



**DUOPHARMA**

**DUOPHARMA BIOTECH BERHAD**

REGISTRATION NO.: 200001021664 (524271-W)

# DRIVING ESG INTO THE HEART OF OUR BUSINESS

ANNUAL REPORT 2021



## COVER RATIONALE

### DRIVING ESG INTO THE HEART OF OUR BUSINESS

The pandemic has made the world aware that all our lives are inter-related. Any material event, no matter how immaterial the location, will sooner or later affect everyone. This realisation has resulted in global agendas such as the United Nations' Sustainable Development Goals which today is guiding many organisations as they develop their sustainability programmes. We at Duopharma Biotech are proud to be one such organisation. We realise that challenges such as pandemics and climate change require multilevel, multilateral cooperation to manage if not resolve. We are therefore taking our Environmental, Social and Governance ("ESG") commitments more seriously, and integrating ESG considerations in all our actions. We have outlined some of our initiatives in this report, and hope to disclose increasing involvement in making this not just a healthier world, but one that is more sustainable, in the years to come.

## INSIDE THIS REPORT

### SEC 01: ABOUT US

Who We Are  
At a Glance  
Corporate Information  
Board Structure  
Corporate Structure  
Financial Highlights

2

### SEC 02: STRATEGIC REPORT

Chairman's Statement  
Group Managing Director's Management Discussion & Analysis  
Strategy  
Sustainability Statement

10

### SEC 03: GOVERNANCE

Board of Directors' Profile  
Senior Management Team's Profile  
Other Key Management Team's Profile  
Corporate Governance Overview Statement  
Report of the Audit and Integrity Committee  
Report of the Nomination And Remuneration Committee  
Report of the Risk Management and Sustainability Committee  
Report of the Halal Committee  
Report of the Medical Advisory Committee  
Statement on Risk Management and Internal Control  
Other Disclosures

30

### SEC 04: FINANCIAL REPORT

Directors' Report  
Statements of Financial Position  
Statements of Profit or Loss and Other Comprehensive Income  
Consolidated Statement of Changes in Equity  
Statement of Changes in Equity  
Statements of Cash Flows  
Notes to the Financial Statements  
Statement by Directors  
Statutory Declaration  
Independent Auditors' Report to the members of Duopharma Biotech Berhad

109

### SEC 05: OTHER INFORMATION

Analysis of Shareholdings  
List of Top 10 Properties

188

### SEC 06: AGM INFORMATION

Notice of the 21<sup>st</sup> Annual General Meeting  
Statement Accompanying Notice of the 21<sup>st</sup> Annual General Meeting  
Proxy Form

196





- P** We inspire and energise everyone to be the best
- E** We consistently deliver outstanding performance through innovative solutions
- T** We succeed together because we work as one
- I** We conduct ourselves with pride in being honest and ethical
- R** We honour the trust given to us by being accountable for our actions
- R** We value differences and sincere intentions as the basis for achieving shared aspirations



Scan here  
This report is available online at <https://duopharmabiotech.com/investor-relations/annual-report/>.  
For environmental preservation, we encourage the use of online version.



# SEC 01

ABOUT US

STRATEGIC REPORT

GOVERNANCE

FINANCIAL REPORT

OTHER INFORMATION

AGM INFORMATION



Duopharma Biotech has been distributing 'Covilo', a COVID-19 vaccine from China National Biotec Group Company Limited ("Sinopharm"), in Malaysia to the private sector since October 2021

## ABOUT US

Who We Are	01
At a Glance	04
Corporate Information	05
Board Structure	06
Corporate Structure	07
Financial Highlights	08

# AT A GLANCE

Achieved

record PBT of  
**RM 82.98 MIL**  
 8.96% increase year-on-year

Earnings per share rose by  
**12.2%** from 6.31 sen per share  
 at end of 2020 to **7.08 SEN  
 PER SHARE** at end of 2021

**12.07%**  
 growth in PAT, from  
 RM58.61 million to  
**RM65.68 MILLION**

**12.2%**  
 increase in revenue, from  
 RM569.90 million in 2020 to  
**RM639.18 MILLION** in 2021

Sales of  
**ERYSAA®**  
 the **FIRST BIOSIMILAR**  
 to be produced by  
 Duopharma Biotech, grew  
 by **52%**



Named one of  
**HR ASIA'S BEST  
 COMPANIES TO  
 WORK FOR IN ASIA**  
 for the 6<sup>th</sup> consecutive year;  
 and was a recipient of the  
**GRADUATE'S CHOICE  
 AWARDS 2021**  
 for the 3<sup>rd</sup> year

Achieved

An employee  
 engagement score of  
**90%**  
 2 percentage points  
 higher than in 2020

  
 Committed to becoming  
**CARBON NEUTRAL  
 BY 2030**  
 and Net-Zero emissions  
 by 2050

 **34%**  
 of non-scheduled waste  
 produced in Klang was  
 recycled, while **SCHEDULED  
 WASTE PRODUCTION  
 DECREASED BY 33.9%**

Completed technology  
 transfer for the production  
 of HAPI oncology product  
**TREVIVE**  
 by virtual means  
**WITH INDIAN  
 PARTNER, NATCO**

Achieved

**98%**  
 in our Voice of Customer  
 feedback survey, from 90%  
 in 2020

Trained 33 retail pharmacies  
 under the  
**DUOPHARMA  
 BIOTECH HALAL  
 PHARMAPRENEUR**  
 programme since its  
 launch in 2017

## BOARD OF DIRECTORS

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

Non-Independent Non-Executive Chairman

### Leonard Ariff Bin Abdul Shatar

Group Managing Director,  
Executive Director

### Dato' Mohamad Kamarudin Bin Hassan

Senior Independent Non-Executive Director

### Razalee Bin Amin

Independent Non-Executive Director

### Zaiton Binti Jamaluddin

Independent Non-Executive Director

### Dato' Eisah Binti A.Rahman

Independent Non-Executive Director

### Datuk Nik Moustpha Bin Hj Nik Hassan

Independent Non-Executive Director

### Datuk Mohd Radzif Bin Mohd Yunus

Non-Independent Non-Executive Director

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

Independent Non-Executive Director

### Amizar Binti Mizuar

Non-Independent Non-Executive Director

## COMPANY SECRETARY

### Ibrahim Hussin Salleh

License No.: LS0009121  
SSM Practising Certificate No.:  
201908001032

## REGISTERED OFFICE

Suite 18.06, Level 18  
Kenanga International  
No. 26, Jalan Sultan Ismail  
50250 Kuala Lumpur  
Malaysia  
Tel No. : +603-2162 0218  
Fax No. : +603-2161 0507  
Website : [www.duopharmabiotech.com](http://www.duopharmabiotech.com)  
E-mail : [cs@duopharmabiotech.com](mailto:cs@duopharmabiotech.com)

## BUSINESS ADDRESS

Lot 2599  
Jalan Seruling 59, Kawasan 3  
Taman Klang Jaya  
41200 Klang  
Selangor Darul Ehsan  
Malaysia  
Tel No. : +603-3323 2759  
Fax No. : +603-3323 3923

## AUDITORS

### Messrs. KPMG PLT (LLP0010081-LCA & AF 0758) Chartered Accountants

Level 10, KPMG Tower  
8 First Avenue, Bandar Utama  
47800 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia

## PRINCIPAL BANKERS

### AmBank (M) Berhad

No.1, Ground Floor  
Lorong Sanggul 1F  
Bandar Puteri Klang  
41200 Klang  
Selangor Darul Ehsan  
Malaysia

### OCBC Bank (Malaysia) Berhad

No.19, Jalan Stesen  
41000 Klang  
Selangor Darul Ehsan  
Malaysia

### Sumitomo Mitsui Banking Corporation Malaysia Berhad

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

### Malayan Banking Berhad

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

### Hong Leong Bank Berhad

No 68, Lorong Batu Nilam 3A  
Bandar Bukit Tinggi  
41200 Klang  
Selangor Darul Ehsan  
Malaysia

### Bank Islam Malaysia Berhad

No 1, Jalan Mohagani 5  
Bandar Botanic  
41200 Klang  
Selangor Darul Ehsan  
Malaysia

### Overseas - Chinese Banking Corporation Limited Labuan Branch

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

## SHARE REGISTRAR

### Tricor Investor & Issuing House Services Sdn. Bhd.

Unit 32-01, Level 32  
Tower A, Vertical Business Suite  
Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur  
Malaysia  
Tel No. : +603-2783 9299  
Fax No. : +603-2783 9222  
E-mail : [is.enquiry@my.tricorglobal.com](mailto:is.enquiry@my.tricorglobal.com)  
Web : [www.tricorglobal.com](http://www.tricorglobal.com)

### Share Registrar's Customer Service Centre

Tricor Investor & Issuing House Services  
Sdn. Bhd.  
Unit G-3, Ground Floor, Vertical Podium  
Avenue 3, Bangsar South,  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur  
Malaysia  
Tel No. : +603-2783 9299  
Fax No. : +603-2783 9222

## FINANCIAL YEAR END

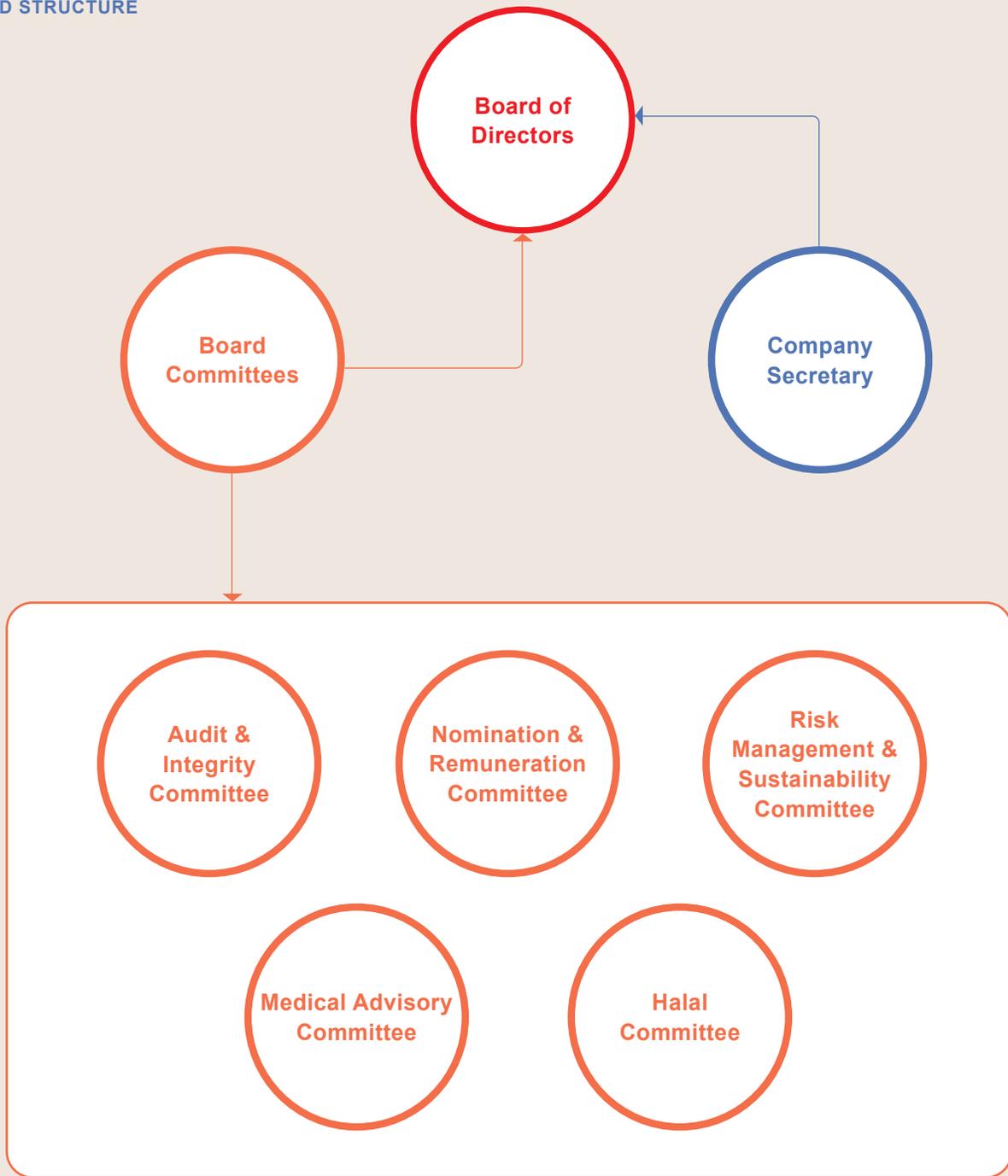
31 December

## STOCK EXCHANGE LISTING

Exchange : Listed on the Main Market of  
Bursa Malaysia Securities Berhad  
Sector : Health Care  
Date of Listing : 18 July 2002

# 6 BOARD STRUCTURE

## BOARD STRUCTURE

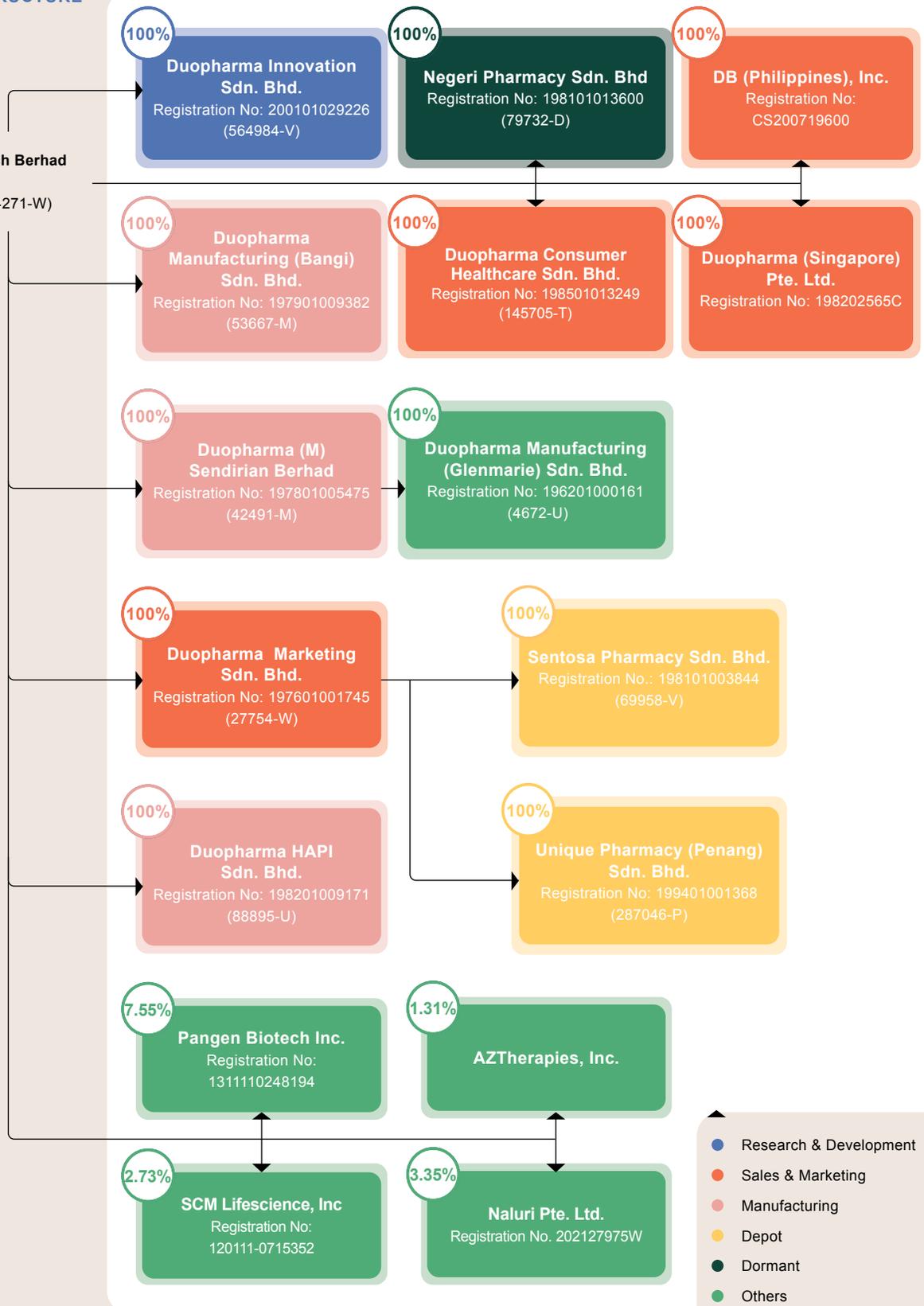


# CORPORATE STRUCTURE

## CORPORATE STRUCTURE



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



- Research & Development
- Sales & Marketing
- Manufacturing
- Depot
- Dormant
- Others

# FINANCIAL HIGHLIGHTS

## INTERIM DIVIDEND OF 0.5 SEN PER SHARE

Entitlement Date:  
1 September 2021

Payment Date:  
15 September 2021

## SECOND INTERIM DIVIDEND OF 1.8 SEN PER SHARE

Entitlement Date:  
15 April 2022

Payment Date:  
13 May 2022

## QUARTERLY RESULT

Quarter 1  
Released on  
3 May 2021

Quarter 3  
Released on  
18 November 2021

Quarter 2  
Released on  
17 August 2021

Quarter 4  
Released on  
15 February 2022

## CONSOLIDATED FINANCIAL POSITION

Non-Current Asset  
Current Asset  
Total Asset  
Current Liabilities

## FINANCED BY:

Share Capital  
Non-Distributable Reserves  
Retained Earnings  
Shareholders' Fund  
Deferred Tax Liabilities and Other Payables  
Loans and Borrowings

## CONSOLIDATED INCOME STATEMENT

Turnover  
Profit Before Tax  
Taxation  
Profit After Taxation  
Profit Attributable to Shareholders  
Dividends  
Transfer Upon the Disposal of Equity Investment Designated at FVOCI  
Transfer to Retained Earnings

### Revenue (RM Mil)

17'  
18'  
19'  
20'  
21'

### Profit Before Tax (RM Mil)

17'  
18'  
19'  
20'  
21'

### Basic Earnings Per Share (RM Sen)

17''  
18''  
19''  
20''  
21'

\* Note: Prior years' Basic Earnings Per Share have been retrospectively adjusted to reflect the effect of the bonus issue.

	2021 RM'000	2020 RM'000
	669,335	598,739
	494,796	459,693
	1,164,131	1,058,432
	230,309	150,321

	2021 RM'000	2020 RM'000
	405,856	404,922
	(21,824)	18,717
	239,972	220,182
	624,004	643,821
	12,021	11,009
	400,722	302,074

	2021 RM'000	2020 RM'000
	639,175	569,902
	82,983	76,157
	(17,300)	(17,547)
	65,683	58,610
	65,683	58,610
	(45,893)	(37,749)
	-	16,375
	19,790	37,236

	468
	499
	576
	570
	639

	51.8
	59.7
	70.8
	76.2
	83.0

	4.79
	5.34
	6.10
	6.31
	7.08



# SEC 02



ABOUT US

STRATEGIC REPORT

GOVERNANCE

FINANCIAL REPORT

OTHER INFORMATION

AGM INFORMATION

## STRATEGIC REPORT

Chairman's Statement	12
Group Managing Director's Management Discussion and Analysis	16
Strategy	25
Sustainability Statement	26

# CHAIRMAN'S STATEMENT

**TAN SRI DATIN PADUKA  
SITI SA'DIAH BINTI SH BAKIR**  
Non Independent Non-Executive Chairman

Revenue

increased by

**12.2%**

year-on-year

Profit After Tax

increased by

**12.1%**

year-on-year

Dear Stakeholders,

It gives me great pleasure to present this year's annual report outlining Duopharma Biotech's performance in 2021. Following the unprecedented speed with which COVID-19 vaccinations have been developed, their administration via national vaccination programmes has saved countless lives, while also enabling economies to gradually open up. It is unfortunate that many among the less developed countries have yet to receive vaccinations. However, with influential global bodies such as the World Health Organization ("WHO") making this a priority, we are hopeful that the situation will be remedied without delay. As I mentioned last year, the pandemic has brought about a high level of multilateral cooperation; what is required now is greater inclusivity to see the benefits shared more equitably.

As we enter 2022, there is a marked return to life as we used to know it, with significant relaxation of movement especially across international borders. Just as pandemic-related restrictions seem to be abating however, we are seeing growing uncertainties on the geo-political front as a result of mounting tensions between Russia and the Ukraine. This could have repercussions on the global economic front.

## WELL-BEING OF EVERYONE

Back at Duopharma Biotech, we have continued to place the well-being of everyone within our sphere of influence as top priority. To keep our people safe from the virus, we have enhanced all pandemic-related standard operating procedures ("SOPs") at our plants and maintained split operations at our administrative offices. Given the success of the latter, we are now reviewing our human resources policies and looking to institutionalise remote working as part of the new norm. This is in part due to our belief that it would go a long way towards better work-life balance.

Declared interim dividends of 2.3 sen per ordinary share for the financial year ended 2021, equivalent to

**RM 20.48 MIL**

At the national level, we were disappointed in not being able to play a role in the Government's National Immunisation Programme due to unforeseen circumstances in relation to the Russian vaccine, Sputnik V. However, in July 2021 we obtained conditional registration approval by Malaysia's Drug Control Authority (DCA) for Sinopharm, manufactured in China. And in September 2021 we received our first shipments of the vaccine, totalling close to one million doses. Currently, the vaccine (known as Covilo) is available in private clinics and hospitals.

In efforts to enhance inclusivity in healthcare, we are committed to the development of halal-certified treatments, ensuring everyone around the world has access to therapies and medication for their well-being. We embrace the concept of halalan toyyiban, meaning that almost all of the drugs manufactured at our plants have an added layer of assurance beyond compliance with Good Manufacturing Practice ("GMP") by carrying the halal signature of being safe, effective, of high quality and hygienic. We also continue to work closely with the Government in building a robust halal pharmaceutical platform. In 2021, the Halal Development Corporation introduced a Sectoral Roadmap for Halal Pharmaceuticals to drive the industry. Duopharma Biotech is supporting this growth as a member of the Sectoral Working Group tasked with reviewing and monitoring the implementation of identified initiatives. At the same time, we continue to contribute at the international level through our involvement in various platforms such as the Standards and Metrology Institute for Islamic Countries Technical Committee on Halal Pharmaceuticals Issues. We are also an active participant in numerous webinars and events.



## MEETING OUR STAKEHOLDER COMMITMENTS

As the largest pharmaceutical manufacturer in Malaysia, we recognise how important it is for us to meet our commitments to customers (namely healthcare providers) and, more directly, patients and consumers. To overcome the continued threat of supply disruption, we strengthened our supply chain and worked closely with the Ministry of Health ("MOH") through various initiatives to safeguard the supply of therapeutics to both public and private-sector hospital, clinics and health centres. I'm proud to share that in 2021, we maintained a very high On Time In Full ("OTIF") performance of 98.8% as compared to 98.4% in 2020.



At the same time, we have continued to expand our range of Consumer Healthcare ("CHC") and prescription products in order to provide better solutions for healthier lives. Firm in the belief that beauty comes from good health, this year we launched supplements that enhance beauty. We have also continued to introduce more biotherapies to treat cancer, diabetes and heart disease while accelerating the development of digital therapies.

By maintaining a high level of productivity as well as investing in increasingly innovative solutions, Duopharma Biotech has performed very well in 2021, with revenue increasing by 12.2% year-on-year. Our Profit After Tax ("PAT"), meanwhile, has increased by 12.1%, enabling us to continue to reward our shareholders with attractive dividends. In August, we declared an interim dividend of 0.5 sen per ordinary share for the second quarter of 2021, equivalent to RM3.53 million. For the full year, the Board has approved a second interim dividend of 1.8 sen per share, equivalent to RM16.95 million. For the added benefit of our shareholders, we will be applying the Dividend Reinvestment Plan ("DRP") to the second interim dividend at an issue price of RM1.29 per share.

Second interim dividend of 1.8 sen per share, equivalent to

**RM 16.95 MIL**

To apply the **DRP** to the second interim dividend at an issue price of

**RM 1.29 PER SHARE**

# CHAIRMAN'S STATEMENT

## INCREASED FOCUS ON ESG

In recent years, there has been added focus on how organisations manage their ESG matters as these not only determine organisational sustainability but also contribute towards a more equitable and sustainable world. As global issues such as climate change, access to healthcare and corporate integrity become more pertinent, Duopharma Biotech is redoubling all efforts to ensure we have the right systems, processes and framework to support our ESG agenda.

## ENVIRONMENTAL STEWARDSHIP

Manufacturing operations necessarily have an impact on the environment. However, modern technologies and eco-considerations make it possible to minimise these impacts. At Duopharma Biotech, we leverage green technologies and create operational efficiencies in order to protect the environment in any way we can. In addition to using less materials in our production processes and generating less waste, we also use water sparingly. But, perhaps most importantly, we are working with sustainability experts such as the United Nations Global Compact Network Malaysia and Brunei (UNGCMYB) to reduce our carbon emissions as we contribute to the transition to a low-carbon economy. Our efforts are driven by an ambition to become carbon neutral by 2030 and achieving net zero emissions by 2050.

## SOCIAL CITIZENRY

The most important way in which we contribute to society is through our business, namely by ensuring Malaysians have access to effective and affordable treatments; and that we cater to the needs of everyone by making available halal products and therapeutics. By virtue of being the number one pharmaceutical company in Malaysia in terms of volume and value, we also recognise our responsibility to enhance the general well-being of the community, helping to bridge gaps in important areas such as access to education as well as to healthcare. This has seen Duopharma Biotech participate in various community outreach programmes targeting underprivileged and underserved pockets of society.

In 2021, we contributed laptops to students so they could carry on with school work online while schools remained closed. RM1.5 million was channelled towards CERDIK, a programme by the Ministry of Education ("MOE") and Ministry of Finance ("MOF") to enable students from lower-income families to adjust to the new normal of online lessons, e-learning and other forms of remote teaching.

