RM1.00 each prior to the share split and issue of bonus shares on 21 July 2004; and
- ii) an interim dividend of 6% (3 sen) per share less tax totalling RM2,851,200 in respect of the year ended 31 December 2004 on 8 November 2004. The dividend was based on the enlarged paid up capital of 132,000,000 shares at par value of RM0.50 each.

The Directors recommend a final dividend of 12% (6 sen) per share less tax totalling approximately RM5,702,000 in respect of the year ended 31 December 2004.

## DIRECTORS OF THE COMPANY

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

Tan Sri Dato' Dr. Abu Bakar Bin Suleiman  
 Chia Ting Poh @ Cheah Ting Poh  
 Ang Bee Lian  
 Valliyappan a/l S. Thevarayan  
 Dato' Dr. Yap Thong @ Yap Yit Thong  
 Lee Siew Kuan  
 Dr. Mohd Nasir Bin Hassan

# Directors' Report

for the year ended 31 December 2004 (*cont'd*)

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:

	Number of ordinary shares of RM1.00 each				← Number of ordinary shares of RM0.50 each →				
	Balance at 1.1.2004	Bought	Sold	Net balance before share split	After Share Split*	Bonus Issue **	Bought	Sold	Balance at 31.12.2004
Direct interests in the Company									
Tan Sri Dato' Dr. Abu Bakar Bin Suleiman	12,000	—	—	12,000	24,000	2,400	—	—	26,400
Chia Ting Poh @ Cheah Ting Poh	11,600,028	—	(2,000,000)	9,600,028	19,200,056	1,920,005	—	(1,000,000)	20,120,061
Ang Bee Lian	14,539,968	107,000	(2,000,000)	12,646,968	25,293,936	2,529,393	—	(1,000,000)	26,823,329
Valliyappan a/l S. Thevarayan	18,000	2,000	(6,000)	14,000	28,000	2,800	—	—	30,800
Dato' Dr. Yap Thong @ Yap Yit Thong	75,000	6,000	—	81,000	162,000	16,200	5,000	—	183,200
Lee Siew Kuan	12,000	—	—	12,000	24,000	2,400	—	—	26,400
Indirect interest in the Company									
Tan Sri Dato' Dr. Abu Bakar Bin Suleiman #	—	5,000	—	5,000	10,000	1,000	—	—	11,000

\* Share split into two (2) ordinary shares of RM0.50 each for every one (1) existing ordinary share of RM1.00 each held.

\*\* Bonus issue on the basis of one (1) ordinary share of RM0.50 each for every ten (10) existing ordinary shares of RM0.50 each held after the share split.

# Deemed interested via shareholdings held by his son, Zufar Suleiman Abu Bakar

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

By virtue of their interest in the Company, the Directors are deemed to have interest in the wholly owned subsidiary.

The other director did not hold or deal in any shares of the Company or its related corporation during the financial year.

# Directors' Report

for the year ended 31 December 2004 (*cont'd*)

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) 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 its related corporation 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:

- (i) implemented and completed a reduction in the par value of the ordinary shares from RM1.00 each to RM0.50 each, resulting in an increase in the number of ordinary shares in the authorised share capital from 100,000,000 ordinary shares of RM1.00 each to 200,000,000 ordinary shares of RM0.50 each and the issued and paid up share capital from 60,000,000 ordinary shares of RM1.00 each to 120,000,000 ordinary shares of RM0.50 each. The share split exercise was completed on 21 July 2004.
- (ii) issued 12,000,000 ordinary shares of RM0.50 each at par as bonus shares on the basis of one new ordinary share for every ten existing shares held subsequent to the share split. The bonus issue was approved at an Extraordinary General Meeting held on 25 June 2004 and was allotted on 21 July 2004 and credited as fully paid-up ordinary shares through capitalisation of a sum of RM4,800,000 and RM1,200,000 from the Company's share premium account and retained profits account respectively.

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

## SIGNIFICANT EVENTS DURING THE YEAR

### Increase in investment in an associate

On 1 October 2004, the Company subscribed for an additional 10% equity interest comprising 250,000 ordinary shares of RM1.00 each in Altratec Sdn. Bhd., a company incorporated in Malaysia, for a total consideration of RM250,000. Pursuant to this acquisition, the Company's interest in Altratec Sdn. Bhd. has increased from 30% to 40%.

## EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

The Company's proposed Employees' Share Option Scheme ("ESOS") was approved by the Company's shareholders on 25 June 2004. On 26 January 2005, the Company granted options to eligible employees of the Company to subscribe for a total of 8,425,000 new ordinary shares of RM0.50 each in the Company at an option price of RM2.32 per share. To date, none of the options had been exercised.

## OPTIONS GRANTED OVER UNISSUED SHARES

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

The option granted to eligible employees of the Company subsequent to the financial year end are as set out above and in Note 27 to the financial statements.

# Directors' Report

for the year ended 31 December 2004 (*cont'd*)

## 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
- 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 2004 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: 8 April 2005

## 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 32 to 55 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2004 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: 8 April 2005

## Statutory Declaration Pursuant To Section 169(16) Of The Companies Act, 1965

I, **Chek Wu Kong**, the officer primarily responsible for the financial management of Duopharma Biotech Bhd, do solemnly and sincerely declare that the financial statements set out on pages 32 to 55 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Klang in the State of Selangor Darul Ehsan on 8 April 2005.

**Chek Wu Kong**

Before me:

**Chew Kim Swee @ Chew Too Nyaah**  
Commissioner for Oaths B102

# Report Of The Auditors To The Members Of Duopharma Biotech Bhd

We have audited the financial statements set out on pages 32 to 55. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with section 174 of the Companies Act 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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 2004 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 have been properly kept in accordance with the provisions of the said Act.