## UPHOLDING BEST GOVERNANCE PRACTICES

All our strategies are supported by strong corporate governance, which ensures we uphold transparency and integrity in all our actions and stakeholder relations. As maintaining a high standard of governance is necessarily an on-going endeavour, we continuously update and enhance our policies in line with best practices.

Early in the year, we adopted a new Management and Monitoring Framework for all the entities within the Group based on Securities Commission Malaysia's Guidelines on the Conduct of Directors of Listed Corporations and their Subsidiaries issued on 30 July 2020. At our Annual General Meeting ("AGM") in May 2021, we appointed an independent moderator to ensure the question and answer ("Q&A") session was conducted in a fair, objective and impartial manner. Subsequently, at a virtual Meeting of Members held on 13 August 2021, a team of moderators comprising representatives from Senior Management, the Company Secretary's office, Finance and Corporate Communication streamed the questions raised by shareholders. Our Group Internal Auditor provided oversight to ensure the questions were selected and streamed objectively. Full minutes of both meetings, including the Q&A sessions, were uploaded onto our corporate website within the stipulated timeline. Further enhancing our integrity, we revised our Integrity Pact Policy to ensure it is truly bilateral in the spirit of Ethics and Integrity, and made minor amendments to our Whistleblowing Policy and the Declaration of Interest Policy.

In 2021, we also launched the Duopharma Biotech Organisational Integrity and Anti-Corruption Plan 2021–2023 ("OIACP") which seeks to build a stronger culture of integrity across Duopharma Biotech and its subsidiaries (collectively referred to as the "Group"). It focuses on 12 dimensions comprising 33 integrity initiatives based on Prevention, Awareness, Enhancement, Punitive and Reward.

In addition, we made numerous revisions/additions to our governance framework based on the revised Malaysian Code on Corporate Governance ("MCCG") 2021 introduced by the Securities Commission Malaysia in April 2021, and the Corporate Governance Guide (4<sup>th</sup> Edition), issued by Bursa Malaysia Securities Berhad in December 2021. Key among these have been:

- Revision to our Policy on External Auditors to, among others, ensure a cooling off period of 3 years should we decide to appoint a former partner of our external auditors to our Board; and incorporation of the requirement to consider the information presented in an audit firm's Annual Transparency Report during the assessment of external auditors.
- Enhancement to our Remuneration Policy and Procedures for the Board of Directors and Senior Management.
- Development of a Diversity Policy for the Board of Directors and Senior Management that highlights Duopharma Biotech's commitment to diversity and sets out the guiding principles and practices which underpin our approach to instituting a diverse Board and Senior Management team. Under this policy, the concept of diversity encompasses various areas including gender, age, cultural and educational background, business and industry skills, and experience. While reiterating our earlier policy for the Board to comprise at least 30% women Directors, the policy acknowledges the importance of promoting diversity among Senior Management.

- Development of a Fit and Proper Policy for the Board of Directors and Senior Management to serve as a guide for the Nomination and Remuneration Committee and the Board in their review and assessment of candidates for appointment onto the Board or Senior Management; and the re-election or re-appointment/renewal of Directors and Senior Management on fixed-term contracts.

Of note, on 9 July 2021, Puan Amizar Binti Mizuar was appointed as a Non-Independent Non-Executive Director of the Company, increasing women's representation on the Board from 30% to 40%. Following her appointment, and pursuant to the requirement to undertake periodic reviews of the Board Committees under their respective Terms of Reference, we also revisited the composition of our Board Committees. The exercise saw us adopt the requirement under MCG 2021 that the Chairman of a Board should not be a member of any committee to ensure greater impartiality in related matters.

## MOVING FORWARD

Although the pandemic is still very much with us and the number of infections has increased significantly, we are positive about the current strain. Though very contagious, it also appears to be not as virulent as some of the previous variants, hence the hospitalisation as well as death rates are well under control. So long as there are no unexpected surprises, the economy should begin to recover and, along with it, businesses will record better growth. With our talented team, and with strategic market positioning, I am hopeful that Duopharma Biotech will realise its potential to become a billion-ringgit company.



As we grow, we will also be more transparent in our reporting. And, from 2022 onwards, we intend to support Bursa Malaysia's direction for companies to adopt the integrated reporting format in disclosing our financial and non-financial performance. This will see some marked changes in the content framework of our annual report; however, we believe it will be much appreciated by our shareholders and investors as it would provide greater clarity on our strategies and how we intend to create value in the short to long term.

## ACKNOWLEDGEMENTS

Despite the on-going pandemic, Duopharma Biotech's performance in 2021 has been very encouraging. As always, this was the result of the contributions of our large group of stakeholders, all of whom are important to our sustainable growth.

I would like to express my appreciation to our shareholders, especially Permodalan Nasional Berhad for its advice and guidance, as well as our customers, business partners and suppliers, for their continued support and trust in Duopharma Biotech. To the Government and related agencies, particularly the MOH, MOSTI and MOF – thank you for the unrelenting commitment demonstrated in battling this pandemic, and for always keeping the nation's well-being at heart. Most of all, a heartfelt thank-you goes to all the country's frontliners, who continue to work so hard and selflessly to keep the nation safe.

Lastly, to the entire Duopharma Biotech team, please accept my sincere gratitude for your dedication to our mission of becoming a leading healthcare group providing quality and innovative solutions. To my colleagues on the Board, thank you for your time and wise counsel. To our management, and especially our Group Managing Director, Encik Leonard Ariff Bin Abdul Shatar, thank you for continuing to inspire the team to do more and achieve more. Finally, to our 1524 employees, thank you for sharing in our vision, mission and values, and for your invaluable efforts to serve not just the Company, but also the nation.

**TAN SRI DATIN PADUKA SITI SA'DIAH BINTI SH BAKIR**  
Non-Independent Non-Executive Chairman

# GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION AND ANALYSIS

As I write this statement towards the beginning of 2022, the world has been through almost two years of the worst global health crisis in decades. And the end is still not in sight. Just as the incidence of COVID-19 seemed to be receding, a new variant – Omicron – has emerged and is spreading even faster than previous forms. Compounding the environment of uncertainty, we now are faced with the conflict between Ukraine and Russia, and the consequences are yet to be seen.

In terms of the pandemic, however, we are in many ways in a better position now than when COVID-19 first reared its head; simply because we know so much more about the virus and have an arsenal of vaccines to combat it. Businesses, meanwhile, have the benefit of experience to better manage potential disruptions.

At Duopharma Biotech, we had started our emergency response preparations from as early as February 2020, even before COVID-19 was declared a pandemic, and were therefore able to get through the first year relatively unscathed. In 2021, with added learnings from 2020, we were even stronger and more resilient against disruptions. We increased our stocks; looked for alternatives for different raw materials; and also expanded our pool of suppliers. As a result, not only did we meet our immediate delivery targets, but were successful in building a sufficient inventory of finished products in advance of a planned shutdown of our plant in Bangi in November. What is more, this was achieved with a reduced workforce for most of the year, in line with the requirements of the different phases of the Movement Control Order (“MCO”). At the peak of the MCO, we were operating at 60% of the optimum production at our plants.

The maintenance shutdown in Bangi production was, however, necessary and we are glad to have undertaken it as part of broader efforts to upgrade our plants to meet the European Union’s GMP requirements. Our plan is to certify all our manufacturing outfits to EU standards, starting with the Highly potent Active Pharmaceutical Ingredients (“HAPI”) plant in 2022 followed by the plant in Bangi in 2024 and that in Klang in 2025/2026.

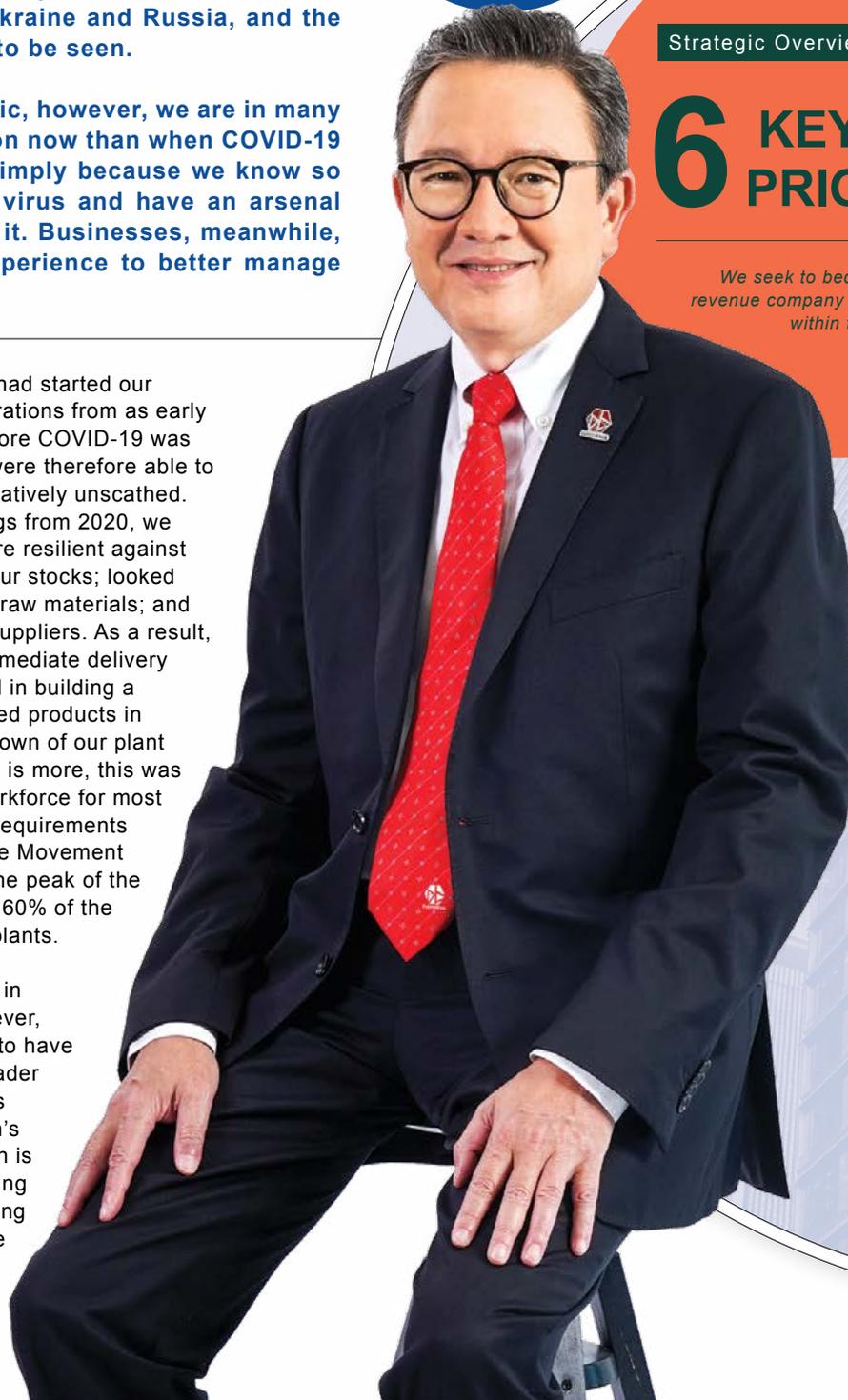
We have placed greater emphasis on aligning our operations with ESG imperatives. This has been motivated by enhanced awareness of the urgent need to better manage global issues.

**LEONARD ARIFF BIN ABDUL SHATAR**  
Group Managing Director

Strategic Overview

## 6 KEY PRIORITIES

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



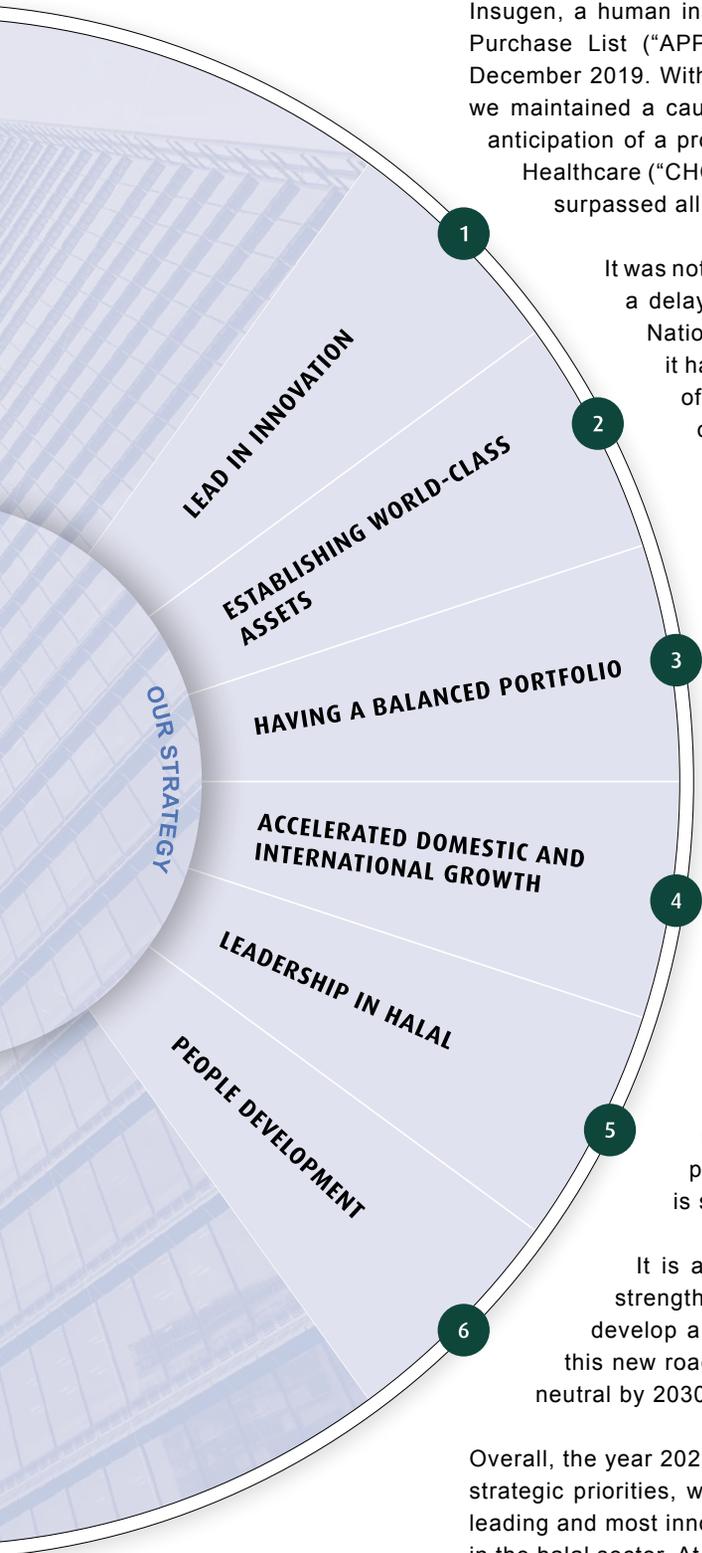
Financially, we ended 2021 with a five-year record performance. We had entered the year on a promising note, as the Government had extended the Off-Take Agreement for the supply of Insugen, a human insulin product, for a year until 1 December 2021. The Approved Product Purchase List (“APPL”) contract had also been extended for 25 months commencing 1 December 2019. With these two extensions, 55% of our business was secured. All the same, we maintained a cautious stance with regard to our cash flow and structured our budget in anticipation of a prolonged pandemic. We were very pleasantly surprised by our Consumer Healthcare (“CHC”). Although we had anticipated strong growth, the business’ performance surpassed all expectations.

It was not all smooth sailing, however. Among various setbacks, we are experiencing a delay in bringing in the Sputnik V vaccine developed by Russia’s Gamaleya National Research Institute of Epidemiology and Microbiology (“Gamaleya”) as it has yet to be approved by the World Health Organization (“WHO”). Because of travel restrictions, there was also a delay in the technology transfer from our Indian partner, Natco Pharma Limited (“Natco”) for the local production of Imatinib (Trevive), which treats chronic myeloid leukaemia. On a positive note, there is reason to believe WHO will include Sputnik V in its Emergency Use Listing (“EUL”) in 2022. Meanwhile, we have also obtained approval from Malaysia’s Drug Control Authority (“DCA”) to make available ‘Covilo’, a COVID-19 vaccine from China National Biotec Group Company Limited (“Sinopharm”), in Malaysia. The technology transfer from Natco was also successfully completed in September, and we hope to begin commercial production of Trevive in our HAPI facility in the fourth quarter of 2022. Of note, it was the first time that we conducted a technology transfer completely virtually, reflecting significant progress made during the year in digitalising our operations.

Indeed, a lot of effort is going into accelerating the process of digitalising Duopharma Biotech – not only to enhance operational efficiencies and the way we connect with stakeholders, but now also to market our products and even to develop them. Last year, I had mentioned our foray into digital healthcare with Naluri Hidup Sdn. Bhd. (“Naluri”). In 2021, we began to work with Naluri on apps that could be used with patients we serve through our products. Certain healthcare apps in the global market have been approved by the relevant regulators to qualify as digital therapeutics. We believe this area has huge potential given changes in the way we live and interact with others; hence is something we will be placing more focus on in the near future.

It is also with pleasure to share that we continue to make good progress in strengthening our ESG platform. This year, we have put in all the groundwork to develop a five-year ESG Strategy that will be launched early in 2022. In line with this new roadmap, we have recently announced our commitment to becoming carbon neutral by 2030, and achieving net zero emissions by 2050.

Overall, the year 2021 has been positive for Duopharma Biotech. Keeping a steady eye on our strategic priorities, we have continued to build our portfolio of products to remain one of the leading and most innovative pharmaceutical companies in Malaysia, as well as a global leader in the halal sector. At the same time, intensified focus on ESG has seen us become a preferred employer, a trusted business partner, an attractive investee company, and an increasingly strong brand.



# GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION AND ANALYSIS

## A SECOND YEAR OF COVID-19

After a sharp economic contraction in 2020, the global economy began on a path of recovery in 2021, though at an imbalanced pace. Broadly speaking, developed countries with early access to COVID-19 vaccinations were able to resume economic activity much earlier than their less developed counterparts. Combined with fiscal support, the US for example is expected to see its Gross Domestic Product (“GDP”) rebound by 6.0% in 2021, while GDP growth for the ASEAN-5 is anticipated to come in at 2.9%.<sup>1</sup> Representing the higher end of ASEAN-5, Malaysia's GDP is slated at between 3% and 4%, supported by increased economic activity amid continued policy support, according to Bank Negara Malaysia (BNM).

Within the pharmaceutical sector, the pandemic has had two distinct and key outcomes. Firstly, disruption in logistics has affected the flow of raw materials and seen a spike in price of active pharmaceutical ingredients (“APIs”) hence also the cost of production. Secondly, and more evidently, there has, and continues to be an urgent need for COVID-19 vaccines. Although by end 2021, 9 vaccines had been approved for use by WHO and at least 15 others are in the process of being reviewed, some 40% of the world's population, especially in sub-Saharan Africa, have yet to receive even one dose – a situation that is not just unethical but that will hamper global recovery as unvaccinated populations present fertile ground for the virus to keep mutating. In countries that have reached high vaccination levels, boosters are now being administered.



<sup>1</sup> According to IMF, <https://www.imf.org/en/Publications/WEO/Issues/2021/10/12/world-economic-outlook-october-2021>

In Malaysia, the National COVID-19 Immunisation Programme kicked off on 24 February 2021 and, by year end, 79.2% of the total population had been double-vaccinated. This includes 97.6% of all adults, and 87.6% of all adolescents. Booster jabs started being administered as of 13 October 2021, and as of 31 December about 19.5% of the population have had these top-up doses.<sup>2</sup> Meanwhile the MOH has indicated that vaccinations for children aged three to 11 will begin early in 2022.

Although COVID-19 continued to attract the most publicity, other diseases have not become any less prevalent. At the same time, there has been an increase in mental-health issues, with the Malaysian Mental Health Association (“MMHA”) noting more than a two-fold increase in stress-related help requests since the start of the pandemic.<sup>3</sup> Along with growing healthcare needs, the Government increased its allocation to the sector by 4.2% in its 2022 Budget to RM32.4 billion. This was separate from funds for COVID-19 vaccinations, Personal Protective Equipment (“PPE”) and other needs, which were taken care of under the COVID-19 Fund.

# 79.2%

of the total population had been double-vaccinated. This includes 97.6% of all adults, and 87.6% of all adolescents

As of 31 December, about

# 19.5%

of the population have had these top-up doses

Along with growing healthcare needs, the Government increased its allocation to the sector by 4.2% in its 2022 Budget to

# RM 32.4 BIL

<sup>2</sup> All data on vaccination rates obtained from <https://covidnow.moh.gov.my/vaccinations/>

<sup>3</sup> <https://www.malaysianow.com/opinion/2021/09/20/budget-2022-considerations-for-public-healthcare/>

## FINANCIAL REVIEW

It pleases me to share that Duopharma Biotech recorded a 12.2% increase in revenue for the year, from RM569.90 million in 2020 to RM639.18 million, mainly from our CHC business but also with double-digit growth of our Ethical Classic and Ethical Specialty businesses. Along with enhanced revenue, our PAT grew by 12.07%, from RM58.61 million to RM65.68 million. Duopharma Biotech's performance was further reflected in our earnings per share, which increased from 6.31 sen in 2020 (adjusted to reflect the effect of the bonus shares issued on 7 September 2021) to 7.08 sen.

### Segmental Performance

Of the Group's total revenue, RM596.89 million (93.4%) was derived from local sales while the remaining RM42.29 million (6.6%) was from international sales. Contribution from exports dropped minimally given that our export markets continued to be economically impacted by the prolonged pandemic. In terms of gross profit, domestic sales accounted for RM239.05 million, or 94.1% of the total, RM253.98 million.

### Cash Management

Our focus during the year has been to ensure sufficient cash to manage our commitments. Apart from existing loan facilities which have been used for working capital and various Capital Expenditure ("CAPEX") needs, we also obtained a new facility from OCBC Al-Amin Bank Berhad for the purpose of strengthening our working capital and to finance general corporate exercises, thereby further enhancing our cashflow.

As at year end, our cash balance stood at a robust RM137.98 million.

### Dividend

The Board has declared a second interim dividend of 1.8 sen per share for the financial year ended 31 December 2021. This is equivalent to a total payout of RM16.95 million, as compared to RM42.36 million for the second interim dividend declared for the previous financial year. The Board has also resolved to apply the DRP to this dividend. The new ordinary shares to be issued will be priced at RM1.29 each, which represents a discount of approximately 10% to the five-day ex-dividend volume weighted average market price of RM1.43.

### Revenue (2021)

RM **639.18** MIL

▲ 12.2%

(RM569.90 million in 2020)

### Profit After Tax (2021)

RM **65.68** MIL

▲ 12.07%

(RM58.61 million in 2020)

### Earnings Per Share (2021)

**7.08** SEN

(6.31 sen in 2020)

## STRATEGIC OVERVIEW

In 2019, we had outlined a seven-year corporate strategy geared towards becoming a RM1 billion company by 2025. The strategy places priority on: growing our core business; expanding our biotherapeutics portfolio; investing in new niche areas; leveraging Merger and Acquisition ("M&A") opportunities; digitalisation; strengthening our international business; and developing the halal market.

Ever since, management has reviewed our strategic initiatives twice a year for better alignment with our operating environment. In 2021, taking into consideration the risks and opportunities facing pharmaceutical companies in Malaysia, our focus was channelled more towards playing a role in the National Vaccination Programme, digitalisation and, as local and international borders started to reopen, looking once again at potential M&A targets.

## GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION AND ANALYSIS



### Biologics Extension into Vaccines

Recognising the critical need for vaccines, not just today but in the foreseeable future, we developed a Vaccine Strategy which will see us leverage our growing manufacturing capabilities and strengths in biologics to position ourselves as a key manufacturer and distributor of a range of vaccines for the region. In preparation to bring in and distribute Sputnik V, we began the process of upgrading our capabilities to accommodate the ultra-low temperature vaccine. When it became evident that we would not be able to introduce the vaccine to the local market in 2021, we explored other vaccine candidates and were able to secure the rights to distribute 'Covilo' in Malaysia. 'Covilo', an inactivated virus vaccine, is currently being administered by the private sector. We believe there is potential for it to be used either as a booster and/or a primary vaccination for the group in Malaysia that has yet to be vaccinated, namely children aged between 3 and 11. Meanwhile, Gamaleya has developed a new version of its vaccine, called Sputnik Light, which has potential to be administered either as a single-shot primary vaccine or a booster.

### Internet of Everything

Although we are still in the early days of our digitalisation journey, we recognise the immense potential of technology to connect people, processes, data and things in such a way as to truly revolutionise the way we work and the way people live. Key to this is not just to set up digital systems but to connect them so that we have an integrated platform that is accessible by everyone across the Group. Having set up various individual systems, we will now look to start connecting them. During the year itself, we developed a Track and Trace system for our products which became operational in January 2022. We are also transitioning our learning and development modules online.

One area that is fast growing and very interesting is digital health/therapeutics. Building on an initial investment of USD250,000 in Naluri, in June 2021 we invested another USD500,000 via its Series A funding round. Through Naluri, we are offering cancer and kidney patients apps that will greatly enhance their ability to manage their treatments while also getting emotional support from qualified therapists, if needed.

A renal care app is being used by haemodialysis patients at a few dialysis centres to gauge the user experience. Through the app, patients can access advice from psychologists and dieticians, keep a food journal and learn more about how they can improve their overall quality of life. A similar app, but for cancer patients, is being used at Beacon Hospital and Pantai Hospital Sungai Petani, and other specialists have shown interest in it. Meanwhile, discussions are ongoing with the MOH on a third app, for diabetes care, which is targeted at government hospitals. The objective is to help maintain and update data on the number of patients using insulin, their average dose, etc. This is expected to enhance the management of insulin and patients by closing data gaps.