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

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

**KPMG**

Firm Number: AF 0758  
Chartered Accountants

Kuala Lumpur,

Date: 8 April 2005

**Lim Hun Soon @ David Lim**

Partner  
Approval Number: 1514/05/06(J)

# Consolidated Balance Sheet

at 31 December 2004

	Note	2004 RM	2003 RM
<b>Property, plant and equipment</b>	2	<b>52,057,618</b>	48,041,172
<b>Investment in an associate</b>	4	<b>1,003,467</b>	641,229
<b>Current liabilities</b>			
Inventories	5	<b>13,761,351</b>	12,928,170
Trade and other receivables	6	<b>22,449,844</b>	18,822,903
Tax recoverable		<b>1,450,002</b>	7,800
Cash and cash equivalents	8	<b>25,992,117</b>	19,294,378
		<b>63,653,314</b>	51,053,251
<b>Current liabilities</b>			
Trade and other payables	9	<b>7,373,811</b>	5,796,227
Taxation		<b>6,174</b>	1,079,160
Provision	10	<b>1,193,733</b>	1,109,334
		<b>8,573,718</b>	7,984,721
<b>Net current assets</b>		<b>55,079,596</b>	43,068,530
		<b>108,140,681</b>	91,750,931
<b>Financed by:</b>			
<b>Capital and reserves</b>			
Share capital	11	<b>66,000,000</b>	60,000,000
Reserves		<b>36,968,352</b>	27,203,972
		<b>102,968,352</b>	87,203,972
<b>Shareholders' funds</b>			
<b>Negative goodwill</b>	13	<b>3,366,089</b>	3,846,959
<b>Long term and deferred liabilities</b>			
Deferred taxation	14	<b>1,806,240</b>	700,000
		<b>108,140,681</b>	91,750,931

The financial statements were approved and authorised for issue by the Board of Directors on 8 April 2005.

The notes set out on pages 41 to 55 form an integral part of, and should be read in conjunction with, these financial statements.



# Consolidated Income Statement

for the year ended 31 December 2004

	Note	2004 RM	2003 RM
<b>Revenue</b>		<b>79,140,303</b>	73,832,950
Cost of sales		<b>(41,091,973)</b>	(38,297,219)
<b>Gross profit</b>		<b>38,048,330</b>	35,535,731
Other operating income		<b>796,012</b>	631,743
Distribution and marketing expenses		<b>(6,249,856)</b>	(5,192,465)
Administration expenses		<b>(4,861,074)</b>	(4,343,830)
Other operating expenses		<b>(1,663,729)</b>	(2,583,550)
<b>Operating profit</b>	15	<b>26,069,683</b>	24,047,629
Interest income		<b>536,643</b>	392,055
Financing costs	17	<b>(103,891)</b>	(111,480)
Share of profit/(loss) of associate		<b>112,238</b>	(108,771)
<b>Profit before taxation</b>		<b>26,614,673</b>	24,219,433
Tax expense	18	<b>(3,859,426)</b>	(6,500,115)
<b>Net profit for the year</b>		<b>22,755,247</b>	17,719,318
<b>Basic earnings per share (sen)</b>	19	<b>17.24</b>	13.42
<b>Dividends per ordinary share (sen) (net):</b>	20		
– at par value of RM1.00 each		–	10.20
– at par value of RM0.50 each		<b>6.48</b>	–

The notes set out on pages 41 to 55 form an integral part of, and, should be read in conjunction with, these financial statements.

# Consolidated Statement of Changes in Equity

for the year ended 31 December 2004

	Share capital RM	Non- distributable Share premium RM	Distributable Retained profits RM	Total RM
<b>At 1 January 2003</b>	50,000,000	15,253,242	9,498,772	74,752,014
Issue of shares				
– Bonus issue	10,000,000	(10,000,000)	–	–
Net gains and losses not recognised in the income statement				
– Share issue expenses	–	(167,360)	–	(167,360)
Net profit for the year	–	–	17,719,318	17,719,318
Dividends				
– 2002 final	–	–	(3,300,000)	(3,300,000)
– 2003 interim	–	–	(1,800,000)	(1,800,000)
<b>At 31 December 2003</b>	60,000,000	5,085,882	22,118,090	87,203,972
Issue of shares				
– Bonus issue	<b>6,000,000</b>	<b>(4,800,000)</b>	<b>(1,200,000)</b>	–
Net gains and losses not recognised in the income statement				
– Share issue expenses	–	<b>(179,667)</b>	–	<b>(179,667)</b>
Net profit for the year	–	–	<b>22,755,247</b>	<b>22,755,247</b>
Dividends				
– 2003 final	–	–	<b>(3,960,000)</b>	<b>(3,960,000)</b>
– 2004 interim	–	–	<b>(2,851,200)</b>	<b>(2,851,200)</b>
<b>At 31 December 2004</b>	<b>66,000,000</b>	<b>106,215</b>	<b>36,862,137</b>	<b>102,968,352</b>

Note 11

The notes set out on pages 41 to 55 form an integral part of, and, should be read in conjunction with, these financial statements.

# Consolidated Cash Flow Statement

for the year ended 31 December 2004

	2004 RM	2003 RM
<b>Cash flows from operating activities</b>		
Profit before taxation	<b>26,614,673</b>	24,219,433
Adjustments for:		
Depreciation	<b>3,316,428</b>	2,841,065
Gain on disposal of property, plant and equipment	<b>(135,499)</b>	(10,374)
Interest income	<b>(536,643)</b>	(392,055)
Interest expense	<b>1,006</b>	7,543
Amortisation of negative goodwill	<b>(480,870)</b>	(480,870)
Share of (profit)/loss of associate	<b>(112,238)</b>	108,771
Operating profit before working capital changes	<b>28,666,857</b>	26,293,513
Changes in working capital:		
Inventories	<b>(833,181)</b>	(642,751)
Trade and other receivables	<b>(3,626,941)</b>	(2,851,874)
Trade and other payables	<b>1,577,584</b>	1,694,312
Provision	<b>84,399</b>	436,998
Cash generated from operations	<b>25,868,718</b>	24,930,198
Income taxes paid	<b>(5,268,374)</b>	(6,314,913)
Interest paid	<b>(1,006)</b>	(7,543)
<b>Net cash generated from operating activities</b>	<b>20,599,338</b>	18,607,742
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant and equipment	<b>162,000</b>	358,000
Increase in investment in/Acquisition of an associate	<b>(250,000)</b>	(750,000)
Purchase of property, plant and equipment	<b>(7,359,375)</b>	(7,527,819)
Interest received	<b>536,643</b>	392,055
<b>Net cash used in investing activities</b>	<b>(6,910,732)</b>	(7,527,764)

# Consolidated Cash Flow Statement

for the year ended 31 December 2004 (*cont'd*)

	2004 RM	2003 RM
<b>Cash flows from financing activities</b>		
Share issue expenses	(179,667)	(167,360)
Dividend paid	(6,811,200)	(5,100,000)
<b>Net cash used in financing activities</b>	<b>(6,990,867)</b>	<b>(5,267,360)</b>
<b>Net increase in cash and cash equivalents</b>	<b>6,697,739</b>	<b>5,812,618</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>19,294,378</b>	<b>13,481,760</b>
<b>Cash and cash equivalents at end of year</b> (i)	<b>25,992,117</b>	<b>19,294,378</b>

i) *Cash and cash equivalents*

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

	2004 RM	2003 RM
Deposits placed with licensed banks	11,758,535	11,695,375
Cash and bank balances	14,233,582	7,599,003
	<b>25,992,117</b>	<b>19,294,378</b>

The notes set out on pages 41 to 55 form an integral part of, and, should be read in conjunction with, these financial statements.

# Company Balance Sheet

at 31 December 2004

	Note	2004 RM	2003 RM
<b>Investment in a subsidiary</b>	3	<b>40,187,469</b>	40,187,469
<b>Investment in an associate</b>	4	<b>1,000,000</b>	750,000
<b>Current asset</b>			
Other receivables	6	9,054	9,695
Amount due from a subsidiary	7	22,790,052	25,569,645
Tax recoverable		—	7,800
Cash and cash equivalents	8	6,781,841	6,757,601
		<b>29,580,947</b>	32,344,741
<b>Current liabilities</b>			
Other payables	9	113,754	76,000
Taxation		6,174	—
		<b>119,928</b>	76,000
<b>Net current assets</b>		<b>29,461,019</b>	32,268,741
		<b>70,648,488</b>	73,206,210
<b>Financed by:</b>			
<b>Capital and reserves</b>			
Share capital	11	66,000,000	60,000,000
Reserves		4,648,488	13,206,210
<b>Shareholders' funds</b>		<b>70,648,488</b>	73,206,210

The financial statements were approved and authorised for issue by the Board of Directors on 8 April 2005.

The notes set out on pages 41 to 55 form an integral part of, and, should be read in conjunction with, these financial statements.

# Company Income Statement

for the year ended 31 December 2004

	Note	2004 RM	2003 RM
<b>Revenue</b> – Dividend income		<b>5,950,000</b>	13,260,000
Interest income		<b>187,989</b>	196,205
Administration expenses		<b>(461,658)</b>	(460,516)
<b>Profit before taxation</b>	15	<b>5,676,331</b>	12,995,689
Tax expense	18	<b>(1,243,186)</b>	(3,036,042)
<b>Net profit for the year</b>		<b>4,433,145</b>	9,959,647

The notes set out on pages 41 to 55 form an integral part of, and, should be read in conjunction with, these financial statements.

# Company Statement of Changes in Equity

for the year ended 31 December 2004

	Share capital RM	Non- distributable Share premium RM	Distributable Retained profits RM	Total RM
<b>At 1 January 2003</b>	50,000,000	15,253,242	3,260,681	68,513,923
Issue of shares				
– Bonus issue	10,000,000	(10,000,000)	–	–
Net gains and losses not recognised in the income statement				
– Share issue expenses	–	(167,360)	–	(167,360)
Net profit for the year	–	–	9,959,647	9,959,647
Dividends				
– 2002 final	–	–	(3,300,000)	(3,300,000)
– 2003 interim	–	–	(1,800,000)	(1,800,000)
<b>At 31 December 2003</b>	60,000,000	5,085,882	8,120,328	73,206,210
Issue of shares				
– Bonus issue	<b>6,000,000</b>	<b>(4,800,000)</b>	<b>(1,200,000)</b>	–
Net gains and losses not recognised in the income statement				
– Share issue expenses	–	<b>(179,667)</b>	–	<b>(179,667)</b>
Net profit for the year	–	–	<b>4,433,145</b>	<b>4,433,145</b>
Dividends				
– 2003 final	–	–	<b>(3,960,000)</b>	<b>(3,960,000)</b>
– 2004 interim	–	–	<b>(2,851,200)</b>	<b>(2,851,200)</b>
<b>At 31 December 2004</b>	<b>66,000,000</b>	<b>106,215</b>	<b>4,542,273</b>	<b>70,648,488</b>
	Note 11	Note 12		

The notes set out on pages 41 to 55 form an integral part of, and, should be read in conjunction with, these financial statements.