As a measure of our commitment to growing digital health, we have crafted a Digital Health Strategy to identify opportunities that allow us to provide the best solutions along the healthcare value chain. A Digital Taskforce comprising 9 members from Strategy, Marketing, IT, Regulatory Affairs, Commercial, Consumer Healthcare and Clinical Affairs has also been set up to oversee the implementation of the strategy.

In terms of expanding through M&As, we have identified and evaluated a number of local and international companies that meet our criteria. We are continuing to evaluate some of these targets, and will work towards finalising our plans in 2022.

### Developing the Halal Market

The halal pharmaceutical market continues to grow and is projected to hit USD105 billion in 2024 from USD94 billion in 2019, driven by increasing demand from Muslim populations around the world. Duopharma Biotech has always recognised the potential of this market and made it one of our priorities to promote halal pharmaceuticals.

We are committed to ensuring all products manufactured by Duopharma Biotech are halal-compliant. We also seek to establish Duopharma Biotech as a global thought leader in halal pharmaceuticals. Towards this end, we participate in local and international conferences, exhibitions and seminars. Despite the pandemic, in the last two years we have continued to play an active role on knowledge sharing – either through self-initiated activities or through participation in local and international webinars/events. Meanwhile, the Halal4Pharma microsite on our corporate website provides answers to questions consumers may have on halal therapies.

## Growing Our Core Business

Much of our core business is supported by our own R&D into new products. It is as a result of our R&D team that we are able to constantly keep our portfolio updated with better, more effective and affordable treatments. This year, the team continued to enable us to expand our portfolio with the launch of two FLAVETTES® products, two different eye drops for glaucoma, and simvastatin/ezetimibe 40/10, a cholesterol drug. One of the eyedrops, Latanost, introduces a packaging innovation as the bottle has been designed to dispense a set volume of the liquid each time it is squeezed. The team also filed four (4) local patents and nine (9) ASEAN patents on the effervescent product range.

## BUSINESS REVIEW

### Consumer Healthcare

Our CHC business has truly taken off, recording strong double-digit growth in the last three years. Ever since the pandemic, people have been placing greater importance on general well-being, and this has translated into enhanced sales of supplements and other immunity-boosting products. As Duopharma Biotech has the largest market share for Vitamin C in Malaysia – through the Flavettes® and CHAMPS® brands – we stood to benefit from this.



During the year, we introduced another beauty-enhancing Flavettes® product, Flavettes® Effervescent Glamz, which has been formulated with glutathione to improve skin tone and elasticity. This is the second product in the Flavettes® portfolio to cater to women's beauty, prompting the team to launch a new Flavettes® NutriSkincare™ category. While all our CHC brands performed well during the year, Flavettes®, CHAMPS® and our analgesic Uphamol were clear leaders.

### Ethical Classic

The Ethical Classic business has shown signs of recovery as Malaysians started to return to hospitals for treatment, despite the different phases of the MCO, although recovery of the private sector has been slower than that of government hospitals and clinics. This helped to contribute towards positive performance of almost all therapeutic medication. Discounting products that were discontinued during 2021, the business recorded a 14% increase in sales year-on-year.

A highlight was the launch of Promesec, indicated for patients with stomach and intestinal ulcers, which has been very well received. The team also diversified into the sales of medical devices and technologies such as medical diagnostics and endemic management devices. The Ethical Classic team is also collaborating with the Ethical Specialty team to distribute COVID-19 test kits and PPE.

### Ethical Specialty

Although impacted by low patient numbers to private hospitals, increased costs and an intensifying price war on certain products, it was both a busy and relatively successful year for Ethical Specialty. We launched a number of new products; created a new Vaccine Business; and expanded into new regional markets. Overall, Ethical Specialty grew by 13% year-on-year, propped by strong performance of ERYSAA®, our erythropoietin biosimilar.

The Vaccine Business comprises distribution of Sinopharm's 'Covilo' vaccine, which is currently being administered by the private sector. However, we are hopeful that the Government will include the vaccination in the national programme for children as it is currently being used for those aged 3 to 17 in China. Submission of data for this purpose has been undertaken and the National Pharmaceutical Regulatory Authority ("NPRA") is currently reviewing the data. Although children were initially seen to be less susceptible to COVID-19 infection, the fact that they remain unvaccinated has meant an increase in incidence of infections in this age group vis-à-vis other age groups.

Our Renal Care Franchise grew by more than 40% in 2021, aided by the 56% growth in sales of ERYSAA®. Other than existing contracts to supply government hospitals and clinics, and dialysis treatment centres, in July 2021, we won a two-year National Kidney Foundation tender for the supply of ERYSAA® and Unihepa, an anti-clotting agent used with dialysis. Along with expansion into the private sector, both ERYSAA® and Unihepa recorded very encouraging performance.

The franchise also submitted 'Sevelamer' for registration in the second quarter of 2021, and looks forward to receiving approval from the NPRA in the third quarter of 2022. 'Sevelamer' is used to control high blood phosphorus levels in kidney patients.

# GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION AND ANALYSIS

Insugen was the best performer within our Diabetes Care Franchise, with the year-long extension of the Government's Off-Take Agreement supplemented by a three-year contract from MOH effective 17 December 2021. Meanwhile, demand for 'Basalog One' was also strong and led to a two-year contract to supply the insulin glargine to the public sector starting from 13 September 2021. Notably, the year also saw us partner Rokit Healthcare (Korea) to undertake a pilot 4D bioprinting study to develop diabetic foot ulcer kits. The study, conducted at the Universiti Kebangsaan Malaysia Medical Centre, was completed in November 2021. We have submitted the kit for registration at the Medical Device Authority MDA and hope to receive its approval in February 2022 upon which commercialisation should begin towards the end of the second quarter of the year.

After commercialising Letrozole (Lebreta) in 2020, our Cancer Care Franchise obtained a three-year MOH contract in 2021 for our first made-in-Malaysia HAPI drug. We also won a year-long University Malaya Medical Centre tender for Zuhera. Meanwhile, sales of Trevive has qualified it for the 'Million RM Club'.

Stability studies for Trevive production in our HAPI facility are on-going, and the team targets to submit the product for second-site registration by the second quarter of 2022. Meanwhile, in the first quarter of 2021, Cancer Care submitted two other cancer drugs for registration. Abiraterone Acetate, was approved in the last quarter of the year while approval for Gefitinib is expected by the first quarter of 2022.

## Update on AZT

**Last year, we mentioned investing in Boston-based AZT Therapies, Inc. ("AZT"), an advanced clinical-stage biopharmaceutical company developing novel therapies for neurodegenerative diseases. The company was in Phase 3 of clinical trials on a treatment for Alzheimer's. It completed the trial in December 2020, as planned, and is currently engaging with the US Food and Drug Administration ("FDA"). We are optimistic about being able to introduce a novel, multi-modal treatment for Alzheimer's in the near future.**

## International

Most of our export markets are developing countries, which have yet to achieve high vaccination rates, and where the focus is still on containing the pandemic. With government resources channelled towards the procurement of vaccines, there is insufficient funds for the import of other treatments. This, together with high shipping charges, meant that our International business growth was flat during the year.

On a positive note, we submitted Lebreta for registration in Pakistan in the second quarter of 2021, and anticipate approval in the last quarter of 2022. We also submitted ERYSAA® 2000 IU and 4000 IU for registration in Myanmar in November. The FDA of the Philippines is still evaluating both doses. Meanwhile, we continue to engage with various parties in exploring new markets, channels and business models to exploit opportunities overseas.

## SUSTAINABLE OPERATIONS

### Manufacturing Optimisation

Manufacturing continued to be the area of operation that was most affected by the pandemic. As in 2020, we were required to reduce our workforce according to the different MCO phases. Production was also affected by constraints in the supply of materials. However, due to better planning and preparation from lessons learnt in 2020, the team was able to anticipate and adapt faster to changes in the volatile market while continuing with various projects being undertaken as part of our Manufacturing Optimisation Strategy.

Our key priority was to keep our employees safe, and to prevent any clusters forming at our plants. Towards this end, we introduced new SOPs such as biweekly testing. Keeping COVID-19 at bay, we were able to keep all our plants going throughout the year, with no enforced closure. The only time a plant was shut down was for planned maintenance in Bangi.

Meanwhile, we have continued to upgrade our plants to enhance our capacity, capabilities and efficiency, as well as to meet GMP standards. Achievements during the year include the following:

- Completion and commissioning of a new liquid plant in Bangi 1. Of 24 liquid products submitted for variation approval, 20 have been approved.
- Launch of Phase 1 of the Dry Packing upgrade and relocation project which should be completed by early February 2022. Through this project, our entire solid dosage packing operations will be centralised in Bangi 2. A new high-speed blister and cartoning machine, as well as a new Multiple-Unit Pellet System MUPS filling machine has been installed and commissioned.
- Qualification and implementation of a new Tablet Inspection Scheme for commercial use in Klang.

A number of projects are also on-going. They include:

- A New Oral Solid Dosage plant in Klang – targeted for completion by 2022/2023.
- Biologic plant in Klang to be completed in 2025/2026. The plant is intended for bulk manufacturing of biosimilars, beginning with ERYSAA®, and possibly vaccines.
- Upgrade of the Quality Control Lab and other facilities at our manufacturing facility in Bangi – targeted for completion by 2025.

## Talent Management

Protecting our employees was a key priority during the year, and much effort was put into ensuring compliance with the latest pandemic SOPs. We have also begun to recognise the merits of remote work in terms of enabling better work-life balance, and are drafting guidelines to create a hybrid workplace which will be the norm even post-pandemic. Through these guidelines, we will make clear our expectations of employees, especially on deliverables, thus ensure consistent performance while putting in place systems and platforms to ease communication and engagement.

A lot of emphasis has been placed on employee engagement in the last two years because of the work from home SOP. From early on, we anticipated the challenges of a work arrangement in which there is no physical interaction between colleagues or with managers. We therefore ensured constant online engagement and conducted surveys on what our employees were experiencing. Support was extended based on their feedback, and included the provision of mental health care. As a result of our efforts to connect and engage with employees in a manner that was meaningful, we performed very well in the once-in-two-years employee engagement survey conducted by an external consultant. In 2021, we obtained a high participation rate of 98% and an overall score of 90%, which is 2% higher than we did in 2020.

We also continued to execute our training programmes as per our Learning & Development Framework. In response to the restrictions imposed by the pandemic, we have accelerated the development of online self-learning and are in the process of implementing a Learning Management System that will enable employees to learn on-the-go using their smartphones.

Efforts to engage and truly understand our employees led to more human resources ("HR") awards in 2021. We were named one of HR Asia's Best Companies to Work for in Asia for the sixth consecutive year, and were also Talentbank's Graduates' Choice in the pharmaceutical sector for the third consecutive year alongside multinational names such as Johnson & Johnson, Astra Zeneca and Roche.

## Bumiputera Empowerment

We have been a keen supporter of the Bumiputera Vendor Development Programme ("BVDP") as part of a broader objective to promote small and medium-sized enterprises SMEs in the country. Extending our support into the year 2021, we signed a Memorandum of Understanding MOU with the organising agency, namely the Ministry of Entrepreneur Development and Cooperatives ("MEDAC"). Under the BVDP, we are currently mentoring 7 Bumiputera SMEs from the manufacturing, logistics, engineering and IT sectors.

In addition, we promote Bumiputera entrepreneurship via the Professional Training and Education for Growing Entrepreneurs ("PROTÉGÉ") organised by the MEDAC. Despite the pandemic, we on-boarded 50 participants onto the programme in 2021. On average, 50% of the trainees are offered permanent positions at Duopharma Biotech upon completion of the 12-month programme.

## Focus on ESG Principles

Over the last few years, we have been placing greater emphasis on ensuring Duopharma Biotech creates environmental and social value, supported by good governance. We recognise both the risks posed by ignoring ESG issues as well as the opportunities presented by playing our part to manage them. We already have a very robust governance framework, which is continuously strengthened by the Board. We have also been very conscious of the role that we can, and do, play in promoting better health for everyone. The one area in which we have felt gaps was our environmental platform. Accordingly, we have been collaborating with external parties including the UNGC to become part of global solutions to issues such as climate change. Among others, we have committed to carbon neutrality by 2030 and having net zero emission by 2050. Both goals will be supported by various carbon offsetting as well as reduction initiatives. We have also initiated a greenhouse gas ("GHG") accounting process to support efforts to reduce our emissions.

In 2021, we began the process of developing a formal ESG Strategy in order to create clarity of issues in which we are able to make a difference, set goals and outline action plans to achieve these. We are close to finalising this five-year ESG Strategy, which will be launched in 2022. Five sustainability areas have been prioritised, namely climate performance, diversity & inclusion, governance, access to medicine, and creating a sustainable supply chain.

# GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION AND ANALYSIS

Meanwhile, we continued to be listed under the FTSE4Good for the year 2020/2021, and have been recognised for our initiatives through numerous awards including one for 'Zero Incidences of Bribery' from the United Nations Global Compact Network Malaysia and Brunei. We also swept three awards at the Sustainable Business Awards Malaysia including the top award as the Overall Winner for Outstanding and Comprehensive Efforts in Corporate Sustainability 2020/2021.

## RISK MANAGEMENT

In many ways, the operating landscape in 2021 mirrored that in 2020, and most of our risks were pandemic-related.

With our employees, the key risks were that of infection as well as a sense of disconnect among those working from home. To reduce these risks, we continued to adhere to all the Government's SOPs while performing tests on staff every two weeks. In addition, we encouraged everyone to be vaccinated and achieved a 99.9% double-vaccinated rate by the end of the year. In terms of staying connected, weekly emails were sent from our GMD while numerous activities were organised online.

Operations-wise, we faced the risk of delays in CAPEX projects due to movement restrictions and the inability of international vendors to travel in order to carry out the necessary tests, commissioning and qualification-related tasks at site. In response, we engaged with local agents as far as possible and shifted tests as well as technology transfer online. These efforts, together with detailed planning, enabled us to make progress according to budget and schedule.

Market risks included uncertainties with regard to supply and demand. To manage this, we closely monitored market trends while maintaining sufficient buffer stocks.

In terms of finance, our margins were squeezed due to a depreciation of the Ringgit which increased the cost of raw materials as well as freight. While increasing our prices in response, we also consolidated our purchases for better negotiation power.

Finally, this year we included sustainability-related risks in our Enterprise Risk Management ("ERM") Framework. More specifically, we are assessing the risks of climate change on our business and have outlined plans to manage these risks, such as developing new assets at elevated levels, developing a water recycling project and putting in place a water crisis management plan.

<sup>4</sup> According to IMF, <https://www.imf.org/en/Publications/WEO/Issues/2021/10/12/world-economic-outlook-october-2021>

<sup>5</sup> According to the MOF, <https://budget.mof.gov.my/pdf/2022/economy/Foreword-Preface-The-Economy-2022.pdf>

Of note, our risk management was recognised by the Enterprise Risk Management Academy, which named Duopharma Biotech the ASEAN Risk Champion in the category of companies with turnover of greater than USD75 million, and Runner-Up in Risk Innovation at a virtual ceremony held on 10 December 2021.

## OUTLOOK

Before the Russia/Ukraine conflict, global economic growth was projected to moderate to 4.9% in 2022 from the high of 5.9% in 2021. Within ASEAN-5, it was predicted to accelerate to 5.8% as the region will be starting from a lower base of 2.9% in 2021.<sup>4</sup> GDP growth in Malaysia specifically was forecast at between 5.5% and 6.5%.<sup>5</sup> Given the current political situation, however, these predictions may be scaled down.

More positively for pharmaceutical companies in Malaysia, the Government once again increased its healthcare allocation in the 2022 Budget, to RM32.4 billion (not including another RM4 billion for COVID-19 management). Together with our on-going contracts and the recent three-year tender from MOH for Insugen, Duopharma Biotech is entering the new year on a strong footing. At the same time, we are mindful that a number of current contracts, especially with the Government, will be expiring at the end of 2022. Hence, the team will be busy preparing and sending out proposals during the year.

We are confident of exponential growth of the CHC business as we have been enhancing our portfolio of products in order to further stimulate strong demand. With our own e-commerce platform, moreover, we will be able to tap into the online market more fully. Our Ethical Classic and Specialty businesses are also set to expand as we introduce increasingly more effective treatments. We are especially excited about commercial production of Trevive, which will be the second cancer molecule to be produced at our HAPI facility; and are also looking forward to playing a bigger role in Malaysia's National Immunisation Programme with 'Covilo'.

Meanwhile, we will continue to prioritise our digital and ESG agendas. Through the digitalisation of various processes, we expect to significantly enhance the way we work from 2022 onwards. At the same time, though our ESG commitments, we hope to significantly enhance our contributions not only towards making patients in Malaysia better, but to making the world a safer, healthier and better place for everyone.

**LEONARD ARIFF BIN ABDUL SHATAR**

Group Managing Director

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

### Today

Duopharma Biotech is the top local generic drugs manufacturer in Malaysia, ranked the number one pharmaceutical company in terms of value and volume as of December 2021.

### By 2025

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

## Our Road Map

Our strategy consists of six strategic pillars:

### 1. LEAD IN INNOVATION

- We will continue to expand our existing portfolio in small molecules and biotherapeutics through the Ethical Classic and Specialty businesses as well as CHC; making drugs that are in demand, accessible and affordable to patients.
- We will build a stronger pipeline of innovative, first in-market products through synergistic efforts of in-house R&D and externally developed projects.
- We are also committed to enlarging our digital footprint and venturing into innovative approaches to healthcare management.

### 2. ESTABLISHING WORLD-CLASS ASSETS

- Duopharma Biotech is committed to sustaining and growing our manufacturing, warehousing and distributing capabilities to ensure we meet local and international standards.
- Our Manufacturing Strategy outlines a roadmap of maintaining existing assets as well as adapting to new technologies in the long run to continuously support business growth.
- We will seek opportunities to bring in innovative technologies to enhance economic growth and development of the industry both locally and regionally.

### 3. HAVING A BALANCED PORTFOLIO

- We will aim to achieve a balanced portfolio of products through strategic investments within the pharmaceutical and healthcare sectors; maintaining our position in the local industry and growing internationally.

### 4. ACCELERATED DOMESTIC AND INTERNATIONAL GROWTH

- We seek business ventures which add value to the Group and shareholders by exploring new therapeutic areas and capabilities both locally and regionally.

### 5. LEADERSHIP IN HALAL

- Halal is the foundation of our company's growth towards achieving RM1 billion revenue. It is an imperative value for our stakeholders by having halal manufacturing and halal products.
- Duopharma Biotech embraces the principle of a holistic approach to halal pharmaceuticals to ensure the halal concept is adhered to throughout the value chain from initial selection of products, production and all the way to the finished goods.
- We are committed towards providing the best halal pharmaceutical products and we will continue to champion halal locally and expand internationally through our halal strategy roadmap.

### 6. PEOPLE DEVELOPMENT

- We view every staff member as an important asset of the Company and are committed to their personal and professional development.
- We have established a Competency Model to define the core and complementary competencies of Duopharma Biotech employees, a Learning & Development Framework to incorporate the complete Talent Life Cycle processes, and have in place a structured Talent Management & Succession Planning programme, all of which will add tremendous values in ensuring sustainability of the Company in the long run.

# SUSTAINABILITY STATEMENT

As the largest pharmaceutical company in Malaysia, Duopharma Biotech recognises that our business and operations have an enormous impact on various stakeholders – from our customers to consumers, our shareholders, business partners, suppliers, employees and the community. As a responsible organisation, we seek to ensure that as we grow, we do so in a manner that creates value for all these stakeholders.

Duopharma Biotech is committed to integrating sustainability into all our operations, and to take ESG outcomes as considerations in our decision-making process. Our commitment to sustainability is driven not only because it is expected of us, but because we believe in the value that it creates. To achieve our sustainability goals, we recognise the need to create a culture of sustainability throughout the organisation.

Over the years, we have built an increasingly robust sustainability platform, supporting it with a strong governance framework. Our Board of Directors, through the Risk Management and Sustainability Committee, assumes overall accountability for our sustainability strategies and direction. It is supported by the Sustainability Management Council and our Group Sustainability Department. While having a clear tone from the top, we believe that sustainability is everyone's responsibility, hence sustainability messages are constantly shared with employees Group-wide and reinforced via various channels including our annual Halal, Integrity and Sustainability ("HIS") Program.

To ensure alignment of our sustainability agenda with global imperatives, we have become a participatory member of the United Nations Global Compact Network Malaysia & Brunei ("UNGCMYB"). Through our membership, we are kept abreast of important sustainability developments at the global and regional levels. During the year, for



example, UNGCMYB conducted training on climate change for our Board of Directors and Sustainability Management Council. As a measure of our commitment to the UN's Sustainable Development Goals ("SDGs"), we have identified targets that are relevant to our operations and/or our material matters and used these to guide our sustainability initiatives.

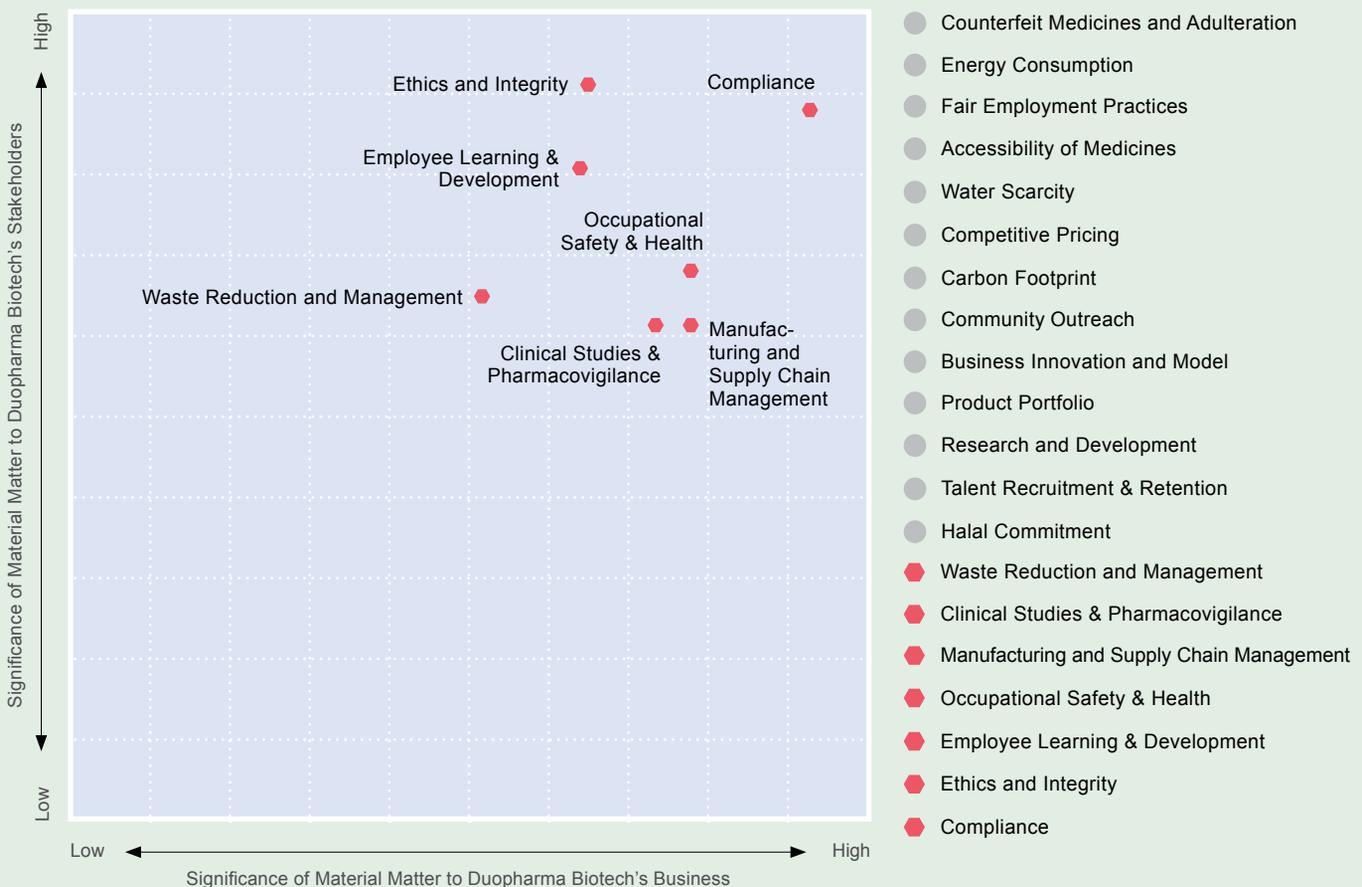
Our efforts to understand the broader context of sustainability and to keep enhancing our performance have been recognised by continued listing on the FTSE4Good Bursa Malaysia Index. To know more about our sustainability approach and initiatives, please refer to our latest Sustainability Report 2021. Every year since 2015 we have been producing a standalone Sustainability Report, which references the Global Reporting Initiative ("GRI")

Standards: Core Option, and is guided by Bursa Malaysia's Sustainability Reporting Guide. Our reports are accessible on our corporate website at <https://duopharmabiotech.com/sustainability-report/>.

## OUR MATERIAL MATTERS

In 2018, we conducted an extensive materiality assessment involving all of our internal and external stakeholders. Through the exercise, we identified 20 matters that are important to our stakeholders as well as to Duopharma Biotech. Since then, Management has reviewed our material matters on an annual basis to determine their continued validity. The review conducted in 2021 confirmed that our material matters are still relevant.

### DUOPHARMA BIOTECH'S MATERIALITY MATRIX



For reporting purposes, these materiality matters have been categorised according to their ESG impact under the following themes: Sustainability-led Business Commitment (for a combination of Governance and Economic-related matters), Our Workforce & Community (Social matters) and Planet Performance (Environmental matters). In the following pages, we highlight key achievements for the year 2021 in each theme.

# SUSTAINABILITY STATEMENT



## SUSTAINABILITY-LED BUSINESS COMMITMENT

Our key commitment as a sustainability-focused pharmaceutical company is to ensure access to quality treatments at an affordable price to the largest number of people. Towards this end, we continuously expand the range of treatments imported and distributed by Duopharma Biotech as well as those produced at our plants while maintaining the most stringent quality controls.

In light of the pandemic, we have ventured into the vaccine segment. We launched into this space by entering into an agreement to supply the MOH with the Russian COVID-19 vaccine, Sputnik V. While awaiting approval from the WHO on the Sputnik V vaccine, we have obtained approval from DCA to bring in Sinopharm's Covilo vaccine from China. This vaccine is being distributed by private hospitals and clinics. Under a Vaccine Strategy, we now seek to further expand our vaccine capabilities and are looking at utilising our existing vaccine fill & finish facility and to establish a bulk biosimilars/vaccines manufacturing facility.

Meanwhile, we continue to make advances in the generics and biosimilars segments. We also completed the transfer of technology from our Indian biotech partner, Natco, for Trevive, which treats chronic myeloid leukaemia. Trevive will be the second drug molecule to be manufactured by Duopharma Biotech's HAPI plant, the first being Lebreta.

In terms of quality assurance, we maintain all our ISO certifications while adhering strictly to the current Good Manufacturing Practice ("cGMP") and Good Distribution Practice under the Pharmaceutical Inspection Co-operation Scheme ("PIC/S") in Malaysia. We also actively seek cGMP certification by the relevant authorities in our international markets.

Finally, to ensure the sustainability of our business and to maintain the trust of our stakeholders, we uphold the highest level of integrity in our dealings with everyone. In 2021, we took note of the revisions made to MCCG while reinforcing our governance framework to accommodate the value creation of ESG.

## PLANET PERFORMANCE

Our environmental initiatives focus on reducing our energy consumption hence also our carbon footprint, as well as sustainable waste and water management.

Together with UNGCMYB, we evaluated the readiness to sign UN Global Compact ("UNGC")'s Business Ambition for 1.5°C. As a result, we committed in reducing our emissions in line with science-based targets aimed at limiting global warming to 1.5°C which made significant progress in managing our carbon footprint during the reporting year as we conducted an exercise that involves putting in place systems and tools to measure our Scope 1 emissions (i.e., direct emissions – from fuel combustion at our plants and use of company vehicles, etc) and Scope 2 emissions (indirect emissions from electricity used). From this exercise, we also pledged to achieve carbon neutrality by 2030 and to become a net-zero carbon organisation by 2050.

With these industry-recognised tools and systems, we have been able to calculate our emissions for 2021 based on internationally accepted standards. These will now serve as a baseline for reduction targets in the future.

# 33.9%

decrease in total scheduled waste disposed of during the year.

We are also working towards setting up the right systems to measure our Scope 3 emissions, i.e. emissions from sources we do not own such as emissions associated with business travel, procurement, waste and water.

In terms of waste management, we continue to seek ways to reduce the volume of materials used in our packaging while also minimising the generation of scheduled waste. Through improved yield and better management of finished goods stock, we managed to cut down on the disposal of expired products. This, in turn, contributed to a significant 33.9% decrease in total scheduled waste disposed of during the year.

## OUR WORKFORCE & COMMUNITY

As our employees are still working from home, on a split-team basis, we have been further enhancing our online engagement. The Group Managing Director ("GMD") provides updates on the Group's performance via online Townhall sessions that are held every quarter; Management and HR send out frequent emails on COVID-19 related matters as well as to provide updates on staff movements including promotions and transfers. Meanwhile, various talks and social activities are also held online to maintain the feeling of connectedness between employees and the Group as well as among employees themselves.

Through employee engagement, we have also been able to demonstrate to our employees that we care about them and their well-being. This was further reinforced by setting up an Employee Relief Fund, through which Management and other employees have been able to channel funds and other forms of aid to employees in need. As a result of such efforts, our Employee Engagement Score for 2021 was a very encouraging 90%, two percentage points higher than in 2020.



Although face-to-face interactions were limited, we continued to provide training programmes for employees, almost entirely online, to keep enhancing their capabilities and competencies. The total number of training hours during the year increased by 43.8%

compared to 2020 while the average hours of training per employee increased by 39.9%. We also encouraged our employees to participate in a new self-learning portal called e-Latih, an initiative by Human Resource Development Corporation (HRD Corp) to empower them to learn in their own time and at their own pace.

Within the community, a major contribution was for children from low-income families whose education was disrupted by school closure. We channelled RM1.5 million for the purchase of 646 laptops with data connectivity for such students under CERDIK, a programme initiated by the MOE and the MOF. We also continued to support the nation's front-liners in various ways.

Our Sports Club, i.e., Kelab PETIRR, Kelab PETIRR also contributed by volunteering in the flood relief efforts in Karak, Pahang and donated RM10,000 to Duopharma Biotech's Emergency Relief Fund for staff who were affected by flood.

## GOING FORWARD

Sustainability is necessarily an ongoing mission as needs change along with changes in our operating environment. We will therefore keep reviewing our material matters to ensure these remain relevant, while conducting extensive materiality assessments every few years.

The year 2022 will mark a milestone in our sustainability journey as we will be announcing our commitment to achieving carbon neutral status by 2030. This will be integrated into a new five-year Sustainability Strategy (2022-2026) which is to be launched in the first quarter of the year. Focused on the five (5) areas of climate performance, diversity and inclusion, sustainable supply chain, governance and access to medicine, the strategy will contain both qualitative and quantitative targets to guide us towards more focused sustainability performance.





# SEC 03

In July 2021, we won a two-year National Kidney Foundation tender for the supply of ERYSAA® and Unihepa, an anti-clotting agent used with dialysis

## GOVERNANCE

Board of Directors' Profile	32
Senior Management Team's Profile	44
Other Management Team's Profile	52
Corporate Governance Overview Statement	54
• Report of the Audit and Integrity Committee	
• Report of the Nomination and Remuneration Committee	
• Report of the Risk Management and Sustainability Committee	
• Report of the Halal Committee	
• Report of the Medical Advisory Committee	
Statement on Risk Management and Internal Control	92
Other Disclosures	105

# BOARD OF DIRECTORS



1. **TAN SRI DATIN PADUKA SITI SA'DIAH BINTI SH BAKIR**  
*(Non-Independent, Non-Executive Chairman)*
2. **DATO' MOHAMAD KAMARUDIN BIN HASSAN**  
*(Senior Independent, Non-Executive Director)*
3. **DATUK NIK MOUSTPHA BIN HJ NIK HASSAN**  
*(Independent, Non-Executive Director)*

4. **DATUK MOHD RADZIF BIN MOHD YUNUS**  
*(Non-Independent, Non-Executive Director)*
5. **DATO' EISAH BINTI A. RAHMAN**  
*(Independent, Non-Executive Director)*



**6. LEONARD ARIFF BIN ABDUL SHATAR**  
*(Group Managing Director, Executive Director)*

**7. RAZALEE BIN AMIN**  
*(Independent, Non-Executive Director)*

**8. ZAITON BINTI JAMALUDDIN**  
*(Independent, Non-Executive Director)*

**9. DATO' DR. ZAKI MORAD BIN MOHAMAD ZAHER**  
*(Independent, Non-Executive Director)*

**10. AMIZAR BINTI MIZUAR**  
*(Non-Independent, Non-Executive Director)*

# BOARD OF DIRECTORS' PROFILE

**Membership of Board Committees:**  
None

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

69

**Conflict of interest or potential conflict of interest, including interest in any competing business with the company or its subsidiaries:**  
None



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



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

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

**Other Directorships in Public Companies and Listed Issuers:**

- Lotte Chemical Titan Holdings Berhad
- Awqaf Holdings Berhad

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

**Date of appointment to the Board**  
5 April 2016

**Length of Service**  
5 years 11 months

**Date of Last Re-Election**  
17 June 2020

**Number of Board meetings attended in 2021**

17 / 17

## Working Experience and Occupation

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

Tan Sri Datin Paduka Siti Sa'diah is a Non-Independent Non-Executive Chairman of Duopharma Biotech since 28 December 2017. She was appointed as a Senior Independent Director on 5 April 2016. Prior to her appointment as a Senior Independent Director in Duopharma Biotech, she served as an Independent Non-Executive Director in Chemical Company of Malaysia Berhad from 5 April 2016 until its demerger in December 2017. She launched her career at Johor Corporation (JCorp) in 1974, joining its Healthcare Division in 1978. She was appointed Chief Executive of Kumpulan Perubatan (Johor) Sdn Bhd (KPJSB) in 1989, and served as Managing Director of KPJ Healthcare Berhad ("KPJ") from 1 March 1993, overseeing its listing in November 1994. She retired on 31 December 2012 but continued to serve KPJ in the capacity of a Corporate Advisor from 1 January 2013 until 31 December 2014. She was an Independent Non-Executive Director of KPJ Healthcare Berhad from 1 May 2015 until 31 March 2020. Tan Sri Datin Paduka Siti Sa'diah was the Chairman of KPJ Healthcare University College ("KPJUC") between 1 August 2011 to 31 December 2016. She was the Pro-Chancellor of KPJUC from August 2011 to 31 December 2018. She is the Chancellor of KPJUC with effect from 1 January 2019.

She was an Independent Non-Executive Director of Bursa Malaysia from 2004 to 2012 and was a Board Member of Malaysia External Trade Development Corporation (MATRADE) from 1999 to 2012. She served as a Director of a few other Public Listed Companies under Johor Corporation Group such as Al-'Aqar Healthcare REIT, Kulim (M) Berhad, KFC Holdings Malaysia Bhd and QSR Brands (M) Holdings Bhd from 2006 to 2016. She was an Independent Non-Executive Director of OSK Holdings Berhad from April 2016 to June 2021. Committed to promoting excellence in healthcare, Tan Sri Datin Paduka Siti Sa'diah has served as President of the Malaysian Society for Quality in Health (MSQH) since the inception of the national accreditation body for healthcare services in 1997 until her retirement in December 2018. She was appointed Chairman of Universiti Utara Malaysia from June 2016 to September 2018. She was a member of the Leadership Development Committee, Razak School of Government from November 2013 to December 2018. She was the Pro-Chancellor of University Teknologi Malaysia from October 2016 to October 2021. She is a member of the Institute of Corporate Directors Malaysia (ICDM).

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



**LEONARD ARIFF  
BIN ABDUL SHATAR**  
*Group Managing  
Director,  
Executive Director*

**Membership of Board Committees:**  
None

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

57

**Conflict of interest or potential conflict of interest, including interest in any competing business with the company or its subsidiaries:**  
None



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

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

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

**Other Directorships in Public Companies and Listed Issuers:**

- PanGen Biotech Inc. (Korea)
- SCM Lifescience Inc. (Korea)
- National Institutes of Biotechnology Malaysia

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

**Date of appointment to the Board**  
28 December 2017

**Length of Service**  
4 years 3 months

**Date of Last Re-Election**  
17 June 2020



**Number of Board meetings attended in 2021**

## Working Experience and Occupation

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

Leonard Ariff is also a Director of Monash University Malaysia Sdn Bhd as well as sitting on the Advisory Committee for the Business School

at Monash University Malaysia. He was appointed by the MOE as a CEO@Faculty, assigned to Universiti Kebangsaan Malaysia (UKM). He is currently Adjunct Professor at the Faculty of Pharmacy of the same university, having been appointed on 25 November 2021. Earlier, on 31 March 2021, he has been appointed as a Member of the Board of Trustees of the National Institutes of Biotechnology Malaysia. Leonard Ariff is also a Council Member of the Action Group for Entrepreneurship (AGE Council) at Universiti Malaysia Kelantan (UMK). He was President of the Malaysian Organisation of Pharmaceutical Industries from 2009 to 2014.

He has completed the Qualified Risk Director (QRD) programme and is a member of the Institute of Enterprise Risk Practitioners (IERP). Leonard Ariff is also a member of the Institute of Corporate Directors Malaysia (ICDM). He is the Chairman of Duopharma Biotech's Group Management Committee.

## BOARD OF DIRECTORS' PROFILE

### Membership of Board Committees:

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

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

None

66

### Conflict of interest or potential conflict of interest, including interest in any competing business with the company or its subsidiaries:

None



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

None

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

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

### Other Directorships in Public Companies and Listed Issuers:

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

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

None

**Date of appointment to the Board**  
2 January 2014

**Length of Service**  
8 years 2 months

**Date of Last Re-Election**  
28 May 2021

**Number of Board meetings attended in 2021**

17 / 17



**DATO' MOHAMAD KAMARUDIN BIN HASSAN**  
*Senior Independent Non-Executive Director*

### Working Experience and Occupation

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

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



**RAZALEE BIN AMIN**  
*Independent  
Non-Executive Director*

**Membership of Board Committees:**

- Chairman, Audit and Integrity Committee

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

None

68

**Conflict of interest or potential conflict of interest, including interest in any competing business with the company or its subsidiaries:**

None



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

None

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

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

**Other Directorships in Public Companies and Listed Issuers:**

- Velesto Energy Berhad
- UMW Holdings Berhad
- Heitech Padu Berhad

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

17 / 17

**Number of Board meetings attended in 2021**

**Date of appointment to the Board**  
1 June 2016

**Length of Service**  
5 years 9 months

**Date of Last Re-Election**  
31 May 2019

**Working Experience and Occupation**

Razalee is a licenced auditor and an approved liquidator, who has more than 43 years' experience in various management positions and directorships in public listed companies with areas of expertise in audit, corporate recovery, finance, banking and investment acquisition. He started his career at Messrs. Hanafiah Raslan & Mohamad, a Chartered Accountants firm. In 1983, he joined Sateras Resources (Malaysia) Berhad as a Group Financial Controller before being appointed as the Senior Vice President of the Investment and Acquisition Division at

MBF Finance Berhad in 1987. He subsequently served Damansara Realty Berhad as its Senior General Manager from 1994 until 1996, when he set up his own Chartered Accountants firm, Razalee & Co., where he is presently the Managing Partner.

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

## BOARD OF DIRECTORS' PROFILE

### Membership of Board Committees:

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

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

None

62

### Conflict of interest or potential conflict of interest, including interest in any competing business with the company or its subsidiaries:

None

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

None

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

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

### Other Directorships in Public Companies and Listed Issuers:

None

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

None

### Date of appointment to the Board

1 September 2016

### Length of Service

5 years 6 months

### Date of Last Re-Election

17 June 2020

Number of Board meetings attended in 2021

17 / 17

**ZAITON BINTI JAMALUDDIN**  
Independent  
Non-Executive Director



### Working Experience and Occupation

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

She held roles in the areas of general management, sales and marketing, business development and training. In addition, she was involved in lobbying and making presentations to the government. An expert in her field, Zaiton has been a regular speaker on scientific as well as motivational topics. She was a member of the MARA Council from 2000 to 2002, a director of Malaysian Biotechnology Corporation Sdn Bhd from 2006 to 2008, and a former President of the Pharmaceutical Association of Malaysia from 2005 to 2007.

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



**DATO' EISAH BINTI A. RAHMAN**  
*Independent Non-Executive Director*

**Membership of Board Committees:**

- Member, Nomination and Remuneration Committee
- Member, Medical Advisory Committee

66

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

None



**Conflict of interest or potential conflict of interest, including interest in any competing business with the company or its subsidiaries:**

None



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

None

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

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

**Other Directorships in Public Companies and Listed Issuers:**

None

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

None

17 / 17

**Number of Board meetings attended in 2021**

**Date of appointment to the Board**  
16 November 2016

**Length of Service**  
5 years 4 months

**Date of Last Re-Election**  
31 May 2019

**Working Experience and Occupation**

Dato' Eisah has been a key figure in the development of the pharmacy and pharmaceutical sectors in Malaysia, having served the Ministry of Health for more than 35 years. Her career in the Ministry began in 1979 as a pharmacist, unfolding as she went on to hold key positions that included heading the Pharmaceutical Microbiology Lab and GMP and Licensing Section, being Deputy Director of the Centre for Product Registration and, eventually, Director of the National Pharmaceutical Control Bureau ("NPCB"), now known as the National Pharmaceutical Regulatory Agency (NPRA). In 2007, she was made Director of Pharmacy Enforcement and was promoted to Senior Director of Pharmaceutical Services in 2008, taking charge of the entire pharmacy programme in Malaysia. Since 2008, she has also served as Registrar of the Pharmacy Board of Malaysia. Dato' Eisah has been involved in various high-level national committees such as the Ministry of Health's Steering Committee for National Medicines Policy. She has also contributed to international policymaking in her capacity as an advisor in the areas of regulations and pharmaceutical quality assurance, and through sharing her expertise on regulatory matters at healthcare-related conferences.

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

Dato' Eisah is a member of the Institute of Corporate Directors Malaysia (ICDM) and a Patron/ Adviser to ISPE Malaysia Affiliate.

## BOARD OF DIRECTORS' PROFILE

### Membership of Board Committees:

- Chairman, Halal Committee
- Member, Audit & Integrity Committee

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

None

68

### Conflict of interest or potential conflict of interest, including interest in any competing business with the company or its subsidiaries:

None

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

None



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

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

### Other Directorships in Public Companies and Listed Issuers:

None

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

None

### Date of appointment to the Board

28 December 2017

### Length of Service

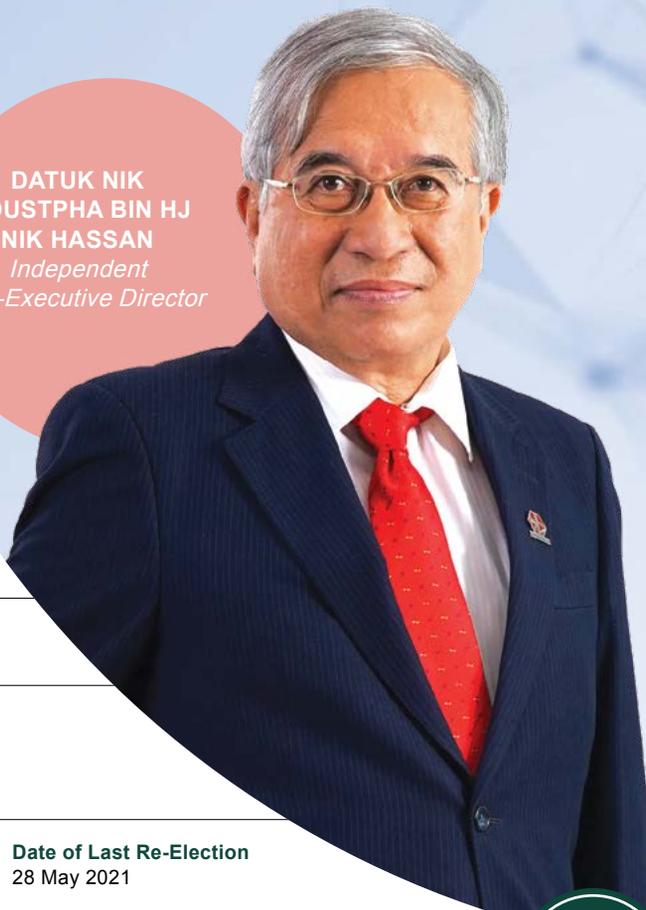
4 years 3 months

### Date of Last Re-Election

28 May 2021

Number of Board meetings attended in 2021

17 / 17



**DATUK NIK MOUSTPHA BIN HJ NIK HASSAN**  
*Independent Non-Executive Director*

### Working Experience and Occupation

Datuk Nik Moustpha is an academic with interests in economic ideology, systems and management. He has authored six books, edited 18 books and published over 260 scholarly articles in various journals, books, magazines and newspapers on these topics. His book titles include An Islamic Paradigm in Economics: Vision and Mission, Islamic Management for Excellence – Revitalising People for the Future, Value-based Total Performance Excellence Model and Pandangan Alam Islam Dalam Peradaban Ekonomi dan Asas Memacu Ekonomi Ummah – Satu Pandangan. Datuk Nik Moustpha began his career in 1979 as a Lecturer in the Faculty of Economics and Agribusiness, Agricultural University of Malaysia. In June 1983, he was seconded to the Faculty of Economics and Management of International Islamic University, Malaysia. He was made Dean of the faculty from August 1987 to July 1989. In May 1988, he was also appointed as an Associate Professor of the faculty. Following a year's stint as a Visiting Fellow at the Oxford Centre for Islamic Studies, University of Oxford, Datuk Nik Moustpha was appointed as Dean of the Postgraduate Faculty of International Islamic University, Malaysia in August 1992. He subsequently joined the Institute of Islamic Understanding Malaysia (IKIM) where he held various positions before serving as its Director General from September 2009 to August 2015.

In September 2017, Datuk Nik Moustpha was appointed as an Adjunct Professor at Universiti Kebangsaan Malaysia's Faculty of Economics and Management which ended in September 2019 and prior to that, he was appointed as an Adjunct Professor at Universiti Pertahanan Malaysia for a two-year period. Datuk Nik Moustpha previously was an Adviser of the Faculty of Business and Accounting at University of Malaya and he is currently a member of the Institute of Corporate Directors Malaysia (ICDM). He was a member of Board of Trustees, Yayasan TRISILCO before he resigned on 28 January 2020, and has served as a Member of Group Shariah Committee, MNRB Holdings Berhad from 2 November 2015 until 9 November 2020.

Prior to being appointed to the Board of Duopharma Biotech, he had served as an Independent Non-Executive Director of Chemical Company of Malaysia Berhad from 9 September 2016 to 27 November 2017. Datuk Nik Moustpha was a Director of Takaful Ikhlas General Berhad between 30 November 2018 to 22 September 2021.



**DATUK MOHD RADZIF BIN MOHD YUNUS**  
*Non-Independent  
 Non-Executive Director*

**Membership of Board Committees:**

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

63

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

None



**Conflict of interest or potential conflict of interest, including interest in any competing business with the company or its subsidiaries:**

None



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

- Duopharma Biotech Berhad - 25,293 shares (0.003%)

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

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

**Other Directorships in Public Companies and Listed Issuers:**

- HeiTech Padu Berhad
- Amanah Raya Berhad

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

None

17 / 17

**Number of Board meetings attended in 2021**

**Date of appointment to the Board**  
8 March 2018

**Length of Service**  
4 years

**Date of Last Re-Election**  
28 May 2021

**Working Experience and Occupation**

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

Datuk Mohd Radzif was also the Chairman of the Association of Development Finance Institutions of Malaysia (ADFIM) and a Vice Chairman of the Association of National Development Finance

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

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

Datuk Mohd Radzif is a member of the Institute of Corporate Directors Malaysia (ICDM) and a certified Risk Director by Institute Enterprise Risk Management.

## BOARD OF DIRECTORS' PROFILE

### Membership of Board Committees:

- Chairman, Medical Advisory Committee

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

None

71

### Conflict of interest or potential conflict of interest, including interest in any competing business with the company or its subsidiaries:

None

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

None



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

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

### Other Directorships in Public Companies and Listed Issuers:

None

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

None

**Date of appointment to the Board**  
6 September 2019

**Length of Service**  
2 years 6 months

**Date of Last Re-Election**  
17 June 2020

**Number of Board meetings attended in 2021**

16 / 17

### Working Experience and Occupation

Dato' Dr. Zaki Morad graduated from the University of Malaya in 1975 and, after obtaining Membership of the Royal College of Physicians (MRCP) from the Royal College of Physicians, United Kingdom ("UK"), trained in Nephrology in both the UK and Malaysia. He joined the Department of Nephrology, Hospital Kuala Lumpur as a consultant in 1982 and became its head in 1987 until his retirement from government service in 2006. He was appointed as the National Advisor and Head of Service for Nephrology, MOH Malaysia, for the same period. In addition, he served as Director of the Clinical Research Unit of MOH from 2000 to 2006. Dato' Dr. Zaki Morad was President of the Malaysian Society of Nephrology from 1990 to 1992. During his tenure, he initiated and developed the Malaysian Dialysis and Transplant Registry and the Malaysian Registry of Renal Biopsy, which later became National Renal Registry of which he was Chair for the years 2008 to 2010. He was one of the editors of the first two editions of Renal Replacement Therapy: Clinical Practise Guidelines, MOH. He ensured all general hospitals and district hospitals in the country were equipped with haemodialysis and peritoneal dialysis facilities prior to his retirement.

Dato' Dr. Zaki Morad lent his expertise in organising many prestigious conferences such as the 12th Asian Colloquium in Nephrology 1998, 8th Congress of Asian Society of Nephrology 2003, 11th Asia Pacific Congress of Nephrology 2008 and 14th Congress of the International Society for Peritoneal Dialysis (ISPD) 2012. Following his retirement, he maintains his interest in nephrology through work with the National Kidney Foundation where he is Chairman of the Board of Directors. Concurrently, he practices as a Resident Consultant Nephrologist at KPJ Ampang Puteri Specialist Hospital, Selangor. He was an Independent Non-Executive Director of KPJ Healthcare Berhad from 3 July 2017 until 7 May 2020.

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



**AMIZAR BINTI MIZUAR**  
Non-Independent  
Non-Executive Director

**Membership of Board Committees:**

- Member, Nomination and Remuneration Committee
- Member, Halal Committee

52

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

None



**Conflict of interest or potential conflict of interest, including interest in any competing business with the company or its subsidiaries:**

None



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

None

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

- Master of Business Administration (Applied Finance & Investment), Universiti Kebangsaan Malaysia, Malaysia
- Bachelor of Business Administration (Hons), Universiti Utara Malaysia, Malaysia
- Graduate Diploma in Applied Finance & Investment, Securities Institute of Australia, Australia
- Executive Diploma in Investment Analysis, Institut Teknologi MARA, Malaysia
- Diploma in Banking Studies, Institut Teknologi MARA, Malaysia
- Capital Markets Services Representative's Licence, Securities Commission Malaysia, Malaysia
- Leadership Transition Programme, INSEAD, Fontainebleau, France

**Other Directorships in Public Companies and Listed Issuers:**

None



**Number of Board meetings attended in 2021**

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

None

**Date of appointment to the Board**  
9 July 2021

**Length of Service**  
8 months

**Date of Last Re-Election**  
Not applicable

**Working Experience and Occupation**

Puan Amizar is presently the Head of the Financial Institution sector in the Strategic Investments Division of Permodalan Nasional Berhad ("PNB"). Since joining PNB in 1995, she has served in various positions in PNB, including Assistant Vice President of Corporate and International, Vice President of Corporate Services and Corporate Finance, and Senior Vice President of Public Equity. With more than 20 years of experience in the corporate finance sector, she has been

involved in various aspects of investment management and corporate finance including mergers and acquisitions, corporate restructuring and investment analysis. She previously served as a Director on the Board of HeiTech Padu Berhad from 2018 to 2019 and Chemical Company of Malaysia Berhad from 2018 to 2020.