# Company Cash Flow Statement

for the year ended 31 December 2004

	Note	2004 RM	2003 RM
<b>Cash flows from operating activities</b>			
Profit before taxation		5,676,331	12,995,689
Adjustments for:			
Interest income		(187,989)	(196,205)
Dividend income		(5,950,000)	(13,260,000)
Operating loss before working capital changes		(461,658)	(460,516)
Changes in working capital:			
Amount due from a subsidiary		2,779,593	(4,225,980)
Other receivables		641	(9,695)
Other payables		37,754	24,980
Cash generated from/(used in) operations		2,356,330	(4,671,211)
Income taxes paid		(39,212)	(89,542)
<b>Net cash generated from/(used in) operating activities</b>		<b>2,317,118</b>	<b>(4,760,753)</b>
<b>Cash flows from investing activities</b>			
Dividend received		4,760,000	10,261,200
Increase in investment in/Acquisition of associate		(250,000)	(750,000)
Interest received		187,989	196,205
<b>Net cash generated from investing activities</b>		<b>4,697,989</b>	<b>9,707,405</b>
<b>Cash flows from financing activities</b>			
Share issue expenses		(179,667)	(167,360)
Dividend paid		(6,811,200)	(5,100,000)
<b>Net cash used in financing activities</b>		<b>(6,990,867)</b>	<b>(5,267,360)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>24,240</b>	<b>(320,708)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>6,757,601</b>	<b>7,078,309</b>
<b>Cash and cash equivalents at end of year</b>	(i)	<b>6,781,841</b>	<b>6,757,601</b>

i) *Cash and cash equivalents*

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

	2004 RM	2003 RM
Deposits placed with licensed banks	6,616,527	6,616,527
Cash and bank balances	165,314	141,074
	<b>6,781,841</b>	<b>6,757,601</b>

The notes set out on pages 41 to 55 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.

### (a) Basis of accounting

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

### (b) Basis of consolidation

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

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

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

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

### (c) Negative goodwill

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

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

### (d) Property, plant and equipment

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

#### *Depreciation*

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

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

# Notes To the Financial Statements (*cont'd*)

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

### (e) Impairment

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

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

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

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

### (f) Investment in a subsidiary

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

### (g) Investment in an associate

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

The consolidated financial statements include the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases.

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

### (h) Inventories

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

### (i) Trade and other receivables

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

### (j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks.

# Notes To the Financial Statements (*cont'd*)

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

### (k) Liabilities

Trade and other payables are stated at cost.

### (l) Taxation

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

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

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

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

### (m) Provision

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

#### *Provision for warranties*

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

### (n) Foreign currency transactions

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

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

	2004	2003
1USD	<b>RM3.80</b>	RM3.80
1EUR	<b>RM5.22</b>	RM4.76
1SGD	<b>RM2.29</b>	RM2.24

# Notes To the Financial Statements (*cont'd*)

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

### (o) Revenue recognition

#### i) *Goods sold*

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

#### ii) *Dividend income*

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

### (p) Interest income

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

### (q) Expenses

#### i) *Operating lease payments*

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

#### ii) *Financing costs*

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

### (r) Research and development expenditure

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

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

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

### (s) Employee benefits

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

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

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

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

## Notes To the Financial Statements (*cont'd*)

### 2. Property, plant and equipment

Group	Freehold land RM	Buildings RM	Plant and machineries RM	Office equipment, furniture and fittings RM	Motor vehicles RM	Renova- tions RM	Capital work-in- progress RM	Total RM
<b>Cost</b>								
At 1 January 2004	11,357,242	20,169,824	21,109,847	1,446,847	2,991,899	257,596	7,750,533	65,083,788
Additions	–	2,353,228	3,301,982	128,873	174,199	–	1,401,093	7,359,375
Disposals	–	–	–	–	(588,312)	–	–	(588,312)
Transfer	–	–	7,321,102	–	–	–	(7,321,102)	–
At 31 December 2004	11,357,242	22,523,052	31,732,931	1,575,720	2,577,786	257,596	1,830,524	71,854,851
<b>Depreciation</b>								
At 1 January 2004	–	744,438	13,613,318	877,650	1,595,586	211,624	–	17,042,616
Charge for the year	–	405,929	2,520,999	125,494	238,248	25,758	–	3,316,428
Disposals	–	–	–	–	(561,811)	–	–	(561,811)
At 31 December 2004	–	1,150,367	16,134,317	1,003,144	1,272,023	237,382	–	19,797,233
<b>Net book value</b>								
At 31 December 2004	11,357,242	21,372,685	15,598,614	572,576	1,305,763	20,214	1,830,524	52,057,618
At 31 December 2003	11,357,242	19,425,386	7,496,529	569,197	1,396,313	45,972	7,750,533	48,041,172
Depreciation charge for the year ended 31 December 2003	–	280,648	2,180,296	108,358	246,003	25,760	–	2,841,065

#### Security

The subsidiary is in the process of securing the discharge on freehold land and buildings at cost of RM27,104,820 (2003 – RM24,771,527) which are held under charge to banks as security for borrowings previously granted to the subsidiary.

## Notes To the Financial Statements (*cont'd*)

### 3. Investment in a subsidiary

	Company	
	2004 RM	2003 RM
Unquoted shares, at cost	<b>40,187,469</b>	40,187,469

Details of the subsidiary are as follows:

Name of Company	Principal Activities	Country of Incorporation	Effective Ownership Interest	
			2004	2003
Duopharma (M) Sendirian Berhad	Manufacturing, distributing, importing and exporting of pharmaceutical products and medicines	Malaysia	100%	100%

### 4. Investment in an associate

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Unquoted shares, at cost	<b>1,000,000</b>	750,000	<b>1,000,000</b>	750,000
Share of post-acquisition profit/(losses)	<b>3,467</b>	(108,771)	—	—
	<b>1,003,467</b>	641,229	<b>1,000,000</b>	750,000
Represented by:				
Group's share of net assets	<b>1,003,467</b>	641,229	—	—

The interest in the associate is consolidated based on the associate's unaudited management accounts made up to 31 December 2004.

## Notes To the Financial Statements (*cont'd*)

### 4. Investment in an associate (*cont'd*)

Details of the associate are as follows:

Name of Company	Principal Activities	Country of Incorporation	Effective Ownership Interest	
			2004	2003
Altratec Sdn. Bhd.	Contract packing for food industries	Malaysia	40%	30%

### 5. Inventories

	Group	
	2004 RM	2003 RM
<b>At cost</b>		
Raw materials	7,288,771	5,923,924
Work-in-progress	360,816	365,679
Packaging materials	1,015,733	1,121,230
Manufactured inventories	5,096,031	5,517,337
	<b>13,761,351</b>	<b>12,928,170</b>

### 6. Trade and other receivables

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Trade receivables	24,314,282	21,007,792	—	—
Less: Allowance for doubtful debts	(2,527,614)	(2,346,614)	—	—
	<b>21,786,668</b>	18,661,178	—	—
Other receivables, deposits and prepayments	663,176	161,725	9,054	9,695
	<b>22,449,844</b>	18,822,903	<b>9,054</b>	9,695

6.1 Bad debts written off against allowance for doubtful debts during the financial year amounted to RM19,000 (2003 – Nil).

6.2 Included in trade receivables of the Group is an amount of RM1,889,181 (2003 – RM2,197,979) due from a company in which certain Directors have interest. Subsequent to the year end, the Group received total repayment of RM396,000 from the customer.

## Notes To the Financial Statements (*cont'd*)

### 7. Amount due from a subsidiary – Company

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

### 8. Cash and cash equivalents

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Deposits placed with licensed banks	<b>11,758,535</b>	11,695,375	<b>6,616,527</b>	6,616,527
Cash and bank balances	<b>14,233,582</b>	7,599,003	<b>165,314</b>	141,074
	<b>25,992,117</b>	19,294,378	<b>6,781,841</b>	6,757,601

### 9. Trade and other payables

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Trade payables	<b>2,930,562</b>	1,675,551	–	–
Other payables and accruals	<b>4,443,249</b>	4,120,676	<b>113,754</b>	76,000
	<b>7,373,811</b>	5,796,227	<b>113,754</b>	76,000

Included in other payables and accruals of the Group is an amount of RM3,231 (2003 – RM24,719) due to certain Directors. This amount is unsecured, interest free and has no fixed term of repayment.

### 10. Provision

	Company	
	2004 RM	2003 RM
Balance at 1 January	<b>1,109,334</b>	672,336
Provision made during the year	<b>150,000</b>	660,000
Provision used during the year	<b>(65,601)</b>	(223,002)
Balance at 31 December	<b>1,193,733</b>	1,109,334

#### 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.



# Notes To the Financial Statements (*cont'd*)

## 11. Share capital

	<b>Group and Company</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>
Ordinary shares of RM0.50 <sup>#</sup> (2003 –RM1.00) each:		
Authorised	<b>100,000,000</b>	100,000,000
Issued and fully paid		
At 1 January	<b>60,000,000</b>	50,000,000
Issued during the year – Bonus issue	<b>6,000,000</b>	10,000,000
At 31 December	<b>66,000,000</b>	60,000,000

<sup>#</sup> The ordinary shares of RM1.00 each were sub-divided into RM0.50 per ordinary share during the financial year.

At an Extraordinary General Meeting held on 25 June 2004, the shareholders of the Company approved the share split of each existing ordinary share at par value of RM1.00 each into two (2) ordinary shares at par value of RM0.50 each. In view of this exercise, an amendment to the Memorandum of Association was approved by shareholders in order to alter the authorised share capital of the Company of RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each into RM100,000,000 comprising 200,000,000 ordinary shares of RM0.50 each.

At the same meeting, subsequent to the share split, the shareholders approved a bonus issue of 12,000,000 new ordinary shares of RM0.50 each to be credited as fully paid-up ordinary shares on the basis of one (1) new ordinary share for every ten (10) existing fully paid-up ordinary shares held pursuant to the share split. The bonus issue of RM6,000,000 comprising 12,000,000 ordinary shares was allotted on 21 July 2004 and credited as fully paid-up ordinary shares by capitalising a sum of RM4,800,000 and RM1,200,000 from the Company's share premium account and retained profits account respectively.

## 12. Retained profits (distributable)

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income under the Income Tax Act, 1967 to frank all of its retained profits as at 31 December 2004 if paid out as dividends.

## 13. Negative goodwill

	<b>Group</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>
<b>Cost</b>		
At 1 January / 31 December	<b>4,808,699</b>	4,808,699
<b>Accumulated amortisation</b>		
At 1 January	<b>961,740</b>	480,870
Amortisation charge for the year	<b>480,870</b>	480,870
At 31 December	<b>1,442,610</b>	961,740
<b>Net carrying value</b>		
At 31 December	<b>3,366,089</b>	3,846,959

# Notes To the Financial Statements (*cont'd*)

## 14. Deferred taxation

The recognised deferred tax assets and liabilities are as follows:

	<b>Group</b>	
	<b>2004 RM</b>	<b>2003 RM</b>
Property, plant and equipment		
– capital allowances	<b>2,848,240</b>	1,670,000
Provisions	<b>(334,000)</b>	(310,000)
Allowance for doubtful debts	<b>(708,000)</b>	(660,000)
	<b>1,806,240</b>	700,000

## 15. Operating profit

	<b>Group</b>		<b>Company</b>	
	<b>2004 RM</b>	<b>2003 RM</b>	<b>2004 RM</b>	<b>2003 RM</b>
Operating profit is arrived at after crediting:				
Amortisation of negative goodwill	<b>480,870</b>	480,870	–	–
Dividend from unquoted subsidiary	–	–	<b>5,950,000</b>	13,260,000
Gain on disposal of property, plant and equipment	<b>135,499</b>	10,374	–	–
and after charging:				
Allowance for doubtful debts	<b>200,000</b>	460,000	–	–
Auditors' remuneration	<b>50,000</b>	42,000	<b>10,000</b>	10,000
Depreciation	<b>3,316,428</b>	2,841,065	–	–
Directors' remuneration				
– fees	<b>390,000</b>	390,000	<b>270,000</b>	270,000
– other emoluments	<b>1,398,004</b>	1,112,803	–	–
Inventories written off	<b>1,019,859</b>	625,706	–	–
Realised foreign exchange loss	<b>59,374</b>	53,690	–	–
Rental of premises	<b>108,472</b>	112,538	–	–
Product development cost written off	–	59,795	–	–
Provision for product warranty	<b>150,000</b>	660,000	–	–
Research and development expenditure	<b>867,333</b>	804,573	–	–
Estimated monetary value of				
Directors' benefits-in-kind	<b>49,050</b>	54,725	–	–

# Notes To the Financial Statements (*cont'd*)

## 16. Employee information

	Group	
	2004 RM	2003 RM
Staff costs	<b>10,626,811</b>	9,322,174

The number of employees of the Group (including Directors) at the end of the year was 338 (2003 – 325).