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

# SENIOR MANAGEMENT TEAM'S PROFILE



**1. Wan Amir-Jeffery  
Bin Wan Abdul  
Majid**  
*(Chief Operating  
Officer/Chief  
Commercial Officer)*

**2. Chek Wu Kong**  
*(Chief Financial Officer)*

**3. Ng Su Yee**  
*(Chief Technical Officer)*



**4. Krisnakumara-Reddi  
A/L Kesava-Reddi**  
*(Chief Manufacturing  
Officer)*

**5. Ibrahim Hussin  
Salleh**  
*(Chief Legal Officer  
and Group Company  
Secretary)*

**6. Shamsul Idham Bin  
A.lahad**  
*(Chief Executive  
Officer, Duopharma  
Consumer Healthcare  
Sdn. Bhd.)*

## SENIOR MANAGEMENT TEAM'S PROFILE



Date of appointment to Senior Management Position:

**12 September 2018**

Family Relationship with Any Director and/or Major Shareholder:

**None**

Conflict of interest or potential conflict of interest, including interest in any competing business with the company or its subsidiaries:

**None**

### Academic/Professional Qualification/Membership(s)

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

### Directorship in Public Companies and Listed Issuers

None

### List of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year:

None

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

None

### Working Experience and Occupation

Wan Jeffery joined Duopharma Biotech as Chief Strategy Officer in September 2016, responsible for business development, Halal initiatives and Government Relations and Ethical Classic government business sales. He was appointed as Chief Operating Officer in September 2018 with additional responsibilities in Ethical Classic Private sales and Corporate Communication added to his portfolio. In 2020, Wan Jeffery was also appointed as Chief Commercial Officer when he took on board the Ethical Specialty business. Subsequently in 2021, he also took on the International Business Department commercial role, and as such, handles the entire commercial business of the Group.

Wan Jeffery has wide-ranging experience in the development of biotechnology and pharmaceutical industries. He launched his career in 1997 in a marine and environmental consulting firm, Sea Resources Management (SRM) Sdn. Bhd., leaving in 2007 to join Malaysian Biotechnology Corporation (BiotechCorp) Sdn. Bhd. As a

Lead Business Analyst in the Biomedical Business Development and Investment Division, he acquired extensive knowledge and expertise in identifying, structuring and securing biomedical investment projects, especially in the biopharma and pharmaceutical industries. He was promoted to Vice- President within the same division in 2008.

In 2013, Wan Jeffery left BiotechCorp and joined Johor Biotechnology & Biodiversity Corporation and J-Biotech Holdings Sdn. Bhd as Chief Executive Officer ("J-Biotech"), responsible for developing and implementing key Johor state bioeconomy and biotech initiatives. He left J-Biotech in August 2016 to join Duopharma Biotech. Wan Jeffery is a member of the Institute of Corporate Directors Malaysia (ICDM). He is a member of Duopharma Biotech's Group Management Committee.



<p>Date of appointment to Senior Management Position: <b>1 July 2012</b></p>	<p>Family Relationship with Any Director and/or Major Shareholder: <b>None</b></p>	<p>Conflict of interest or potential conflict of interest, including interest in any competing business with the company or its subsidiaries: <b>None</b></p>
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<p><b>Academic/Professional Qualification/Membership(s)</b></p> <ul style="list-style-type: none"> <li>• Bachelor of Accounting (Hons), University of Malaya, Malaysia</li> <li>• Chartered Accountant, Malaysian Institute of Accountants</li> <li>• Member of the Malaysian Institute of Certified Public Accountants ("MICPA")</li> <li>• Senior Management Development Program, Harvard Business School, United States of America</li> <li>• ICAEW Qualified Person Responsible for Training (QPRT)</li> </ul>
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<p><b>Directorship in Public Companies and Listed Issuers</b></p> <p>None</p>
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<p><b>List of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year:</b></p> <p>None</p>
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<p><b>Details of any direct interest in the Securities of the Company or its Subsidiaries</b></p> <ul style="list-style-type: none"> <li>• Duopharma Biotech Berhad - 124 shares (0.000%)</li> </ul>
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**Working Experience and Occupation**

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

He is also a member of the Institute of Corporate Directors Malaysia (ICDM). He is a member of Duopharma Biotech's Group Management Committee.

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

## SENIOR MANAGEMENT TEAM'S PROFILE



Date of appointment to Senior Management Position:

**1 January 2012**

Family Relationship with Any Director and/or Major Shareholder:

**None**

Conflict of interest or potential conflict of interest, including interest in any competing business with the company or its subsidiaries:

**None**

### Academic/Professional Qualification/Membership(s)

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

### Directorship in Public Companies and Listed Issuers

None

### List of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year:

None

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

- Duopharma Biotech Berhad - 64,158 shares (0.007%)

### Working Experience and Occupation

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

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

Su Yee is a member of the Royal Pharmaceutical Society of Great Britain, the Malaysian Pharmacists Society, and the Institute of Corporate Directors Malaysia (ICDM). She is also a member of the Executive Council of the Malaysian Organisation of Pharmaceutical Industries (MOPI) and the Malaysian affiliate of the International Society for Pharmaceutical Engineering (ISPE). Su Yee serves as a committee member of the Pharmacy Course Advisory & Stakeholder Group of Monash University Malaysia; she is also a member of the Industry Advisory Panel in the School of Pharmacy of Taylor's University. Su Yee has been appointed as a member of the Medicine Advertisements Board by the Health Minister since 1 May 2020. She is a member of Duopharma Biotech's Group Management Committee.



<p>Date of appointment to Senior Management Position: <b>1 January 2016</b></p>	<p>Family Relationship with Any Director and/or Major Shareholder: <b>None</b></p>	<p>Conflict of interest or potential conflict of interest, including interest in any competing business with the company or its subsidiaries: <b>None</b></p>
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**Academic/Professional Qualification/Membership(s)**

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

**Directorship in Public Companies and Listed Issuers**

None

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

None

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

- Duopharma Biotech Berhad - 2,802 shares (0.000%)

**Working Experience and Occupation**

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

Since joining the Company in 1998 as a Production Pharmacist, Krisna has devoted his cumulative experience in pharmaceuticals sales and manufacturing to Duopharma Biotech. Over the years, he

has led various disciplines of plant operations including production, warehousing and transportation, planning, engineering, project management and quality assurance.

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

Krisna obtained the Lean Six Sigma Black Belt certification in 2016. He is a member of Duopharma Biotech's Group Management Committee.

## SENIOR MANAGEMENT TEAM'S PROFILE



Date of appointment to Senior Management Position:

**28 December 2017**

Family Relationship with Any Director and/or Major Shareholder:

**None**

Conflict of interest or potential conflict of interest, including interest in any competing business with the company or its subsidiaries:

**None**

### Academic/Professional Qualification/Membership(s)

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

### Directorship in Public Companies and Listed Issuers

None

### List of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year:

None

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

None

### Working Experience and Occupation

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

Upon his admission to the Roll of Advocates and Solicitors of the High Court of Malaya in 1993, Ibrahim practised as an Advocate and Solicitor, gaining experience in banking, conveyancing, corporate

and litigation matters. Prior to CCM Berhad, he joined a public listed property development company in 2002 where he served as Head of the Legal & Secretarial Department.

Ibrahim is an Affiliate Member of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA), a Member of the Inns of Court Malaysia, the Association of Muslim Lawyers of Malaysia, and the Institute of Enterprise Risk Practitioners (IERP), and an Associate Member of the Harvard Business School Alumni Club of Malaysia. He is a member of Duopharma Biotech's Group Management Committee.



**SHAMSUL IDHAM BIN A.IAHAD**  
*Chief Executive Officer,  
 Duopharma Consumer  
 Healthcare Sdn. Bhd.*

49



Date of appointment to Senior Management Position: <b>1 January 2020</b>	Family Relationship with Any Director and/or Major Shareholder: <b>None</b>	Conflict of interest or potential conflict of interest, including interest in any competing business with the company or its subsidiaries: <b>None</b>
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**Academic/Professional Qualification/Membership(s)**

- Diploma in Business Studies, MARA Institute of Technology, Malaysia
- Bachelor of Science (Marketing), University of Bridgeport, Connecticut, United States of America
- Managerial Finance from The London School of Economics and Political Science, United Kingdom

**Directorship in Public Companies and Listed Issuers**

None

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

None

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

None

**Working Experience and Occupation**

Shamsul joined Duopharma Marketing Sdn. Bhd. as Senior Manager in February 2012, responsible for the Over-the-counter (“OTC”) Marketing Department and the Events & Promotions Department. He was later promoted to General Manager in April 2017, responsible for OTC Business with Sales, Marketing, Events & Promotions and Indonesia business portfolios. Following the Group’s new business strategy, Shamsul has been appointed to helm Duopharma Consumer Healthcare Sdn. Bhd. as its Chief Executive Officer. Duopharma Consumer Healthcare Sdn. Bhd., a wholly-owned subsidiary of Duopharma Biotech, engages in consumer healthcare business in Malaysia and ASEAN in January 2020. Beginning January 2021, he has taken up the additional responsibility of leading the Corporate Communication functions in the Group.

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

Shamsul has more than 20 years of experience in sales and marketing of consumer healthcare as well as fast-moving consumer goods (FMCG) brands. He has previously managed brands such as Magnolia ice-cream, Sensodyne, Aquafresh, Appeton, Lactacyd and Essentiale. He is a member of Duopharma Biotech’s Group Management Committee.

## OTHER KEY MANAGEMENT TEAM'S PROFILE



Date of appointment to Key Management Position:

**28 December 2017**

Family Relationship with Any Director and/or Major Shareholder:

**None**

Conflict of interest or potential conflict of interest, including interest in any competing business with the company or its subsidiaries:

**None**

### Academic/Professional Qualification/Membership(s)

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

### Directorship in Public Companies and Listed Issuers

None

### List of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year:

None

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

None

### Working Experience and Occupation

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

Subsequent engagements included stints in Novartis, Novo Nordisk and Bayer, which developed her wealth of experience in the management of products and international business. After leaving

her role as National Sales Manager at Bayer in 2006, she assumed various positions in Chemical Company of Malaysia Berhad, including Marketing Manager, Senior Business Analyst (Strategy), Senior Project Manager and Head Group Risk Management.

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



<p>Date of appointment to Key Management Position: <b>28 December 2017</b></p>	<p>Family Relationship with Any Director and/or Major Shareholder: <b>None</b></p>	<p>Conflict of interest or potential conflict of interest, including interest in any competing business with the company or its subsidiaries: <b>None</b></p>
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<p><b>Academic/Professional Qualification/Membership(s)</b></p> <ul style="list-style-type: none"> <li>• Bachelor of Business (Accounting &amp; Management), La Trobe University, Australia</li> <li>• Certified Practising Accountant (CPA), Australia</li> <li>• Certified Internal Auditor (CIA)</li> <li>• Chartered Member, Institute of Internal Auditors Malaysia</li> <li>• Certified Integrity Officer (CeIO), Malaysian Anti-Corruption Academy</li> </ul>
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<p><b>Directorship in Public Companies and Listed Issuers</b></p> <p>None</p>
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<p><b>List of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year:</b></p> <p>None</p>
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<p><b>Details of any direct interest in the Securities of the Company or its Subsidiaries</b></p> <p>None</p>
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<p><b>Working Experience and Occupation</b></p> <p>Rama joined the Chemical Company of Malaysia Berhad in 2012 where, as Senior Manager, Group Integrity &amp; Assurance, he spearheaded the development, coordination and implementation of the Corporate Integrity Plan/System. He also led investigation audits and the Fertilizers Division's audit portfolio.</p> <p>Rama gained exposure to auditing, risk management and consulting at accounting firm Crowe Horwath, based in Melaka. He then moved in-house, joining United Engineers Malaysia Group Berhad in 2008 where he led multiple audit assignments on companies within the Group, representing a myriad of industries.</p>	<p>Rama is an appointed member of the Malaysian Institute of Integrity (INTEGRITI) and holds an ISO 37001 (Anti-Bribery Management System) Lead Implementer certificate from Professional Evaluation and Certification Board (PECB), Canada and ISO 37001 Lead Auditor Certification from Exemplar Global, Australia. He was appointed as Head, Group Internal Audit &amp; Integrity of Duopharma Biotech, holding the senior position effective 28 December 2017.</p>
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# CORPORATE GOVERNANCE OVERVIEW STATEMENT

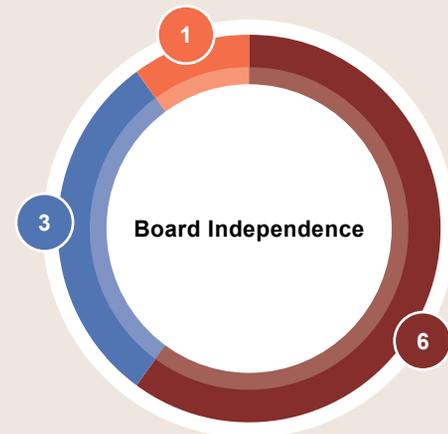
The Board of Directors (the “Board”) of Duopharma Biotech Berhad (“Duopharma Biotech” or the “Company”) and its subsidiaries (collectively referred to as the “Group”) presents this Corporate Governance Overview Statement (“CGOS”), outlining the corporate governance approach, focus areas and priorities for the financial year ended 31 December 2021.

**TAN SRI DATIN  
PADUKA SITI SA'DIAH BINTI  
SH BAKIR**  
(Non-Independent  
Non-Executive Chairman)

The Board is cognisant on the need to present an all-encompassing and coherent set of corporate governance disclosures which empowers stakeholders to appreciate the strategic direction that Duopharma Biotech is charting towards and how the intended outcomes of good corporate governance will be attained.

To this end, the Board is steadfast in its intention to provide stakeholders with an informational and comprehensive disclosure of how corporate governance better practices are infused into the very fabric of the Group’s overall decision-making process.

This CGOS is augmented with a Corporate Governance Report, based on the updated prescribed format so as to provide a detailed account on the application of Duopharma Biotech’s corporate governance practices vis-à-vis the Malaysian Code on Corporate Governance (“MCCG”) during the financial year ended 31 December 2021. The Corporate Governance Report is made available on Duopharma Biotech’s corporate website, [www.duopharmabiotech.com/corporate-governance-report](http://www.duopharmabiotech.com/corporate-governance-report) as well as via an announcement on the website of Bursa Malaysia Securities Berhad (“Bursa Securities”). The CGOS and the Corporate Governance Report are made pursuant to Paragraph 15.25 of the Main Market Listing Requirements (“MMLR”) by Bursa Securities and are narrated with reference to the guidance provided in Practice Note 9 of the MMLR and the Corporate Governance Guide (4<sup>th</sup> Edition) issued by Bursa Securities.



■ Independent Non-Executive Directors  
■ Non-Independent Non-Executive Directors  
■ Executive Director

In order to enrich its disclosure tapestry and in line with preceding years, Duopharma Biotech continues to take heed of the observations on disclosure practices as availed by Securities Commission Malaysia in its Corporate Governance Monitor 2021 as well as the expectations set out by Bursa Securities to listed issuers through its letter.

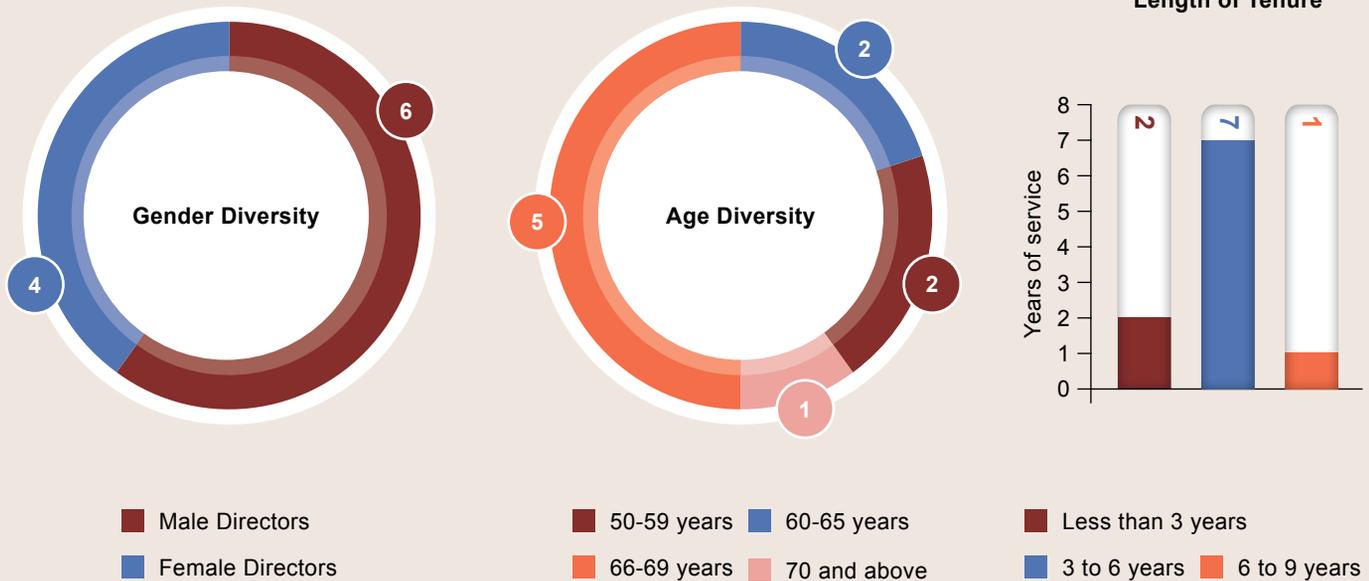
Apart from being augmented with a Corporate Governance Report, this CGOS should also be read in tandem with other statements as contained within the Annual Report (e.g. Statement of Risk Management and Internal Control, and Reports of the Board Committees) and Duopharma Biotech’s standalone Sustainability Report for a holistic understanding of the applications of certain corporate governance practices which may be better elucidated in the respective statements or reports.

## CORPORATE GOVERNANCE APPROACH

Duopharma Biotech reports as a Large Company<sup>1</sup> in 2021 given that its market capitalisation at the start of the financial year was above RM2 billion.

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

## OUR GOVERNANCE AT A GLANCE



As recounted within the Annual Report, notwithstanding the pandemic-induced economic disruptions, the financial year represented a year of resilient growth for Duopharma Biotech characterised by business expansion in line with the overall strategic direction of the Group.

The Board is committed to steer the Group forward on this trajectory of strategic success with a vision of sustainable growth priorities as informed by an inherent understanding of stakeholders' concerns and needs. The Board is cognisant that the Group's value creation process hinges on the architecture of its governance construct and the attendant implementation modalities.

Duopharma Biotech's approach to corporate governance is premised on:

- Embedding a strong ethical culture within the Group with a keen focus on connecting ethical principles to strategies and policies;
- Prioritising economic, environmental and social risks and opportunities as the driving forces in financial decision-making processes; and
- Fostering meaningful relationships with the multifarious groups of stakeholders in order to glean insights into their expectations and needs.

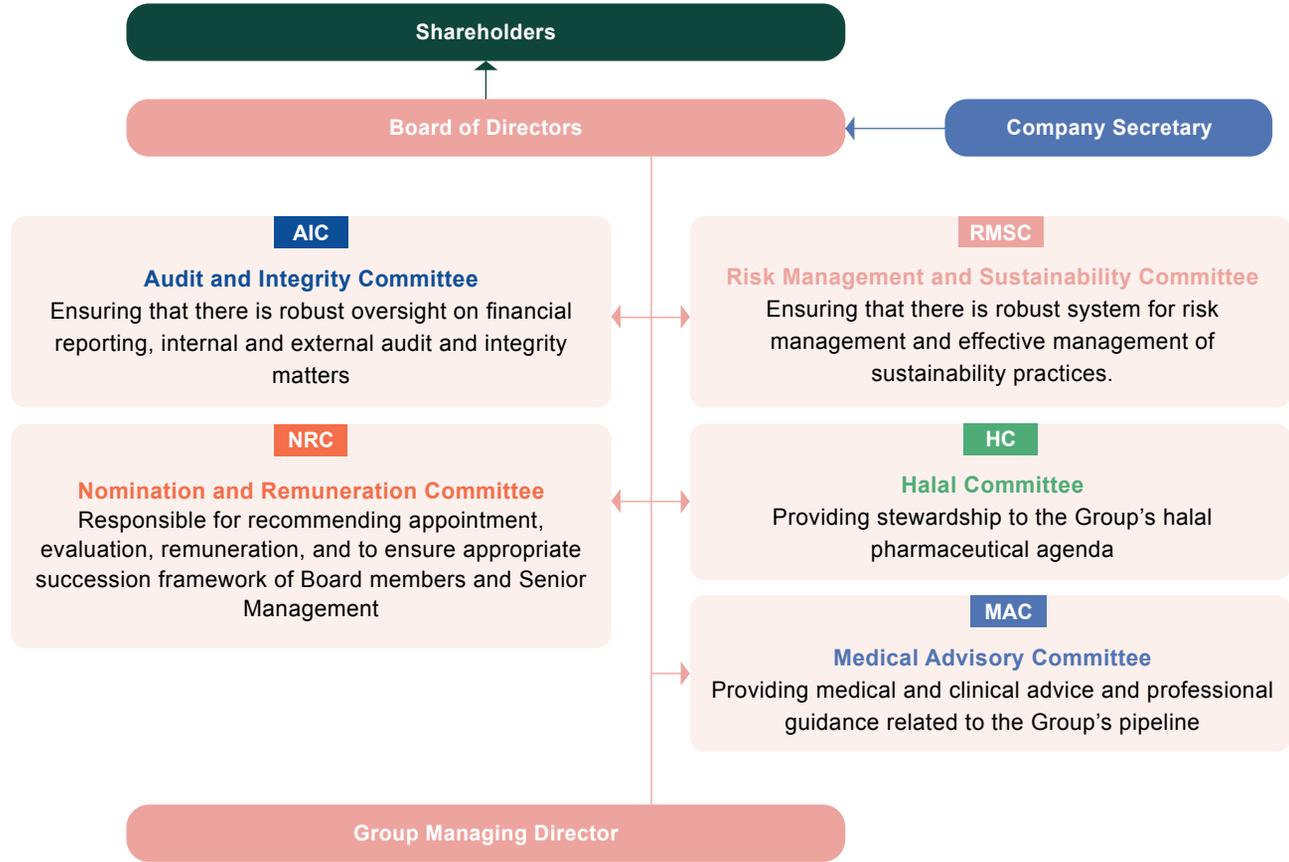
Duopharma Biotech's corporate governance architecture is one that is robust yet dynamic in nature, designed to underpin the day-to day activities of Duopharma Biotech with methodical processes and procedures.

The Board incorporates regular reviews and where appropriate, pivots the Group's corporate governance framework to appropriately reflect the Group's values, vision and mission, whilst simultaneously taking heed of the evolving nuances and seismic shifts that take place within the market and industry.

In order to avert instances of excessive self-review threats, the Board Chairman does not occupy membership in any of the Board Committees. Application of this practice is reflective of the Group's unwavering commitment to ensuring effective check and balance safeguards are in place and that Board-level deliberations, including those of the Board Committees are premised on the central tenets of independence and objectivity.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

In order to lead and manage the Group effectively and responsibly, the Board operates within the following governance framework:



The Board is of the view that the current configuration typifies an appropriate fit with the current operational footprint of Duopharma Biotech. The wealth of experience and diverse set of skills enable the Directors to expound valuable perspectives in order to exercise robust oversight of the Group’s strategic objectives. As illustrated below, the Board is composed of members with diverse experience and multi-disciplinary expertise from the domains of banking & finance, healthcare, medicine, accounting & economics, business development and law which in turn allows for a diverse and multi-faceted approach to Board-level deliberations and ultimate decision-making. The expertise of the Directors is further buttressed with the presence of co-opted key opinion leaders that constitute the Medical Advisory Committee (“MAC”) - a Board level Committee that provides advice to the Board on pharmaceutical matters.



**BANKING & FINANCE**



**HEALTHCARE**



**MEDICINE**



**ACCOUNTING & ECONOMICS**



**BUSINESS DEVELOPMENT**



**LAW**

## SUMMARY OF CORPORATE GOVERNANCE PRACTICES

The Group has applied all the Practices encapsulated in the MCCG for the financial year ended 31 December 2021, save for the following:

- Practice 12.2 (Adoption of Integrated Reporting)

In addition to the standard Practices encapsulated within the MCCG and as a higher order practice, the Group has adopted the following Step Up Practices:

<p><b>Step Up 4.5</b> (Designated management personnel overseeing sustainability matters)</p>	<p><b>Step Up 5.4</b> (Nine-year tenure limit for Independent Directors)</p>
<p><b>Step Up 9.4</b> (Audit Committee comprising solely of Independent Directors)</p>	<p><b>Step Up 10.3</b> (Board establishes a Risk Management Committee)</p>

Duopharma Biotech has provided meaningful explanation on its solitary departure from the concerned practice based on the latitude accorded in the application mechanism of the MCCG. As Duopharma Biotech emerges from a challenging operating environment, the Board has set in motion strategic initiatives to implement the departed Practice within the timeframe outlined within the Corporate Governance Report. The Board expects to make significant progress to adopt Practice 12.2 in 2023.