Staff costs include contributions to the Employees' Provident Fund of RM949,318 (2003 – RM989,405).

## 17. Financing costs

	Group	
	2004 RM	2003 RM
Interest expense on bank overdrafts	<b>1,006</b>	7,543
Bank charges	<b>102,885</b>	103,937
	<b>103,891</b>	111,480

## 18. Tax expense

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Income tax expense				
– current year	<b>2,752,000</b>	6,735,200	<b>1,242,000</b>	3,034,000
– under/(over) provision in prior year	<b>1,186</b>	(135,085)	<b>1,186</b>	2,042
	<b>2,753,186</b>	6,600,115	<b>1,243,186</b>	3,036,042
Deferred tax expense				
Origination and reversal of temporary differences	<b>1,106,240</b>	(100,000)	–	–
	<b>3,859,426</b>	6,500,115	<b>1,243,186</b>	3,036,042

## Notes To the Financial Statements (*cont'd*)

### 18. Tax expense (*cont'd*)

#### Reconciliation of effective tax expense

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Profit before taxation	<b>26,614,673</b>	24,219,433	<b>5,676,331</b>	12,995,689
Income tax using Malaysian tax rates	<b>7,452,108</b>	6,781,400	<b>1,589,373</b>	3,638,800
Non-deductible expenses	<b>242,323</b>	259,600	<b>113,323</b>	110,590
Tax exempt income	—	—	<b>(476,000)</b>	(714,000)
Non-taxable income	<b>(134,600)</b>	(134,600)	—	—
Tax rate incentives	<b>(40,000)</b>	—	—	—
Utilisation of reinvestment allowances	<b>(3,814,200)</b>	(384,000)	—	—
Effect of prior year's deferred tax recognised	—	114,500	—	—
Other items	<b>152,609</b>	(1,700)	<b>15,304</b>	(1,390)
	<b>3,858,240</b>	6,635,200	<b>1,242,000</b>	3,034,000
Under/(Over) provision in prior year	<b>1,186</b>	(135,085)	<b>1,186</b>	2,042
Tax expense	<b>3,859,426</b>	6,500,115	<b>1,243,186</b>	3,036,042

### 19. Earnings per ordinary share – Group

The basic earnings per ordinary share is calculated by dividing the Group's net profit attributable to ordinary shareholders of RM22,755,247 (2003 – RM17,719,318) by the weighted average number of ordinary shares outstanding during the financial year of 132,000,000 (2003 – 132,000,000 (restated)).

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

	2004	2003
Issued ordinary shares at beginning of the year	<b>60,000,000</b>	50,000,000
Effect of bonus issue in October 2003	—	10,000,000
Conversion of ordinary shares of RM1.00 each to ordinary shares of RM0.50 each	<b>60,000,000</b>	60,000,000
Effect of bonus issue in July 2004	<b>12,000,000</b>	12,000,000
Weighted average number of ordinary shares	<b>132,000,000</b>	132,000,000

The previous year's earnings per ordinary share has been restated based on the net profit attributable to ordinary shareholders of RM17,719,318 and the weighted average number of ordinary shares outstanding during the year of 132,000,000 ordinary shares after taking into consideration:

- the share split conversion of 60,000,000 ordinary shares of RM1.00 each to 120,000,000 ordinary shares of RM0.50 each; and
- the bonus issue of 12,000,000 ordinary shares of RM0.50 each.

## Notes To the Financial Statements (*cont'd*)

### 20. Dividends

	<b>Group and Company</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>
Interim paid:		
2004 – 6% per share less tax (2003 – 5% per share less tax)	<b>2,851,200</b>	1,800,000
Final paid:		
2003 – 5% per share less tax (2002 – 5% per share less tax)	<b>2,160,000</b>	1,800,000
– 3% per share tax exempt (2002 – 3% per share tax exempt)	<b>1,800,000</b>	1,500,000
	<b>6,811,200</b>	5,100,000

The proposed final dividend of 12% (6 sen) per share less tax totalling RM5,702,400 for year ended 31 December 2004 has not been accounted for in the financial statements.

### 21. Contingent liabilities (unsecured)

	<b>Company</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>
Guarantees for banking facilities granted to a subsidiary	<b>22,680,000</b>	22,680,000

### 22. Related party transactions

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

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
With a subsidiary				
Duopharma (M) Sendirian Berhad				
– Dividend received	–	–	<b>5,950,000</b>	13,260,000
With a company in which Directors, Madam Ang Bee Lian and Mr. Chia Ting Poh @ Cheah Ting Poh, have interest:				
Duopharma Trading (S) Pte. Ltd.				
– Sales	<b>1,979,972</b>	1,638,397	–	–

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.

# Notes To the Financial Statements (*cont'd*)

## 23. Capital commitment

	Group	
	2004 RM	2003 RM
Property, plant and equipment Approved and contracted for	<u>2,036,000</u>	<u>1,002,000</u>

## 24. Segmental information

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

## 25. Financial instruments

### Financial risk management objectives and policies

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

### Interest rate risk

The Group places cash balances with reputable banks to generate interest income for the Group. The Group manages its interest risk by placing such balances on varying maturities and interest rate terms.

### 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 regularised to appropriate levels. The Group does not require collateral.

At balance sheet date, a significant concentration of credit risk arises in respect of debts owing from 2 major customers amounting to RM10,051,184 (2003 – RM8,407,743). The Directors closely monitor the Group's credit risk exposure to these major customers. The maximum exposure to credit risk for the Group is represented by the carrying amount of the financial assets.

### Liquidity risk

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

## Notes To the Financial Statements (*cont'd*)

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

*Effective interest rates and repricing analysis:*

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

Financial asset	Effective interest rate %	Total RM	Within 1 year RM
<b>Group</b>			
<b>2004</b>			
Deposits with licensed banks	<b>2.86</b>	<b>11,758,535</b>	<b>11,758,535</b>
<b>2003</b>			
Deposits with licensed banks	2.86	11,695,375	11,695,375
<b>Company</b>			
<b>2004</b>			
Deposits with licensed banks	<b>2.76</b>	<b>6,616,527</b>	<b>6,616,527</b>
<b>2003</b>			
Deposits with licensed banks	2.76	6,616,527	6,616,527

### Fair values

#### *Recognised financial instruments*

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

### 26. Significant events during the year

#### **Increase in investment in an associate**

On 1 October 2004, the Company subscribed for an additional 10% equity interest comprising 250,000 ordinary shares of RM1.00 each in Altratec Sdn. Bhd., a company incorporated in Malaysia, for a total consideration of RM250,000. Pursuant to this acquisition, the Company's interest in Altratec Sdn. Bhd. has increased from 30% to 40%.

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

The Company's proposed Employees' Share Option Scheme ("ESOS") was approved by the Company's shareholders on 25 June 2004. On 26 January 2005, the Company granted options to eligible employees of the Company to subscribe for a total of 8,425,000 new ordinary shares of RM0.50 each in the Company at an option price of RM2.32 per share. To date, none of the options had been exercised.

## 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 31.12.2004 RM
GM 1391 Lot No. 2599, Mukim and District of Klang, State of Selangor Darul Ehsan/Lot No. 2599, Jalan Seruling 59, Kawasan 3, Taman Klang Jaya, 41200 Klang, Selangor Darul Ehsan.	2.88 acre	a) Industrial land built-upon with a double storey office block cum factory building, a single storey pump house cum boiler house, 3 parking shed, a guardhouse, a refilled chamber and a water tank. (gross built up area: approximately 94,000 sq ft) b) Four storey factory office building (gross built up area: approximately 93,000 sq ft)	Freehold/ 11 years old  Freehold/ 2 years old	23,600,000	20 May 2005/ Cost Methods	23,403,853
H.S.(D) 52204 and 52205 PT Nos. 9570 and 9571, Mukim and District of Klang, State of Selangor Darul Ehsan/Nos. 29 and 27, Jalan Serunai 16, Taman Klang Jaya, 41200 Klang, Selangor Darul Ehsan.	476.50 sq m each	Two units of 1 1/2 storey semi-detached factories. (Built up: 3,588 sq ft each)	Freehold/ 19 years old	900,000	20 May 2005/ Comparison Methods	864,000
H.S.(D) 14330 Lot No. 9575 Mukim and District of Klang State of Selangor Darul Ehsan/No. 19, Jalan Serunai 16, Taman Klang Jaya, 41200 Klang, Selangor Darul Ehsan.	431.44 sq m	1 1/2 storey semi-detached factory (Built up: 3,120 sq ft)	Freehold/ 19 years old	410,000	20 May 2005/ Comparison Methods	393,600
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 7 years old	820,000	20 May 2005/ Comparison Methods	703,000
GM 994 Lot No. 2555, Mukim and District of Klang, State of Selangor Darul Ehsan.	3.0 acres	Vacant industrial land	Freehold	2,940,000	20 May 2005/ Comparison Method	2,526,760
GM 1649 Lot No. 2556, Mukim and District of Klang, State of Selangor Darul Ehsan.	3.0 acres	Vacant industrial land	Freehold	2,940,000	20 May 2005/ Comparison Method	2,650,000
GM 549 Lot No. 2707, Mukim and District of Klang, State of Selangor Darul Ehsan.	4.38 acres	Vacant agriculture land	Freehold	2,260,000	20 May 2005/ Comparison Method	2,188,714

### Note:

- <sup>1</sup> DMSB is the registered and beneficial owner of all the above properties. The valuation was carried out on 20 May 2005 by an independent firm of professional valuers, Messrs Colliers, Jordan Lee & Jaafar (S) Sdn Bhd.



# Analysis Of Shareholdings

as at 9 May 2005

Authorised Share Capital : RM100,000,000.00  
 Issued and Fully Paid Share Capital : RM66,000,000.00  
 Class of Shares : Ordinary Shares of RM0.50 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
Less than 100	34	1.83	1,289	0.00
100 – 1,000	239	12.85	200,385	0.15
1,001 – 10,000	1,070	57.53	4,271,500	3.24
10,001 – 100,000	424	22.80	13,589,932	10.30
100,001 – less than 5% of issued shares	90	4.84	58,013,704	43.95
5% and above of issued shares	3	0.15	55,923,190	42.36
<b>TOTAL</b>	<b>1,860</b>	<b>100.00</b>	<b>132,000,000</b>	<b>100.00</b>

## LIST OF TOP 30 SHAREHOLDERS/DEPOSITORS

No.	NAME	No. of Shares Held	%
1.	ANG BEE LIAN	24,587,929	18.63
2.	CHIA TING POH @ CHEAH TING POH	20,120,061	15.24
3.	EMPLOYEES PROVIDENT FUND BOARD	11,215,200	8.50
4.	PERMODALAN NASIONAL BERHAD	5,858,380	4.44
5.	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD SKIM AMANAH SAHAM BUMIPUTERA	4,535,420	3.44
6.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PHEIM ASSET MANAGEMENT SDN BHD FOR EMPLOYEES PROVIDENT FUND	4,533,700	3.43
7.	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD AMANAH SAHAM DIDIK	3,693,120	2.80
8.	HSBC NOMINEES (ASING) SDN BHD THOMSON INVESTMENTS	3,631,200	2.75
9.	BHLB TRUSTEE BERHAD TA SMALL CAP FUND	2,803,900	2.12
10.	LEMBAGA TABUNG ANGKATAN TENTERA	2,300,000	1.74
11.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR OSK-UOB SMALL CAP OPPORTUNITY UNIT TRUST (3548)	2,293,500	1.74
12.	ECM LIBRA SECURITIES NOMINEES (TEMPATAN) SDN BHD ANG BEE LIAN (PCS)	2,001,000	1.52
13.	AMMB NOMINEES (TEMPATAN) SDN BHD AMTRUSTEE BERHAD FOR SBB DANA AL-IHSAN (5-2-7)	1,969,800	1.49