Additional details on Duopharma Biotech’s application of each individual Practice vis-à-vis the MCCG are available within the Corporate Governance Report which is published on Duopharma Biotech’s corporate website as well as via an announcement on the website of Bursa Securities.

A summary of Duopharma Biotech’s corporate governance practices with reference to the MCCG is outlined below and in the ensuing pages of this CGOS.

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

### Board Responsibilities

The role of the Board is outlined in a formal Board Charter which defines its principal responsibilities, namely to set the Group’s strategic direction, oversee risk management and internal control systems, guide succession planning, ensure effective communication with stakeholders, align strategies with sustainability and stakeholder concerns as well as monitor financial and other forms of reporting.

The Board Charter incorporates a number of “Reserved Matters” that require Board approval as illustrated below:

Matters Reserved for the Board
<ul style="list-style-type: none"> <li>• Appointment of the Chair</li> <li>• Appointment and removal of Directors</li> <li>• Appointment and removal of the Company Secretary</li> <li>• Establishment of Board Committees and their membership</li> <li>• Appointment of Senior Management</li> <li>• Remuneration for Non-Executive Directors</li> <li>• Remuneration for the Executive Director</li> <li>• Employees’ Share Option Scheme</li> <li>• Business strategy and Company operational plan and budget</li> <li>• Performance against strategy</li> <li>• Major capital expenditure, acquisition, divestitures</li> <li>• Bad debts write-offs</li> <li>• Investment or divestment which represent diversification</li> <li>• Changes in major activities of the Company</li> <li>• Treasury policies and bank mandate</li> <li>• Setting of Group Managing Director’s authority level</li> <li>• Annual Financial Statements</li> <li>• Release of financial announcements</li> <li>• Annual Directors’ Report and Statutory Accounts</li> <li>• Dividends</li> <li>• Accounting policies</li> <li>• Corporate policies and procedures</li> <li>• Effectiveness of Company’s system of internal control</li> </ul>

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

In order to discharge its oversight and governance roles and responsibilities, the Board has established five (5) Board Committees, namely, the Audit and Integrity Committee (“AIC”), the Nomination and Remuneration Committee (“NRC”), the Risk Management and Sustainability Committee (“RMSC”), the Halal Committee (“HC”) and the MAC. The Board retains collective oversight over the Board Committees and is regularly apprised on the proceedings of these Committees through the respective Board Committee Chairmen. Any recommendations would be subsequently escalated to the Board for the requisite approval.

The Board Charter and the Terms of Reference of the respective Board Committees are periodically reviewed and revised to integrate the variations to the Companies Act 2016, MMLR, MCGG and other authoritative promulgations so as to ensure acquiescence to mandatory requirements and aspirational practices. The Board Charter is made available on Duopharma Biotech’s website at <https://duopharmabiotech.com/about-us/corporate-governance/board-charter/>.

The GMD, Encik Leonard Ariff Bin Abdul Shatar is tasked with managing the day-to-day operations of the Company’s business and is responsible for implementing the policies, strategies and decisions as guided by the Board. The Board Charter calls for the role of the Chairman of the Board and the Company’s GMD to be distinct with the former playing a pivotal role in developing and maintaining conditions for the Board to function at its optimal level of effectiveness.

The Senior Management, selected by the GMD, assists the Board in ensuring its strategies, plans and policies, budgets, decisions and procedures, and matters approved by the Board are implemented and monitored efficiently.

The Board and Board Committees are supported by a qualified and experienced Company Secretary, namely Encik Ibrahim Hussin Salleh who provides the Board with periodic updates on the latest regulatory developments. Encik Ibrahim is a non-practising Advocate and Solicitor of the High Court of Malaya, a company secretary licensed by the Companies Commission of Malaysia and an affiliate member of the Malaysian Institute of Chartered Secretaries & Administrators (“MAICSA”). Encik Ibrahim also advises and supports the Board in upholding high standards of corporate governance and facilitates the two-way information flow between Senior Management and the Board.

The roles, responsibilities and authorities of the Board, Board Committees, individual Directors and the Company Secretary are clearly outlined in the Board Charter, which serves as an authoritative governance document and induction literature. As mentioned, the Board Charter is made available on Duopharma Biotech’s website and is reviewed periodically to ensure it reflects the ever-changing environment in which the Company operates so as to remain contemporaneous.

## Board Meetings

The Board and its Committees have met with sufficient regularity to deliberate on matters under their purview. Directors have devoted sufficient time to prepare, attend and actively participate during the Board and Board Committee meetings. An overwhelming majority of Directors recorded 100% attendance across the seventeen (17) Board meetings held during the financial year. Led by the Chairman, Directors are frequently called upon to express their views and play a part in making the Board meetings a participatory environment embodied by a ‘free flow’ of ideas.

During the financial year, the Board deliberated on a diverse range of matters including:

### Matters Discussed by the Board

- **Group strategic plans and progress updates**
- **Business plans and developments**
- **Annual budget setting and review**
- **Financial performance**
- **Highlights from the Board Committees**
- **Corporate proposals**
- **Risk management and internal control**
- **Share performance**
- **Capital structure review and balance sheet management**
- **Journey towards digital transformation and business continuity**
- **Cyber security**
- **Economic, environment and social goals and actions**
- **Dividend proposal**
- **Board and Board Committees’ size and composition**
- **Board and Executive remuneration**
- **Effectiveness and performance of the Board and Board Committees**
- **Integrity, corporate governance and regulatory developments**
- **Succession planning**

The attendance of individual Directors at meetings throughout the year are illustrated below:

Director	Board Meeting	Meeting of Members	Independent Directors Meeting	Non-Executive Directors Meeting	AIC Meeting	RMSC Meeting	NRC Meeting	HC Meeting	MAC Meeting
<b>Non-Independent Non-Executive Directors</b>									
Tan Sri Datin Paduka Siti Sa'diah Binti Sh Bakir <sup>1</sup>	17/17	2/2		1/1			5/5		
Datuk Mohd Radzif Bin Mohd Yunus	17/17	2/2		1/1		7/7		4/4	
Amizar Binti Mizuar <sup>2</sup>	8/8	1/1		1/1			2/2	1/1	
<b>Senior Independent Non-Executive Director</b>									
Dato' Mohamad Kamarudin Bin Hassan	17/17	2/2	1/1	1/1	4/4	3/3	7/7		
<b>Independent Non-Executive Directors</b>									
Razalee Bin Amin	17/17	2/2	1/1	1/1	6/6				
Zaiton Binti Jamaluddin	17/17	2/2	1/1	1/1	6/6	7/7			
Dato' Eisah Binti A. Rahman	17/17	2/2	1/1	1/1		4/4	7/7	3/3	1/1
Datuk Nik Moustpha Bin Hj Nik Hassan	17/17	2/2	1/1	1/1	2/2			4/4	
Dato' Dr. Zaki Morad Bin Mohamad Zaher	16/17	2/2	1/1	1/1					2/2
<b>Executive Director</b>									
Leonard Ariff Bin Abdul Shatar	17/17	2/2							

<sup>1</sup> Tan Sri Datin Paduka Siti Sa'diah Binti Sh Bakir resigned as a Member of the Nomination and Remuneration Committee on 17 August 2021.

<sup>2</sup> Puan Amizar Binti Mizuar was appointed to the Board on 9 July 2021.

An annual meeting calendar is prepared and shared by the Company Secretary to the Board prior to the commencement of the financial year. Additional meetings may be convened as special Board meetings, as and when necessary. In the intervening period, administrative matters necessitating the Board's urgent approval may be sought via circular resolutions supported with all the relevant information and explanations required for informed decision-making (with the same applying to the Board Committees). During the year under review, seventeen (17) Board meetings were convened to focus on matters relating to vaccines, business continuity and other issues amidst the COVID-19 pandemic, as well as to deliberate on the advancement of strategic plans to ensure alignment with the long-term objectives of the Company.

In addition to the scheduled Board meetings, the Non-Executive Directors have a framework and forum to meet separately to discuss specific matters without any executives present. During the year under review, Non-Executive Directors conducted a separate meeting without the Executive Director or members of Senior Management to deliberate on issues of concern. A separate meeting of the Independent Non-Executive Directors was also held during the year under review without the presence of the Non-Independent Non-Executive Directors, the Executive Director nor the Senior Management.

The primary responsibility of an Independent Non-Executive Director is to act as a safeguard to the interests of minority shareholders and other stakeholders. As such, the Independent Directors play a fundamental role in ensuring transparency and preserving accountability. This is further fortified by the placement of Independent Directors as Chairmen of four (4) out of the five (5) Board Committees which serves to infuse greater impartiality in the Board's decision-making process. The presence of Non-Independent Non-Executive Directors on the other hand also play a crucial role in their responsibilities for strategy and business performance.

The Board acknowledges its role in "leading from the front" and laying the foundation in permeating an ethical culture across Duopharma Biotech's operations. Premised on this, the Board has formalised and implemented a Code of Conduct (the "Code"), which is regularly reviewed and monitored to foster an ethical culture within all facets of the operations. The Code serves as a guide and reference to Directors and employees to live up to high ethical business standards. It provides principle-based guidance on the conduct of business and their duties, in a manner that is efficient, effective and fair.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

An illustration covering selected salient areas captured within the Code is shown below:



## Board Composition

The Board comprises market and industry leaders, cutting across multiple fields, who accordingly serve as Independent Non-Executive Directors, Non-Independent Non-Executive Directors and an Executive Director. For more details on the Directors' background and experience, refer to pages 34 to 43 of the Annual Report.

Independent Directors are responsible for protecting the interests of minority shareholders and other stakeholders by infusing the element of detached impartiality. Duopharma Biotech believes that independent judgement serves to promote greater accountability and balance in the Board, thus enhancing the decision-making process. In 2021, the Board comprised of ten (10) Directors, of whom 60% (6 out of 10) are Independent Directors.

The appointment of Directors to the Board is conducted through a formal and transparent process overseen by the NRC. Likewise, the re-election of existing Directors is subjected to due process, in line with the Company's Constitution, which calls for one-third (1/3) of the Directors to retire and offer themselves for re-election, where eligible. For the year under review, the following Directors had offered themselves for re-election at the 20<sup>th</sup> Annual General Meeting:

- Dato' Mohamad Kamarudin Bin Hassan
- Datuk Nik Moustpha Bin Hj Nik Hassan
- Datuk Mohd Radzif Bin Mohd Yunus

The Senior Independent Director, namely Dato' Mohamad Kamarudin Bin Hassan, acts as a sounding board for the Chairman and as an intermediary for Independent Directors. Additionally, he is tasked with the instrumental role of serving as a contact point for shareholders and stakeholders to raise any matters pertaining to Duopharma Biotech.

The balance between the six (6) Independent Non-Executive Directors, three (3) Non-Independent Non-Executive Directors and one (1) Executive Director has positively contributed to diversity of views. This is further driven by the NRC's due consideration of a candidates' expertise and work experience when considering potential directorship appointments, with the aim of having new Board members complement and enhance the Board as a whole.

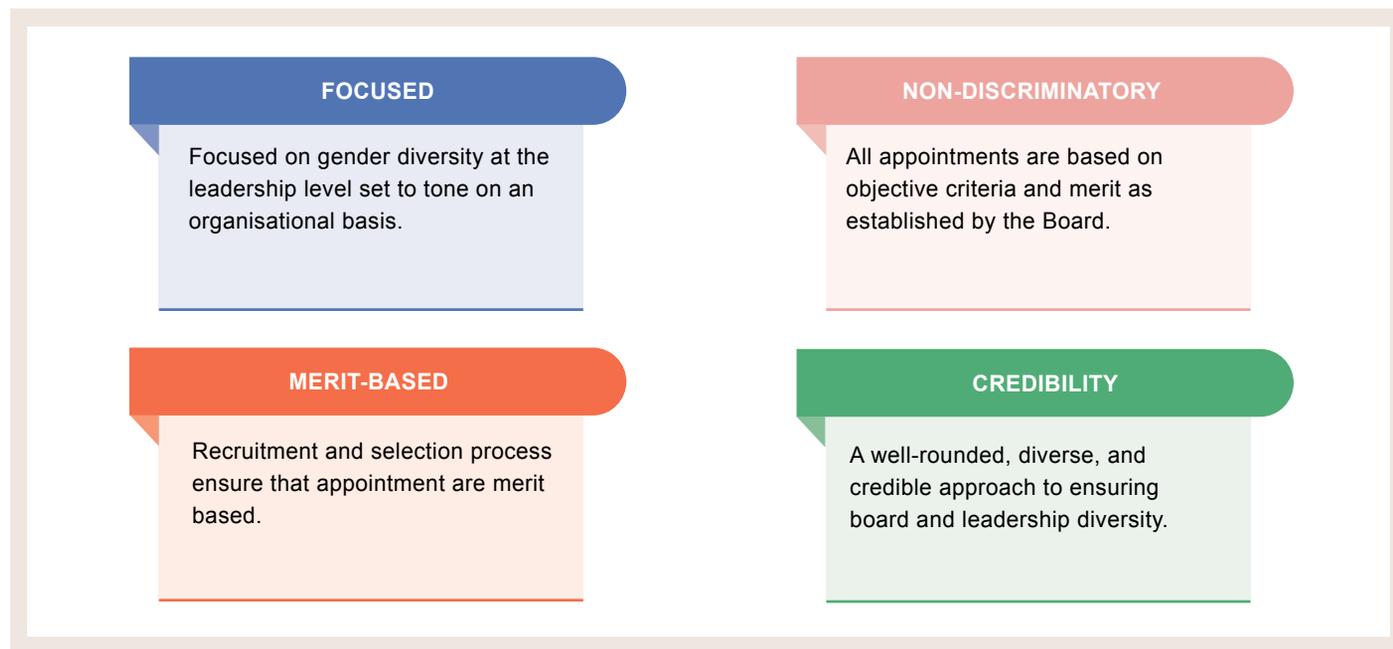
Within the domain of gender diversity, the Board presently has 40% female representation. Against this backdrop, Duopharma Biotech joins the 37% of top 100 companies who have met the 30% target as stipulated in the MCGG as a higher order corporate governance aspiration. The NRC seeks to maintain this advantageous level of gender diversity on the Board and Senior Management due to the Board's appreciation of multifarious viewpoints in Duopharma Biotech's decision-making processes.

Along the same lines of championing gender diversity within corporate Malaysia, Duopharma Biotech remains as only one (1) of six (6) top 150 listed issuers with a female Chairperson.<sup>2</sup>

<sup>2</sup> Based on data extracted as at September 2021.

The Group's prioritisation of diversity is rooted in the Board's belief in the ability of diversity to alter and amplify creativity, innovation, decision-making, problem-solving, engagement, and as such, profits, stakeholder value and reputation. All employees are treated in an equitable manner at Duopharma Biotech, and discrimination along the lines of racial or gender is strictly not tolerated.

At the Board and Senior Management level, the Group has codified a Diversity Policy characterised by the following salient principles:



The Company Secretary is tasked with facilitating the induction of newly appointed Directors alongside the support and guidance of the NRC, to familiarise the new Directors with the operations of the Group. Upon appointment, the Company arranges for newly appointed Board members who are also inaugural directors of listed issuers to attend the Mandatory Accreditation Programme (MAP) as required by Paragraph 15.08 and Practice Note 5 of the MMLR. The Board recognises the importance of continuous professional education and training to magnify and buttress the Directors' ability to effectively discharge their responsibilities, and accordingly, promotes their participation in related programmes to keep apprised on developments in the marketplace and corporate governance.

All Directors attended training programmes during the financial year that were relevant to their respective roles and responsibilities, both from the operational as well as strategic perspectives of the Group. The table below illustrates the training courses attended during the financial year, by Duopharma Biotech's Directors:

Directors' Training Programmes	
Seminars/Conferences/Training	Attended by
Duopharma Biotech Berhad - Directors and Senior Management Training (Training No. 01/2021) on "Risk Appetite" by Ernst & Young ("EY") (12 January 2021)	Tan Sri Datin Paduka Siti Sa'diah Binti Sh Bakir Leonard Ariff Bin Abdul Shatar Dato' Mohamad Kamarudin Bin Hassan Razalee Bin Amin Zaiton Binti Jamaluddin Dato' Eisah Binti A. Rahman Datuk Nik Moustpha Bin Hj Nik Hassan Datuk Mohd Radzif Bin Mohd Yunus Dato' Dr. Zaki Morad Bin Mohamad Zaher

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

Directors' Training Programmes	
Seminars/Conferences/Training	Attended by
Duopharma Biotech Berhad - Directors and Senior Management Training (Training No. 02/2021) on “An Appropriate Patent System for the Malaysian Pharmaceutical Industry and Public Health” by Third World Network (25 January 2021)	Tan Sri Datin Paduka Siti Sa'diah Binti Sh Bakir Leonard Ariff Bin Abdul Shatar Dato' Mohamad Kamarudin Bin Hassan Razalee Bin Amin Zaiton Binti Jamaluddin Dato' Eisah Binti A. Rahman Datuk Nik Moustpha Bin Hj Nik Hassan Datuk Mohd Radzif Bin Mohd Yunus Dato' Dr. Zaki Morad Bin Mohamad Zaher
Duopharma Biotech Berhad - Directors and Senior Management Training (Training No. 03/2021) on “The COVID-19 Vaccine Landscape” by an Independent Consultant for the World Health Organisation (9 February 2021)	Tan Sri Datin Paduka Siti Sa'diah Binti Sh Bakir Leonard Ariff Bin Abdul Shatar Dato' Mohamad Kamarudin Bin Hassan Razalee Bin Amin Zaiton Binti Jamaluddin Dato' Eisah Binti A. Rahman Datuk Nik Moustpha Bin Hj Nik Hassan Datuk Mohd Radzif Bin Mohd Yunus Dato' Dr. Zaki Morad Bin Mohamad Zaher
Malaysian Institute of Accountant (“MIA”) Series: Deferred Tax Under MFRS 112, by MIA (17 February 2021)	Razalee Bin Amin
Permodalan Nasional Berhad (“PNB”) - Kuala Lumpur Islamic Finance Forum 2021 (9 - 10 March 2021)	Amizar Binti Mizuar
PNB - Muzakarah Penasihat Syariah – Kewangan Islam 2021 (11 March 2021)	Amizar Binti Mizuar
PNB - iRAC Week 2021 by National Centre for Governance, Integrity and Anti-Corruption (22 March 2022)	Amizar Binti Mizuar
PNB - iRAC Week 2021 “Global Risk Outlook and Emerging Trends” by PwC Consulting Services (M) Sdn. Bhd. (23 March 2022)	Amizar Binti Mizuar
PNB - iRAC Week 2021 by Institute of Internal Auditing Malaysia (“IIAM”) (24 March 2021)	Amizar Binti Mizuar
Duopharma Biotech Berhad - Directors and Senior Management Training (Training No. 04/2021) on “Positive Climate Actions for Business Advantage” by UN Global Compact Network Malaysia (6 April 2021)	Tan Sri Datin Paduka Siti Sa'diah Binti Sh Bakir Leonard Ariff Bin Abdul Shatar Dato' Mohamad Kamarudin Bin Hassan Razalee Bin Amin Zaiton Binti Jamaluddin Dato' Eisah Binti A. Rahman Datuk Nik Moustpha Bin Hj Nik Hassan Datuk Mohd Radzif Bin Mohd Yunus Dato' Dr. Zaki Morad Bin Mohamad Zaher
PNB Growth Series Online: Values, Ethics and Corporate Accountability by Asia School of Business (7 – 8 April 2021)	Amizar Binti Mizuar
PNB - Responsible Investments and the Sustainability Agenda by Permodalan Nasional Berhad (20 April 2021)	Amizar Binti Mizuar

Directors' Training Programmes	
Seminars/Conferences/Training	Attended by
PNB - Operationalization of the Due Diligence Process for Third-party/ Counterparty by PNB (20 April 2021)	Amizar Binti Mizuar
Best Practices for Enterprise Risk Management by Institute of Enterprise Risk Practitioners ("IERP") (30 April 2021)	Tan Sri Datin Paduka Siti Sa'diah Binti Sh Bakir
Duopharma Biotech Berhad - Directors & Senior Management Training (Training No. 05/2021) on "Workshop on Risk Appetite for the Board of Directors and Senior Management" by EY (7 May 2021)	Tan Sri Datin Paduka Siti Sa'diah Binti Sh Bakir Leonard Ariff Bin Abdul Shatar Dato' Mohamad Kamarudin Bin Hassan Razalee Bin Amin Zaiton Binti Jamaluddin Dato' Eisah Binti A. Rahman Datuk Nik Moustpha Bin Hj Nik Hassan Datuk Mohd Radzif Bin Mohd Yunus Dato' Dr. Zaki Morad Bin Mohamad Zaher
ISPE Malaysia Virtual Vaccines Conference (24 - 26 May 2021)	Dato' Eisah Binti A. Rahman
PNB - Islamic Equity Market Explained by Securities Industries Development Corporation (1 - 2 June 2021)	Amizar Binti Mizuar
MIA Capital Market Conference" by MIA (17 June 2021)	Tan Sri Datin Paduka Siti Sa'diah Binti Sh Bakir
"MCCG 2021 - Much Ado About Nothing?" by IERP (18 June 2021)	Tan Sri Datin Paduka Siti Sa'diah Binti Sh Bakir
"Embedded Value and Value of New Business Concepts" by Takaful Ikhlas General Berhad (30 June 2021)	Datuk Nik Moustpha Bin Hj Nik Hassan
PNB - Sustainability Framework Visioning Workshop by PwC Consulting Services (M) Sdn. Bhd. (6 July 2021)	Amizar Binti Mizuar
PNB Knowledge Forum: "Rising Above COVID-19: Reimagining Work in Malaysia & Beyond" by PNB (14 July 2021)	Tan Sri Datin Paduka Siti Sa'diah Binti Sh Bakir Amizar Binti Mizuar Dato' Eisah Binti A. Rahman
Transfer Pricing War Stories by KPMG (18 July 2021)	Tan Sri Datin Paduka Siti Sa'diah Binti Sh Bakir
Duopharma Biotech Berhad - Directors & Senior Management Training (Training No. 06/2021) on "Global Islamic Economy Opportunity in Duopharma Biotech Berhad Context" by Dinarstandard, Dubai UAE/Malaysia/ASEAN (26 July 2021)	Tan Sri Datin Paduka Siti Sa'diah Binti Sh Bakir Leonard Ariff Bin Abdul Shatar Dato' Mohamad Kamarudin Bin Hassan Razalee Bin Amin Zaiton Binti Jamaluddin Dato' Eisah Binti A. Rahman Datuk Nik Moustpha Bin Hj Nik Hassan Datuk Mohd Radzif Bin Mohd Yunus Dato' Dr. Zaki Morad Bin Mohamad Zaher Amizar Binti Mizuar
PNB - Integrity Virtual Roadshow 2021 - Anti-Bribery and Anti-Corruption ("ABC") Policies of PNB Group by PNB (27 July 2021)	Amizar Binti Mizuar
PNB - Due Diligence in M&A transactions in relation to Cyber Security and Sanctions and Export Controls by Messrs Wong and Partners (3 August 2021)	Amizar Binti Mizuar
ISPE Malaysia Webinar on Development & Manufacturing Insulin Products (27 August 2021)	Dato' Eisah Binti A. Rahman

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

Directors' Training Programmes	
Seminars/Conferences/Training	Attended by
Climate Change & ESG Conference: "Accountants – Champions of Climate Change and Sustainability" by MIA (2 - 3 September 2021)	Tan Sri Datin Paduka Siti Sa'diah Binti Sh Bakir
"Climate Change and Sustainability" by Malaysian Institute of Corporate Governance ("MICG") (8 September 2021)	Tan Sri Datin Paduka Siti Sa'diah Binti Sh Bakir
KPMG Board Leadership Center Exclusive "US Forced Labor Legislation: Impact on Corporate Malaysia" by KPMG (15 September 2021)	Tan Sri Datin Paduka Siti Sa'diah Binti Sh Bakir
PNB - Anti-Bribery and Anti-Corruption Briefing for Investment Related Team by PwC Consulting Services (M) Sdn. Bhd. (15 September 2021)	Amizar Binti Mizuar
"What Boards Can Learn from Boeing Mistakes" by IERP (24 September 2021)	Tan Sri Datin Paduka Siti Sa'diah Binti Sh Bakir
"Khazanah Megatrends Forum" by Khazanah Nasional (4 – 6 October 2021)	Tan Sri Datin Paduka Siti Sa'diah Binti Sh Bakir
"Reimagine Leadership and Governance, Not Capitalism" by Iclif Executive Education Center at Asia School of Business collaboration with MIT Sloan by Iclif Executive Education Center (7 October 2021)	Datuk Nik Moustpha Bin Hj Nik Hassan
PNB Knowledge Forum 2021- Climate Change: A New Green Deal for Malaysia by PNB Institute (25 October 2021)	Amizar Binti Mizuar Dato' Eisah Binti A. Rahman
PNB Growth Series Online: Empathetic Leadership – The Power of 3 by Asia School of Business (27 - 28 October 2021)	Amizar Binti Mizuar
PNB - Cyber Security – Staying Connected and Protected for Business Resilience by SIDC (23 November 2021)	Amizar Binti Mizuar
ISPE Malaysia Webinar : Towards Implementation of Pharma 4.0 (25 November 2021)	Dato' Eisah Binti A. Rahman
Audit Oversight Board Conversation with Audit Committees by Securities Commission Malaysia ("SC") (29 November 2021)	Tan Sri Datin Paduka Siti Sa'diah Binti Sh Bakir
PNB - Anti-Money Laundering/ Counter Financing Terrorism and Targeted Financial Sanctions – Compliance, A Need to Protect Business by PNB (30 November 2021)	Amizar Binti Mizuar
Series 15 and Series 16: Director's Guide to GRC (Governance, Risk and Compliance), IERP Qualified Risk Director Programme, by Institute of Enterprise Risk Practitioners (6 December 2021)	Zaiton Binti Jamaluddin
Inns of Court Malaysia's Inaugural Expert Series: "Coming out of Covid: The US Justice System, Prosecutors, Public Defenders, Terrorism and Money Laundering" by Inns of Court Malaysia (7 December 2021)	Datuk Nik Moustpha Bin Hj Nik Hassan

Additionally, the Company Secretary had also attended relevant training programmes during the financial year. A non-exhaustive list of the training programmes attended by the Company Secretary is illustrated in the table below:

Company Secretary's Training Programmes		
Date	Seminars/Conferences/Training	Organised by
6 April 2021	Positive Climate Actions for Business Advantage	UN Global Compact Network Malaysia & Brunei
23 June 2021	How to Lay Good Groundwork Before Outsourcing	Dylan O. Adams (Senior Patent Attorney)
23 June 2021	Pandemic and Vaccines: A Patent View	Gorodissky & Partners
14 July 2021	Reimagining Work in Malaysia & Beyond	PNB Research Institute Sdn Bhd
24 August 2021	SSM National Conference 2021 – Governing Under New Normal	Companies Commission of Malaysia
25 October 2021	Climate Change: A New Green Deal for Malaysia	PNB Research Institute Sdn Bhd
6 – 7 October 2021	MAICSA Annual Conference 2021 – The New Norm: Managing Disruption – Resilience And Recovery	The Malaysian Institute of Chartered Secretaries and Administrators
8 December 2021	Updates to the Malaysian Code on Corporate Governance	Minority Shareholders Watch Group

### Board Evaluation

During the financial year under review, an externally conducted Board Effectiveness Evaluation (“BEE”) exercise was conducted with the services of KPMG Management & Risk Consulting Sdn Bhd being enlisted. The exercise was undertaken on the Board, Board Committees, individual Directors and the GMD, via comprehensive questionnaires or assessment forms which included both qualitative and quantitative assessments using a self and peer rating model. The questionnaires also covered the oversight role of the Board in relation to sustainability matters, covering environmental, social and governance considerations.

Interview sessions were also conducted with Directors as well as selected Senior Management personnel, namely the Chief Operating Officer, the Chief Financial Officer and the Chief Legal Officer/Group Company Secretary. The exercise had brought to the fore areas of strengths for the Board, Board Committees, individual Directors and GMD, as well as headroom for improvement.

The NRC undertook the responsibility of providing oversight on the conduct of The BEE as well as reviewing the outcomes alongside the Chairman. The exercise had identified that the Board, Board Committees, individual Directors and the GMD obtained overall positive scores/results; that each of the Independent Non-Executive Directors continued to satisfy the test of independence; and that the Board and Board Committees were well structured, had effective operations and successfully fulfilled its roles and responsibilities.

The result of the exercise also highlighted that built on the mutual trust and respect between the Board and Senior Management and the strong leadership on the Board, Duopharma Biotech’s Board has achieved great feats. Duopharma Biotech’s overall score of 88% was on par with that of the market average score of 88% (based on 35 entities comprising mainly Large Companies). Comparatively, the Company’s BEE score was exceeding that of the healthcare sector (i.e. 83%). A particular highlight for Duopharma Biotech was the strong recognition of diversity at the Board level, whereby the variety of skill set present amongst the Directors allowed them to tackle issues in a multifaceted manner. Other positive highlights included the Chairman, the GMD and the Senior Independent Non-Executive Director discharging their roles in a value-adding manner which in turn allowed for all the levers of the Board to function in harmony; and the format, quality and timeliness of Board papers, and escalation of matters from Senior Management were generally well regarded by the Directors.

The BEE exercise also brought to the fore several improvement considerations which covered the following four (4) areas:

- 1. Oversight on remuneration of Senior Management
- 2. Succession planning of Directors
- 3. Oversight on organic versus inorganic growth
- 4. Expectation and communication alignment vis-à-vis the MAC

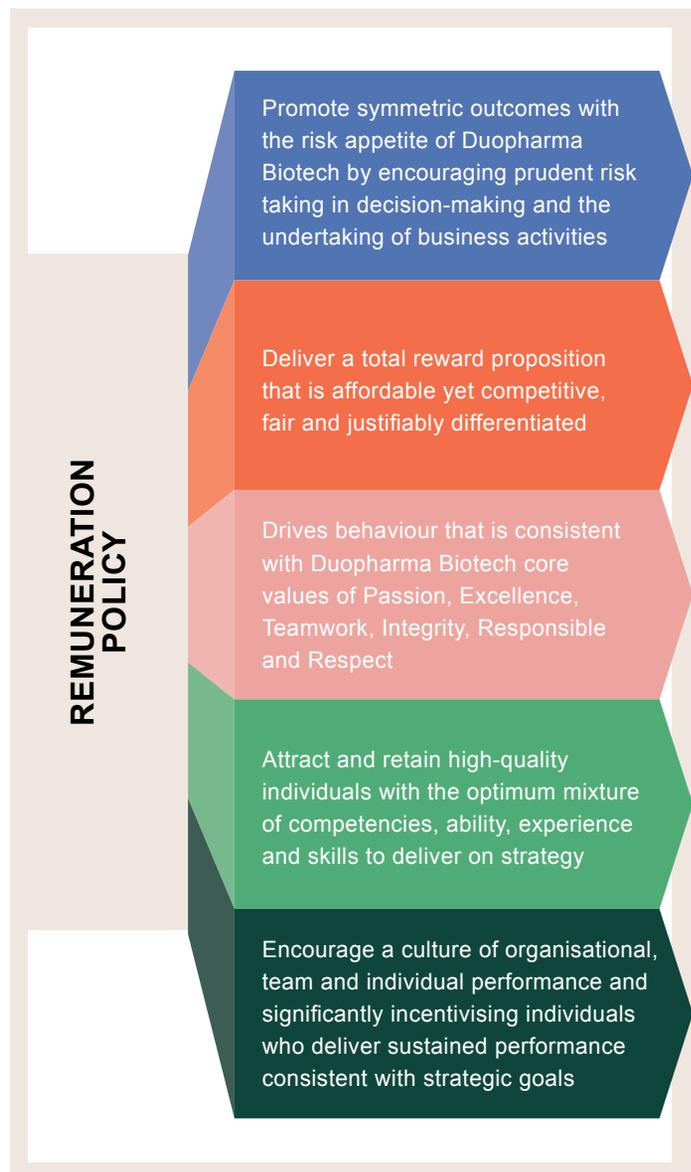
# CORPORATE GOVERNANCE OVERVIEW STATEMENT

In October 2021, the Board resolved to adopt the BEE exercise results, as recommended by the NRC. Notwithstanding the overall positive findings, the Board resolved to draw up concrete action plans to address the improvement considerations, as highlighted by the BEE exercise.

In addition to the BEE exercise and pursuant to Paragraph 15.01A of the MMLR, the Directors have also completed declarations in relation to fit and proper requirements as enumerated in Duopharma Biotech's Fit and Proper Policy for the Board of Directors and Senior Management that was approved by the Board in January 2022.

## Remuneration

The Board adopts a remuneration policy premised on the following philosophy:



Non-Executive Directors receive fees and allowances commensurate with their responsibilities on the Board as well as on the Board Committees and it is designed to attract, incentivise and retain high-performing individuals. Remuneration packages designed for Non-Executive Directors are based on their individual qualifications, experience and competence while being mindful of their responsibilities, time commitment and annual evaluation undertaken by the NRC. They are paid via fixed directors fees, meeting allowances and other benefits and there shall be no distinction between participation in-person or participation through electronic modalities.

Recognising the heightened engagement necessitated of Directors over the course of recent years, the Board adopted a methodical approach to distinguish between informal and formal meetings for the purpose of according meeting allowances. In instances whereby the Company Secretary was present, and the meeting minutes were recorded, it would be declared a formal meeting for which Directors received the necessary allowance. In all other instances, meetings would be considered informal, with no allowance payable. The Board and the NRC periodically review the Remuneration Policy and Procedures for Directors and Senior Management. External experts are enlisted periodically, to facilitate in this exercise.

The detailed disclosure of the remuneration of individual Directors are disclosed in the Company's Corporate Governance Report under Practice 8.1.

In relation to the GMD and other Senior Management personnel, their remuneration packages are set to be competitive, premised on the aim of attracting, retaining and motivating executives of the highest calibre needed to manage the Group competently. As such remuneration is closely linked to performance measured through the achievements of individual key performance indicators.

The Company's comprehensive Remuneration Policy and Procedures for the Board of Directors and Senior Management is made available on Duopharma Biotech's website at <https://duopharmabiotech.com/about-us/policy-and-procedure/remuneration-policy-and-procedures-for-directors-and-senior-management/>.

## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

### Audit and Integrity Committee

The wholly independent AIC is headed by Encik Razalee Bin Amin and by design, this position is distinct from the Chairman of the Board. The remaining members of the AIC are Puan Zaiton Binti Jamaluddin, an Independent Non-Executive Director and Datuk Nik Moustpha Bin Hj Nik Hassan, an Independent Non-Executive Director.

The AIC is reposed with the responsibility of ensuring that there is robust oversight over financial reporting, external audit, internal audit and integrity-related matters concerning Duopharma Biotech and its subsidiaries.

On 9 December 2021, the AIC had reviewed and recommended approval for the revised Policy on External Auditor for Duopharma Biotech. The policy aims to serve as a guiding literature for the AIC to assess and monitor the external auditor and its affiliates in order to preserve the integrity and credibility of the external audit process.

During the financial year, the AIC has conducted an External Auditor Evaluation which sought to illicit feedback from the AIC members on several aspects of the external audit process including the calibre of the external auditors, Messrs KPMG PLT., the quality of the external audit processes employed, their independence and objectivity and the communications between Duopharma Biotech and the external auditors. The evaluation had also taken into consideration among others the KPMG's Audit Transparency Report. Being satisfied that the external auditor has been independent throughout the conduct of the audit process and the audit services rendered have met the quality expected by the AIC and the Company, KPMG's Audit Transparency Report and the result of the assessment was then deliberated by the AIC and subsequently presented to the Board in March 2022.

Duopharma Biotech's internal audit function is undertaken by the in-house Group Internal Audit and Integrity Department ("GIA"), which is a crucial element in the monitoring of internal governance of the Group. The internal audit function, being the third line of defence, is responsible for providing independent assessment of compliance with existing laws, regulations, policies and procedures and reviews the adequacy and effectiveness of the risk management systems, internal controls and governance processes. It is headed by the Head of GIA who has direct access to the Board through the Chairman of the AIC, to whom the Head of GIA reports to, directly and functionally. The GIA only maintains a perforated line of reporting to the GMD on administrative matters. The AIC receives regular reports on the findings by the internal audit function and recommendations of actions to be carried out

### Risk Management and Internal Control Framework

The Board is mindful of its cardinal responsibility and oversight role over the Group's risk management and system of internal controls and endeavours to keep abreast of developments in the areas of risk and governance. The risk management and control processes are implemented by Senior Management, led by the GMD and other Senior Management personnel of the Group, who are collectively responsible for prudent risk management and sound business practices.

The Board has established a RSMC that is tasked with determining the Group's level of risk tolerance and actively identify, assess and monitor key business risks to safeguard shareholders' investments and the Group's assets.

The risk management function is carried out by the Group Risk Management Department ("GRMD") The GRMD, under the leadership of the Head of Group Risk Management, supports the RMSC to perform the role of risk oversight, framework development, policy and methodology formulation, and independent monitoring and reporting of key risk issues. The Head of GRMD reports directly to the Board through the Chairman of the RMSC and with a dotted reporting line to the GMD on administrative matters. The GRMD supports the Executive Risk Management Committee ("ERMC") and business units in implementing the approved risk management policies and processes, and ensure they are integrated into the business operations. The year in focus called for continued risk management on the impact caused by the COVID-19 pandemic on the market and capturing any opportunities that were available.

The GIA assists the AIC and the Board to perform regular reviews on compliance of operational procedures using a risk-based audit approach. The GIA also conducts investigations on specific areas or issues as directed by the AIC and Senior Management. The annual audit plan is reviewed and approved by the AIC. The scope as well as frequency of the audit coverage are determined in tandem with the level of assessed risks, in view of providing an independent and objective report on the operational and management activities of these functions.

More information is outlined within the Report of the AIC, available on page 72 of the Annual Report. The Statement of Risk Management and Internal Control which provides details of the internal review, is outlined on pages 92 to 104 of the Annual Report.

In recognition of Duopharma Biotech's strides in the domain of risk management, the Group had been conferred the 'Risk Champion' award at the Enterprise Risk Management Academy's (ERMA) ASEAN Risk Awards 2021 and was runner-up for the Risk Innovation Category.

On the sustainability front, the RSMC provides sustainability oversight and supervises the implementation of sustainability strategies, which are aligned with risk management processes to ensure a common design and purpose throughout its action and decision cycle. The RMSC is supported by the Sustainability Management Council consisting of Heads of Department and process owners from the different functions in Duopharma Biotech and it is spearheaded by the Chief Manufacturing Officer.

The Sustainability Management Council meets every quarter to discuss progress made in all sustainability related initiatives and reports to the RMSC on a quarterly basis and ensures the Committee's directions are implemented. The Sustainability Management Council's function is to discuss and assign the implementation of sustainability strategies within the organisation, including setting targets and performance indicators. The Sustainability Management Council also oversees sustainability performance, as well as serves as a forum to gather input from

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

each department or function including overseeing the conduct of materiality assessment process, ensuring robust processes are in place and identification of material sustainability matters.

Duopharma Biotech's Sustainability Department is responsible for the planning and implementation of the Group's 5-year strategy starting in 2022 up to 2026 to look into risk and opportunities in relation to ESG. Duopharma Biotech strives to maintain its FTSE4Good index inclusion status by improving its scores year-on-year.

As a result of the Group's overall sustainability efforts, Duopharma Biotech was awarded as the overall winner of the prestigious Sustainable Business Awards Malaysia (SBA) 2020/21 under the Large Organisation category. Duopharma Biotech was also awarded with three additional awards at the prestigious event, whereby the categories won were "Business Ethics & Responsibility", "Stakeholder Management" and "UN Sustainable Development Goals". The Group was also awarded the SDG Ambition Benchmark 10: Zero incidences of bribery by the UNGCMYB.

## PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### Communication with Stakeholders

The Board is cognisant of its corporate accountability to stakeholders and ensures high level of efficacy in the form, frequency and timeliness of its engagement with stakeholders. Duopharma Biotech goes the extra mile in its communication with stakeholders, to share meaningful insights to augment formal disclosures. The Board is committed to ensuring shareholders and stakeholders are well-informed and are enabled to input feedback and share concerns with the Board. The Annual Report contains a balanced, comparable and meaningful assessment of the Group's position and prospects as well as comprehensive details about business activities as well as financial and non-financial performance for the financial year. Well-defined channels of communication with stakeholders are established, namely the corporate website, announcements on the Exchange, general meetings of shareholders, briefing sessions, roadshows, conferences, media releases and social media platforms. In compliance with MMLR and Corporate Disclosure Guide from Bursa Malaysia Berhad, the Board issues quarterly statements in a timely manner to shareholders and stakeholders on Duopharma Biotech's performance. In addition, the Chief Financial Officer conducts quarterly analyst and investor briefings.

During the year under review, the Group had undertaken four (4) investors briefing sessions. On top of this, Duopharma Biotech had also conducted investor relations sessions with JP Morgan Malaysia Equities Research, the Employees Provident Fund, CGS-CIMB Securities and Evli Group. By and large, the Company conducts broad based briefings to the investment community as opposed to targeted, ad-hoc briefings given the importance it places on information parity.

Recognising the importance of effective engagement and communication with the Group's employees, Duopharma Biotech carries out an Employee Engagement Index ("EEI") survey on an annual basis to gauge the level of employees' motivation and engagement as well as the demonstration of Duopharma Biotech's Core Values in their daily interaction with each other. During the year under review, notwithstanding the protracted pandemic, findings from the annual EEI survey showed commendable results which are comparable or even exceeded that of global high performing norms.

The GMD also conducts townhall sessions with the Group's employees, typically after the Company's quarterly statements have been approved by the Board and announced to the Exchange. These townhalls provide an opportunity for Management to engage with the employees including to share the latest financial performance of the Group, human resource updates, and other initiatives, strategies and achievements. Employees are encouraged to ask questions or provide feedback during these townhall sessions.

### Conduct of General Meeting

The AGM serves as the primary modality at which the Board and Senior Management's communicate with shareholders. Shareholders are encouraged to actively participate in discussions on proposed resolutions and future developments of the Group, as well as provide feedback on performance. The Board views the AGM as a pertinent event, where Directors, Senior Management and the Company's external auditors are present to participate in the question-and-answer session to provide clarification to shareholders.

The process is fortified through poll voting for all resolutions tabled, with the voting results and procedures validated by an independent scrutineer. The voting results are disclosed immediately (i.e. percentage of shareholders approving, dissenting and abstaining) for all the resolutions that are tabled.

Due to the lingering pandemic as well as the Board's prioritisation of good governance, the AGM held on 28 May 2021 was held entirely through live streaming to facilitate greater shareholder participation and enhance the proceedings of the General Meeting. Duopharma Biotech's AGM was conducted in line with promulgations as contained within the MCCG and Securities Commission Malaysia's Guidance on the Conduct of General Meetings for Listed Issuers.

The AGM represented the Company's second fully virtual AGM with democratised remote participation and voting for shareholders. Further fortifying objectivity into the AGM and as with the preceding year, Duopharma Biotech engaged an independent moderator, namely KPMG Management & Risk Consulting Sdn Bhd, to streamline questions raised by shareholders during the general meeting as well as pre-submitted questions. A Supplementary Administrative Guide was additionally doled out as a reference for shareholders in navigating the roll-out of the virtual AGM.

The Company Secretary recorded feedback and responses to shareholders' queries. Minutes of the previous AGM (that included listing of all questions posed during the meetings and the answers thereof) are made available on the corporate website within 30 days upon conclusion of the proceedings.

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

Ensuring an "across-the-board" and unified approach to the conduct of general meetings, Duopharma Biotech had also utilised similar modalities for its Meeting of Members ("MOM") held on 13 August 2021 to vote on a resolution concerning the proposed bonus share issue for the year. Similarly, the MOM employed a fully virtual modality, ensuring active participation by all Directors to address shareholder queries.

In order to uphold procedural independence, a team of moderators comprising representatives from Senior Management, the Company Secretary's office, Finance and Corporate Communications departments were given the task of ensuring objective streaming of questions. The GIA provided oversight to ensure all questions have been objectively selected and streamed.

The notice for the MOM was provided well in advance to maximise shareholder participation, leveraging on the similar platform used for the virtual AGM while poll results and procedures were subject to validation by an independent scrutineer namely, Scrutineer Solutions Sdn Bhd.

Feedback gathered during the MOM were duly evaluated and considered for further action by the Board and Senior Management with the minutes being made available on the corporate website of Duopharma Biotech within 30 business days upon conclusion of the said proceedings, in line with what was practiced with the AGM.

### Focus areas during the year (2021)

In 2021, the corporate governance focus areas of Duopharma Biotech constituted the following:



#### Boardroom policies & procedures

The Board takes note of the need to ensure boardroom policies and procedures remain contemporaneous with the relevant updated authoritative promulgations.

One such promulgation includes the latest updates to the MCCG which came into effect in April 2021. On top of this, the updated Corporate Governance Guide (4th edition) which was issued by Bursa Malaysia Berhad also warranted attention from the Company in terms updating or formulating boardroom policies and procedures.

The Board endeavoured to imbue all necessary updates accordingly, particularly in the Board Charter, Terms of Reference of Board Committees as well as through stand-alone policy documents with a view of achieving better corporate governance outcomes.

The Board has also codified a formal investment policy guideline, intended to guide the Directors in appraising investments methodically.



#### Digitalisation

Duopharma Biotech's strategic digital pivots are characterised by digitalisation within its operational footprint as well as digitalisation initiatives in the pharmaceutical industry. Having embarked on this journey, the Group understands the importance of growth in this area which was expedited in light of the COVID-19 pandemic and thus efforts have been made in the preceding years. To ensure business continuity, the Group upgraded its Information Technology infrastructure supporting remote connections. As such, operations that were done manually are digitised as much as possible.

In 2021, the Group focused on having a strategy in place which outlines a roadmap of Duopharma Biotech's digital health play for the next 5 years. Some of the opportunities include strategic investments and partnerships with digital health companies that has innovative technologies. The digitalisation strategy was approved by Duopharma Biotech's Board of Directors and a digital task force was established to ensure implementation of the initiatives are monitored. The Group's digitalisation initiatives are constantly evolving and remain as key component to its corporate strategy.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT



## Group governance

In 2020, increased and adequate oversight of subsidiaries was emphasised by regulators and listed groups, with Securities Commission Malaysia's issuance of the Guidelines on Conduct of Directors of Listed Corporations and Their Subsidiaries. The Guidelines called for a group-wide governance framework and reiterated the fiduciary responsibilities of directors appointed as stewards of the parent company. Group governance serves to protect shareholder value, but it also has practical implications concerning risks and financials and compliance, to name a few.

The Group is cognisant of the importance of oversight of subsidiaries, especially with its overseas presence, where proper oversight ensures risk associated with its foreign subsidiaries are not overlooked. Duopharma Biotech swiftly acted on establishing a framework for the codification of Chapter 5 of the Guidelines (i.e. group governance). In this regard, the Board on 22 February 2021 approved the Management and Monitoring Framework, in essence, for the following purposes:

- i) To fulfil the requirement for a formal governance framework as advocated by the Guidelines;
- ii) To provide guidance to Duopharma Biotech and the Nominee Directors appointed in the subsidiaries in discharging their roles and responsibilities in relation to the management and monitoring of subsidiaries as well as entities which Duopharma Biotech participates in the management; and
- iii) To provide consistency of actions within Duopharma Biotech and its subsidiaries to ensure best practices are implemented in managing and monitoring.

In fashioning its group governance framework, due consideration was also given to harness synergies based on considerations relating to economies of scale and cost optimisation while also taking into account contractual obligations and licensing requirements at the entity level. In driving information flow with a clear line of sight across the Group, Duopharma Biotech sought to ensure that information sharing by its subsidiaries to the Board of the parent company is robust.



## Comprehensive stakeholder engagement

Recognising its position as a government-linked company and a leading pharmaceutical company – which is headed towards becoming a Leading Healthcare Group – Duopharma Biotech has and continues to foster collaborative ties with a wide cross-section of stakeholders who impact its performance and are impacted by its actions. These stakeholders include, inter alia, the Malaysian Government and non-governmental organisations (“NGOs”), where the Group forms mutually reinforcing ties premised on the concept of corporate social innovation. This concept is revered for its holistic nature, incorporating four (4) pillars, namely philanthropy, advocacy, corporate social responsibility (CSR) and shared value creation.

The Group has furthered multiple undertakings during the year under review and is projected to venture deeper into more meaningful engagements with stakeholders. In 2021, Duopharma Biotech contributed RM1 million to the Government's CERDIK programme, a national initiative in partnership with the MOE and the MOF, to provide 646 devices comprising laptops with data connectivity to students from low-income families.

The Company will continue to synergise and create shared value with governmental stakeholders through initiatives such as that highlighted above and in upcoming efforts – in the near future – to provide technological support and infrastructure to students and rural communities as well as alleviate the national issue of graduate unemployment.

## Corporate governance priorities (1 – 2 years)

In subsequent years, the corporate governance priorities of Duopharma Biotech shall constitute the following:



## Environmental, Social & Governance considerations

As highlighted in the 2022 ASEAN Board Trends report published by the Institute of Corporate Directors Malaysia, Boards across the region are placing increased emphasis on internalisation of ESG principles within their organisations.

The Board is fully committed to embedding ESG-related considerations into the fabric of Duopharma Biotech's diverse operational landscape pursuant to this regional and global trend.

To this end, the Board is steadfast in taking the incremental steps necessary to implement integrated reporting into the Group's current reporting package. The Board will seek to engage with external parties with seasoned experience in preparing integrated reports so as to ensure a seamless transition to this novel form of corporate reporting.

Furthermore, Duopharma Biotech shall endeavour to "ride the tide" of global trends by setting and taking the incremental steps to achieve carbon neutrality by 2030 as well as net zero emissions by 2050.



## Cybersecurity

As highlighted in the Global Risks Report 2022 (17th ed.) published by the World Economic Forum, the growing dependency placed upon digital tools has rapidly intensified due to strategic pivots made necessary by pandemic-induced complications. As a result, cybersecurity threats have increased in prevalence – in 2020, malware and ransomware attacks increased by a whopping 358% and 435% respectively according to the report.

Duopharma Biotech is committed in instituting safeguards against cybersecurity breaches. To this end, the Board through the RMSC will continue to monitor progress on its cybersecurity enhancement project. Specifically, the RMSC shall remain apprised on Duopharma Biotech's progress in implementing network access management systems to prevent any unforeseen attacks by viruses and ransomware from detrimentally impacting the Company's network infrastructure.

On top of this, the Company intends to centralise data file storage and implement daily backup procedures to prevent data loss as part of its larger disaster recovery strategy.

## Corporate governance priorities (3 – 5 years)



### Succession planning

The Board shall endeavour to fortify succession planning as one of the foundations of the overall long-term strategic thrusts of Duopharma Biotech.

Key considerations land on revitalisation of the Board with regards to diversity in age, replacement of Independent Directors whose terms are approaching an end, as well as the grooming of successors to the GMD position.

In 2021, the Board had undertaken an extensive review of the Board Committees to ensure strategic alignment with Duopharma Biotech's overall business plans. The detailed review entailed benchmarking vis a vis the top 100 listed companies by market capitalisation in Malaysia as well as selected global healthcare companies.

As a whole, the Board's deliberations on succession planning during the year were nuanced with key governance considerations, such as the combination of internal and external succession, the profile of incoming Directors and impact it has on stakeholder engagement, and crucially too the importance of diversity in terms of age, gender and qualification.

As and when the need arises, the Board through the NRC shall implement strategic shifts to ensure that there is alignment between short-term appointment decisions and longer-term sustainable value.