# Analysis Of Shareholdings

as at 9 May 2005 (cont'd)

## LIST OF TOP 30 SHAREHOLDERS/DEPOSITORS (cont'd)

No.	NAME	No. of Shares Held	*%
14.	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD SBB DANA AL-AZAM	1,915,600	1.45
15.	HSBC NOMINEES (ASING) SDN BHD HSBC-FS FOR PHEIM-AIZAWA ASIA FUND	1,839,100	1.39
16.	HSBC NOMINEES (ASING) SDN BHD TNTC FOR GOVERNMENT OF SINGAPORE INVESTMENT CORPORATION PTE LTD	1,445,500	1.10
17.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD ALLIANCE CAPITAL ASSET MANAGEMENT SDN BHD FOR EMPLOYEES PROVIDENT FUND	1,019,200	0.77
18.	TCL NOMINEES (ASING) SDN BHD OCBC SECURITIES PRIVATE LIMITED FOR FOO TOON SWEE	1,000,000	0.76
19.	BHLB TRUSTEE BERHAD TA COMET FUND	673,300	0.51
20.	DUOPHARMA BIOTECH BHD SHARE BUY BACK ACCOUNT	564,700	0.43
21.	AM NOMINEES (TEMPATAN) SDN BHD TABUNG AMANAH WARISAN NEGERI JOHOR (A/C1)	563,860	0.43
22.	HSBC NOMINEES (ASING) SDN BHD HSBC-FS FOR ASEAN EMERGING COMPANIES GROWTH FUND LTD	555,000	0.42
23.	MCIS ZURICH INSURANCE BERHAD	540,980	0.41
24.	CITICORP NOMINEES (ASING) SDN BHD CBHK PBGHK FOR AVON PACIFIC LIMITED	528,000	0.40
25.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR PHEIM EMERGING COMPANIES BALANCED FUND (4033)	510,100	0.39
26.	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEW GIOK HUA	437,360	0.33
27.	TASEC NOMINEES (TEMPATAN) SDN BHD TA ASSET MANAGEMENT SDN BHD FOR COMMERCE LIFE ASSURANCE BHD (CLA1)	436,720	0.33
28.	AM NOMINEES (TEMPATAN) SDN BHD AMASSURANCE BERHAD (LIFE PAR 1)	418,480	0.32
29.	HSBC NOMINEES (ASING) SDN BHD BGL FOR NPB SICAV	417,000	0.32
30.	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD TA ISLAMIC FUND	411,300	0.31

**Note:**

\* Excluding a total of 564,700 shares bought-back by the Company and retained as treasury shares as at 9 May 2005.

# Analysis Of Shareholdings

as at 9 May 2005 (*cont'd*)

## DIRECTORS' SHAREHOLDINGS AS PER REGISTER OF DIRECTORS AS AT 9 MAY 2005

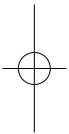
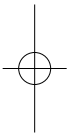
Name	No. of Shares Held			
	Direct	*%	Indirect	*%
Tan Sri Dato' Dr. Abu Bakar Suleiman	26,400	0.02	11,000	0.01
Chia Ting Poh @ Cheah Ting Poh	20,120,061	15.24	26,824,329	20.32
Ang Bee Lian	26,824,329	20.32	20,120,061	15.24
Valliyappan A/L S. Thevarayan	30,800	0.02	—	—
Dato' Dr. Yap Thong @ Yap Yit Thong	183,200	0.14	—	—
Lee Siew Kuan	26,400	0.02	—	—
Dr Mohd Nasir Bin Hassan	—	—	—	—

## SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 9 MAY 2005

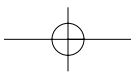
Name	No. of Shares Held			
	Direct	*%	Indirect	*%
Chia Ting Poh @ Cheah Ting Poh	20,120,061	15.24	26,824,329	20.32
Ang Bee Lian	26,824,329	20.32	20,120,061	15.24
Employees Provident Fund Board	16,858,100	12.77	—	—

**Note:**

\* Excluding a total of 564,700 shares bought-back by the Company and retained as treasury shares as at 9 May 2005.



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

## PROXY FORM

**Number of Shares Held**

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

as my/our proxy to vote for me/us on my/our behalf at the Fourth Annual General Meeting of the Company to be held at Crystal Crown Hotel, No. 217, Persiaran Raja Muda Musa, 42000 Pelabuhan Klang, Selangor Darul Ehsan on Wednesday, 29 June 2005 at 10.00 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 financial year ended 31 December 2004		
Resolution 2	Declaration of a Final Dividend of 12% (6 sen per share) less 28% income tax for the financial year ended 31 December 2004		
Resolution 3	Approval of Directors' Fees for the financial year ended 31 December 2004		
Resolution 4	Re-election of 'Tan Sri Dato' Dr. Abu Bakar Suleiman		
Resolution 5	Re-election of Mdm Ang Bee Lian		
Resolution 6	Re-election of Mr Lee Siew Kuan		
Resolution 7	Re-appointment of Messrs KPMG as Auditors		
Resolution 8	Authority under Section 132D of the Companies Act, 1965 for the Directors to issue shares		
Resolution 9	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
Resolution 10	Proposed Renewal of Authority for the Company to Purchase its Own Shares		

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

Dated this ..... day of ..... 2005.

.....  
 Signature:  
 Shareholder or Common Seal

### NOTES:

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

Affix  
Stamp

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