These priorities shall also encompass robust succession planning policies for members of Senior Management so as to ensure organisational resilience and continuity amidst any departure of Senior Management personnel. To this end, Duopharma Biotech has in place a comprehensive succession plan that is regularly reviewed by the NRC and the Board as a whole which incorporates pertinent aspects such as tracking of development plans and progress of potential candidates for succession of departing members of Senior Management.

Moving forward, Duopharma Biotech seeks to regularly review, enhance and ensure effective discharge of these policies so as to ensure succession planning is not only prioritised at the Board-level but throughout the organisation's senior leadership structure.

# REPORT OF THE AUDIT AND INTEGRITY COMMITTEE

The Board of Directors of Duopharma Biotech is pleased to present the report on the Audit and Integrity Committee ("AIC" or the "Committee") and its activities during the financial year ended 31 December 2021.

## (1) COMPOSITION

As at the end of the financial year 2021, the composition of the AIC stood at three (3) members, all of whom are Independent Non-Executive Directors of the Company and in line with the requirement of Paragraph 15.09 and 15.10 of the MMLR, Step-Up Practice 9.4 of the MCCG, as well as Clause 2.2(a) of the Terms of Reference ("TOR") of AIC in terms of composition. The Board of Directors of the Company has adopted Practice 9.1 of the MCCG, whereby the Chairman of the AIC is not the Chairman of the Board.

Encik Razalee Bin Amin, the Chairman of the AIC, is a Certified Public Accountant and a Certified Financial Planner with the Financial Planning Association of Malaysia. He is a member of the Malaysian Institute of Accountants (MIA) and thus the AIC fulfilled the accountant qualification requirement prescribed by Paragraph 15.09(1)(c) of the MMLR. None of the AIC members are alternate Directors. All AIC members are financially literate with sound judgement, objectivity, independent attitude, management experience, professionalism, integrity and knowledge of the industry. With such diverse skills and experience, the AIC members are competent and are able to understand matters under the purview of the AIC including the financial reporting process and were able to discharge their duties responsibly.

A total of six (6) meetings were held during the financial year. The scheduled meetings were scheduled in advance in September 2020 and was communicated to the members early to allow them to plan ahead on their time commitment. Meetings were held on 18 February 2021, 8 March 2021, 22 April 2021, 12 August 2021, 15 November 2021 and 9 December 2021.

The status of directorship and attendance record of each of the members during the year are as follows:

Members of AIC	No. of Meetings Attended
<b>Encik Razalee Bin Amin</b> <i>Chairman, Independent Non-Executive Director</i>	6/6

Members of AIC	No. of Meetings Attended
<b>Puan Zaiton Binti Jamaluddin</b> <i>Member, Independent Non-Executive Director</i>	6/6
<b>Dato' Mohamad Kamarudin Bin Hassan</b> <i>Member, Senior Independent Non-Executive Director</i> (Resigned on 17 August 2021 pursuant to review of membership of the Committee by the Nomination and Remuneration Committee and the Board)	4/4
<b>Datuk Nik Moustpha Bin Hj. Nik Hassan</b> <i>Member, Independent Non-Executive Director</i> (Appointed on 17 August 2021 pursuant to review of membership of the Committee by the Nomination and Remuneration Committee and the Board)	2/2

Pursuant to the TOR of the AIC, the members serving the AIC shall be changed at appropriate and regular intervals. In order to ensure that the entire Committee is not replaced at any one time, such change of members shall be done on a progressive basis. During the financial year ended 31 December 2021, Datuk Nik Moustpha Bin Hj. Nik Hassan was appointed as a new member of the AIC in place of Dato' Mohamad Kamarudin Bin Hassan with effect from 17 August 2021, while Encik Razalee Bin Amin and Puan Zaiton Binti Jamaluddin continued to be the Chairman and a member of the AIC, respectively thus maintaining the existing number of AIC members at three (3).

All members of the AIC as part of the continuing professional development undertaken attended various conferences, seminars and training programmes to enhance their knowledge in order to efficiently discharge their duties as Directors of the Company, generally to enhance their technical competencies in their respective fields of expertise. The details of the trainings and professional courses undertaken during the year are disclosed in the Corporate Governance Overview Statement on pages 61 to 64.

## (2) KEY OBJECTIVE

AIC plays crucial role in assisting the Board in ensuring that there is robust oversight on financial reporting, external audit, internal audit and integrity matters concerning the Group.

### (3) OVERVIEW

In the performance of the functions and duties of the AIC, the AIC members are guided by the overarching philosophy that it is part of the Duopharma Biotech culture for the Group and its people to be responsible in performing their duties and responsibilities properly according to good practices and upholding the Company's core values of Passion, Excellence, Teamwork, Integrity, Responsible and Respect (PETIRR). This culture of compliance and being responsible includes continuously improving practices to enhance the accountability, transparency and sustainability of the Group.

The roles and responsibilities of the AIC are found in its TOR. Minutes of the AIC meetings were circulated to all members and matters arising from the discussions and decisions made were escalated to relevant Management in charge for updates and action. The Chairman of the AIC provides a summary report and highlights significant points on the decisions and recommendations from the AIC meeting to the Board of Duopharma Biotech. During the year and in addition to the matters related to the Company's audit and its financial statements and performance, the AIC focused on the operational and integrity issues as well as the anti-bribery and anti-corruption controls and policies with regards to the Duopharma Biotech Anti-Bribery Management System ("ABMS") ISO 37001:2016 and all applicable Anti-Bribery and/or Anti-Corruption Laws and Requirements. Amidst the COVID-19 pandemic environment, the AIC also reviewed the stress testing of the Group's financial position.

As part of its remit, the AIC keeps under review the suitability, objectivity, independence and effectiveness of the external auditor to safeguard the quality and reliability of audited financial statements. During the year under review, the Company adopted a revised Policy on External Auditors, which noted an improvement in best practises advocated by the revised MCGG that was issued on 28 April 2021, namely the requirement that a former partner of the external audit firm of the listed company observes a cooling-off period of at least three years before being appointed as a member of the audit committee, and policies and procedures to assess suitability of the external auditor.

The External Auditor Evaluation, which took place in October 2021, took into account emerging and leading practises derived from the roles and responsibilities of external auditors outlined in the Bursa Securities MMLR and the MCGG, as well as other relevant provisions such as the Malaysian Institute of Accountants' By-Laws (on Professional Ethics, Conduct, and Practice) and the information published in the External Auditors' Annual Transparency Report for the

financial year ended 31 December 2020, that includes the external audit firm's governance and leadership structure, as well as the firm's efforts to maintain audit quality and manage risks. The AIC was satisfied with the work performed by the External Auditors based on their quality of services, sufficiency of resources, performance, independence and professionalism, and their ability to conduct the external audit within an agreed timeline fixed by Management.

Recognising the eminence of independent judgement in setting the tone of an organisation for effective oversight and monitoring and its commitment in ensuring business operating in ethical environments and complies with laws and regulations, the AIC reviews and deliberates on quarterly analysis, significant accounting policies in particular on the Interest Rate Benchmark Reform with regards to amendments to Malaysian Financial Reporting Standards ("MFRS") 9, MFRS 139 and MFRS 7 and COVID-19-Related Rent Concessions with regards to amendments to MFRS 16, any financial anomalies or irregularities in the financial statements, estimates, and judgments made by the Management Team as well as the technical and regulatory matters that could affect the financial statements for implementation.

In conjunction with risk oversight, the AIC reviews and evaluates the effectiveness of risk management, internal control, anti-corruption, whistleblowing and governance processes as well as the operational and integrity issues that could potentially affect the Company's performance as highlighted by the GIA or external auditor which appears to be beyond its risk appetite. The AIC oversee the establishment and implementation of appropriate anti-fraud controls and policies in preventing and identifying fraud and ensures an appropriate ethics and compliance program are in place and ensures the facilitation of an appropriate internal processes and remedial measures were taken by the Company.

The performance of the AIC was assessed as part of the Board Effectiveness Evaluation during the year under review that was conducted by an independent external consultant. Based on the AIC's score in the Board Effectiveness Evaluation 2021, the AIC had performed relatively well.

Adopting a suggestion which arose from the Board Effectiveness Evaluation 2021 the AIC members, facilitated by the Company Secretary at the end of the year under review, were given the liberty to plot forward-looking agenda items (also known as "annual missions") for the whole calendar year 2022 ahead of schedule. This provided a means to proactively solicit input from all AIC members to fashion the AIC's agenda.

# REPORT OF THE AUDIT AND INTEGRITY COMMITTEE

## SUMMARY OF WORK DONE DURING THE FINANCIAL YEAR UNDER REVIEW

Below is a listing of the work done by the AIC up to 31 December 2021 in discharging and meeting their functions, duties and responsibilities with regards to financial reporting and internal controls:

### A. Financial reporting matters

- i. Reviewed the Company's quarterly reports in respect of the results for the quarter ended 31 December 2020, 31 March 2021, 30 June 2021 and 30 September 2021 to ensure compliance to the MFRS and regulatory requirements and recommended to the Board for subsequent release to Bursa Malaysia.
- ii. Reviewed the notes to the draft announcements of the audited and unaudited financial statements to Bursa Malaysia, to ensure compliance to the regulatory Requirements.
- iii. Reviewed the external auditors' report for the financial year ended 31 December 2020, including matters relating to adjustments arising from the external audit review and adequacy of disclosures, prior to making recommendation to the Board for approval. No significant adjustments were required to the financial statements, which was presented in a true and fair manner.

### B. External Audit matters

- i. During the year, two (2) formal private sessions were held with the external auditors on 8 March 2021 and 15 November 2021 respectively without the presence of Management to discuss and review on matters of concern and deliberated on the observations highlighted by the external auditors, and the respective management action plans and status updates. There were no major concerns raised by the External Auditors at these meetings.
- ii. Deliberated on the issues and reservations arising from the interim and final audits, and any matter that the external auditor may wish to discuss without the presence of the Management.
- iii. Reviewed and endorsed the external auditors' audit plan and engagement strategy for the financial year ended 31 December 2021, covering the materiality, audit scope, audit methodology and timing of audit, key milestones, etc. and reported the same to the Board.

- iv. Reviewed and recommended to the Board on the extent and nature of non-audit services that can be carried out by the external auditor and ensure adequacy of checks and balances on the provision of such non-audit services. During the year, the Company engaged the external auditors and/or its affiliates for provision of consultancy and advisory services among others; matters related to corporate governance and moderating services at general meeting. In relation thereto, the services do not fall within prohibited non-audit services and in line with the Company's Policy on External Auditor. The amounts of audit and non-audit fees are disclosed in the Other Disclosures on page 105.
- v. Evaluated the suitability and independence and performance of the external auditors in accordance with the Policy on External Auditors and made recommendations to the Board on their reappointment, which was subsequently approved by the Board.

Assessment of external auditors' independence and objectivity is performed on an annual basis anchored on the following set of criteria:

- a) the adequacy of the experience and resources of the external audit firm;
- b) the persons assigned to the external audit engagement;
- c) the external audit firm's audit engagements;
- d) the size and complexity of the subject matter being audited; and
- e) the number and experience of supervisory and professional staff assigned to the particular external audit engagement.

The assessment of the external auditor also considers the information presented in the Annual Transparency Report of the audit firm including the external audit firm's governance and leadership structure as well as measures undertaken by the firm to uphold audit quality and manage risks as advocated in Guidance to Practice 9.3 of the MCCG.

- vi. Reviewed and recommended to the Board for approval the revised Policy of External Auditors which noted an improvement in best practises advocated by the revised MCCG.
- vii. Obtained written assurance from the External Auditors to confirm on their independence throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

## C. Internal Audit matters

- i. Oversees the performance and effectiveness of the Internal Audit function based on the approved key performance indicators, assesses the competency and experience of the GIA staff as well as the adequacy of resources in order for the Internal Audit function to carry out its work effectively. The AIC also ensures that the GIA has the authority to carry out their work objectively and independently, free from any relationship or conflicts of interest.
- ii. Reviewed and approved Duopharma Biotech's Internal Audit Plan and budget for the year.
- iii. Reviewed the status report of internal audit activities for the year to ensure that all the planned activities for Duopharma Biotech were properly carried out.
- iv. Reviewed the summary of the internal audit reports prepared by the GIA and deliberated on significant audit issues, audit recommendations, management action plans and the agreed timeline. Where necessary, provided input on improvement of processes and operations.
- v. Monitored the status of corrective actions taken by the Management to ensure all internal audit issues and concerns are adequately addressed within the stipulated timeline.
- vi. Held private meetings and discussions with the Head of the GIA on significant audit and internal control matters.
- vii. Reviewed and approved the revised GIA Performance Scorecard 2021, Revised Internal Audit Charter and Revised Management Control Policy.

## D. Integrity and Anti-Corruption matters

- i. On its role with regard to Integrity and Anti-Corruption, the AIC is entrusted to review the whistleblowing reports as tabled by the Head of the GIA and provide its recommendation for the resolution of the cases. The AIC, through the GIA ensures that the whistleblowing process is reliable and trustworthy.
- ii. Monitor the responses to the Group's whistleblowing channels and other mechanisms used to raise concerns, and to oversee actions following breaches of the ethics and business integrity policy or allegations of misconduct.

- iii. Monitored the compliance status of the ISO 37001:2016 ABMS Certification and deliberated on the key findings highlighted and respective action plans required following the certification.
- iv. Reviewed the effectiveness of the ABMS and the Integrity function annually through the Governing Body review that is conducted after the ABMS Internal Audit.
- v. Monitored and oversees the enforcement of Section 17A of the Malaysian Anti-Corruption Act 2009 and steps to be taken by Duopharma Biotech on the Corporate Liability Provisions of Section 17A to ensure adequate procedures and preventions are in place.
- vi. Reviewed Duopharma Biotech's Integrity Initiatives for 2021, and periodically monitored its progress against the plan.
- vii. Reviewed and recommended to the Board for approval the Duopharma Biotech Organisational Integrity and Anti-Corruption Plan 2021-2023.
- viii. Monitored the External Sponsorship, Gifts And Hospitality Disclosures and oversees actions following non-compliance with the Gifts And Hospitality Policy and relevant laws and regulations.
- ix. Reviewed and recommended to the Board for approval of the revised Integrity Pact Policy, Declaration of Interest Policy, Whistleblowing Policy and Investigation Procedure of the Group.

## E. Annual Report matters

- i. Reviewed the Report of the AIC and Statement on Risk Management and Internal Control ("SORMIC") prior to approval by the Board for inclusion in the 2020 Annual Report. The SORMIC was supported by the Annual Assurance Statement on Risk Management and Internal Controls, which were signed off by the Group Managing Director and the Chief Financial Officer.

## F. Strategic and Litigation matters

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

# REPORT OF THE AUDIT AND INTEGRITY COMMITTEE

## G. Other related matters

- i. Reviewed the related party transactions entered into by Duopharma Biotech and the disclosure of such transactions in the annual report and recurrent related party transactions.
- ii. Reviewed and recommended to the Board for approval of dividends to be declared to the shareholders of Duopharma Biotech as well as applicability of the Dividend Reinvestment Plan to such dividends.
- iii. Reviewed and recommended to the Board for approval of the revised Limits of Authority applicable to Duopharma Biotech and its Group.

Details on the TOR of the AIC can be found on the Company's website at [www.duopharmabiotech.com](http://www.duopharmabiotech.com).

## STATEMENT ON INTERNAL AUDIT FUNCTION

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

The Head of the GIA function reports directly to the AIC to promote independence and to enable it to maintain objectivity in rendering unbiased judgements.

### (i) Reporting Line

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

### (ii) Audit Planning and Work Done

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

In 2021, the GIA had issued 14 audit reports which covered operational and ad-hoc matters, amongst others, SAP Migration Project, Bangi Masterplan Project Management Review, Company Audit on Duopharma Innovation Sdn Bhd, Company Audit on Duopharma (Singapore) Pte. Ltd., Trademark Review for Ethical Business Products in the ASEAN Region, COVID-19 Pandemic Compliance Review, Corporate Governance Review Report, Recurrent Related Party Transactions, DB (Philippines) Inc., and K3 and K5 Project Management Review. The Internal Audit Reports, which included issues and action plans, were presented to and discussed with Management. GIA subsequently monitored the implementation of the agreed action plans to ensure full compliance. The reports, together with follow-up action plans and implementation status, were presented to the AIC for their deliberation and subsequent approval.

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

### (iii) Internal Audit Cost

The total expenditure incurred for GIA function for the financial year, which amongst others includes departmental expenditures such as office running expenses, training expenses, travelling expenses, staff remuneration, etc. is estimated at RM1,003,214.39.

Further details of the activities of the GIA are set out in the Statement on Risk Management and Internal Control under pages 92 to 104 of this Annual Report.

# REPORT OF THE NOMINATION AND REMUNERATION COMMITTEE

The Board of Directors of Duopharma Biotech is pleased to present the report on the Nomination and Remuneration Committee ("NRC" or "Committee") and its activities during the financial year ended 31 December 2021.

## (1) COMPOSITION

As at the end of the financial year 2021, the NRC consisted of three (3) members, comprising exclusively of Non-Executive Directors, a majority of whom are Independent Non-Executive Directors as stipulated in Paragraph 15.08A(2) of the MMLR. The NRC is chaired by the Senior Independent Non-Executive Director.

None of the NRC members are alternate directors. Possessing diverse skills and experience such as having objectivity, independent attitude, management experience, professionalism, integrity as well as knowledge of industry and human capital needs, the NRC members are able to understand matters under the purview of the NRC including human capital management and succession planning, and able to discharge their duties responsibly.

A total of seven (7) meetings were held during the year. The scheduled meetings were scheduled in advance in September 2020 and was communicated to the members early to allow them to plan ahead on their time commitment. Meetings were held on 11 February 2021, 8 March 2021, 22 April 2021, 21 June 2021, 12 August 2021, 28 September 2021 and 15 November 2021.

The status of directorship and attendance record of each member during the year are as follows:-

Members of NRC	No. of Meetings Attended
<b>Dato' Mohamad Kamarudin Bin Hassan</b> <i>Chairman, Senior Independent Non-Executive Director</i>	7/7
<b>Tan Sri Datin Paduka Siti Sa'diah Binti Sh Bakir</b> <i>Member, Non-Independent Non-Executive Director (Chairman of the Board)</i> (Resigned on 17 August 2021 pursuant to review of membership of the Committee by the Nomination and Remuneration Committee and the Board)	5/5

Members of NRC	No. of Meetings Attended
<b>Dato' Eisah Binti A.Rahman</b> <i>Member, Independent Non-Executive Director</i>	5/5
<b>Puan Amizar Binti Mizuar</b> <i>Member, Non-Independent Non-Executive Director</i> (Appointed on 17 August 2021 pursuant to review of membership of the Committee by the Nomination and Remuneration Committee and the Board)	2/2

Pursuant to the TOR of the NRC, the members serving the NRC shall be changed at appropriate and regular intervals. In order to ensure that the entire Committee is not replaced at any one time, such change of members shall be done on a progressive basis. During the financial year ended 31 December 2021, Puan Amizar Binti Mizuar was appointed as a new member of the NRC in place of Tan Sri Datin Paduka Siti Sa'diah Binti Sh Bakir with effect from 17 August 2021, while Dato' Mohamad Kamarudin Bin Hassan and Dato' Eisah Binti A. Rahman continued to be the Chairman and a member of the NRC, respectively thus maintaining the existing number of NRC members at three (3). The resignation of Tan Sri Datin Paduka Siti Sa'diah from the NRC was pursuant to adoption of Practice 1.4 of the MCGG where the Chairman of the Board should not be a member of the Nomination Committee or Remuneration Committee.

## (2) KEY OBJECTIVE

The purpose of the NRC as stated in its TOR is to assist the Board in ensuring that the appointment and remuneration of Board members and Senior Management of Duopharma Biotech Berhad and its subsidiaries (collectively referred to as the "Group") as well as members of the Board Committees are underpinned by robust processes and procedures. In this regard, the Board has adopted a Remuneration Policy and Procedures that acts as the guiding document for the Board and the NRC to determine the remuneration of Directors and Senior Management, taking into account the demands, complexities and performance of the Company as well as skills, experience, time commitment required and responsibilities reposed on the Directors and Senior Management. Pursuant to the Remuneration Policy and Procedures of the Board of Directors and Senior Management of Duopharma Biotech the NRC provides oversight in ensuring that the remuneration framework for the Directors and Senior Management simple, transparent, competitive, fair, performance accounted and aligned with the overall remuneration practices of the Company.

# REPORT OF THE NOMINATION AND REMUNERATION COMMITTEE

In relation thereto, performance of the Executive Director and Senior Management is measured based on a holistic balanced scorecard approach comprising both financial and non-financial key performance indicators, particularly ESG considerations that underpin the Company's strategic direction. Recently, with the objective of guiding the Board and the NRC in the appointment (including re-appointments and re-election) and succession planning of Directors and Senior Management, the Board has approved the adoption of a Diversity Policy for the Board of Directors and Senior Management as well as a Fit and Proper Policy for the Board of Directors and Senior Management.

### (3) OVERVIEW

Minutes of the NRC meetings were circulated to all members and matters arising from the discussions and decisions made were escalated to relevant Management in charge for updates and action. The Chairman of the NRC provides a summary report and highlights significant points on the decisions and recommendations from the NRC meetings to the Board of Duopharma Biotech.

Throughout the year in review, the NRC has performed its duties pursuant to the TOR of the NRC, and continued to provide advice on the change in the Board and leadership, and other critical supports the Company required. During the year under review, the NRC focused, among others, on continuing review, assessment and refinement of the succession and development plan for Senior Management, including dedicated sessions during meetings of the NRC whereby identified talents made presentations to the NRC to enable the NRC members to directly interact with and assess these talents that had been included into the succession plan. The NRC had also focused on enhancing board effectiveness evaluation, when for the first time in the Company's history, an independent external consultant was engaged to undertake the evaluation in accordance with a framework reviewed and endorsed by the NRC.

Pursuant to nomination by the Company's major shareholder, Permodalan Nasional Berhad ("PNB"), the NRC had during the year under review assessed and recommended the appointment of Puan Amizar Binti Mizuar as a Non-Independent Non-Executive Director to the Board of Duopharma Biotech. The NRC had also recommended the re-election of Directors eligible for re-election at the Company's AGM. The recommendations for appointment and eligibility for re-election were made in accordance with the principles enunciated in Practice 5.5 of the MCGG. With respect to Puan Amizar's appointment, the NRC had

deliberated and considered; (i) her meritorious academic qualifications and her experience particularly in the fields of strategic investment and corporate finance that would enhance the Board's appropriate mix of skills, knowledge and experience that fit the Company's objectives and strategic goals; (ii) the enhanced gender diversity (i.e., increased number of women Directors to 40%, which was beyond the minimum 30% prescribed by the Company's Board Charter and Practice 5.9 MCGG) and also diversity in terms of skills and experience; (iii) she added youth to the current Board; (iv) she was expected to be able to devote the required time to serve the Board of Duopharma Biotech effectively; and (v) no adverse finding that may cast doubt on the integrity and governance of the Company based on declarations made and background checks adopted by the Company.

Other sources were not used to identify other suitably qualified candidates, due to the following reasons:-

- (i) PNB's nomination of Puan Amizar was in line with PNB's Stewardship Framework and Voting Guidelines;
- (ii) the Board still comprised a majority of independent non-executive directors thereby fulfilling requirement under Practice 5.2; and
- (iii) the appointment was based on objective criteria, merit and with due regard for diversity in skills, experience, age and gender, and that Director appointed should be able to devote the required time to serve the board effectively.

The performance of the NRC was assessed as part of the Board Effectiveness Evaluation 2021 that was conducted by an independent external consultant to identify the strengths and improvement markers based on the key focused areas for the Company which included the processes, structures and practices of corporate governance processes in view of MCGG, check and balance on oversight by the Board members in relation to the governance of the Group, the roles of the Board on crisis management and business continuity, Board configuration, as well as adoption of ESG practices in the Company's businesses.

The outcome and recommendations from the Board Effectiveness Evaluation 2021 were reviewed by the NRC and tabled to the Board in the effort to strengthen the leadership of the Board and Board Committees in pursuing the Company's strategies and initiatives. In this regard, the overview of the Board Effectiveness Evaluation 2021 outcome highlighted that built on the mutual trust and respect between the Board and Senior Management and the strong leadership on the Board, Duopharma Biotech has achieved great feats. With biding time and sheer commitment, improvement opportunities in the areas of oversight on

remuneration of Senior Management, succession planning for the Board, and oversight on organisational growth versus inorganic growth can be bridged. Based on the NRC's score in the Board Effectiveness Evaluation 2021, the NRC had performed relatively well.

Adopting a suggestion which arose from the Board Effectiveness Evaluation 2021 the NRC members, facilitated by the Company Secretary at the end of the year under review, were given the liberty to plot forward-looking agenda items for the whole calendar year 2022 ahead of schedule. This provided a means to proactively solicit input from all NRC members to fashion the NRC's agenda.

During the year under review, the NRC also reviewed and recommended to the Board of Directors on the proposed revision of the Remuneration Policy and Procedures as well as the Company's Diversity Policy. Both these recommendations have been approved by the Board in 2021. Pursuant to the recommendation under the Corporate Governance Guide (4<sup>th</sup> Edition) issued by Bursa Malaysia Berhad in December 2021, the Board also approved a Fit and Proper Policy in January 2022. The Fit and Proper Policy also fulfilled the requirement under the latest amendments to the MMLR that were issued by Bursa Malaysia Securities Berhad in January 2022. The Remuneration Policy and Procedures, the Diversity Policy and the Fit and Proper Policy for the Board of Directors and Senior Management may be accessed at the Company's website at <https://duopharmabiotech.com/about-us/policy-and-procedure/fit-and-proper-policy-for-the-board-of-directors-and-senior-management/>.

#### (4) SUMMARY OF WORK DONE DURING THE YEAR

Below is a listing of the work done by the NRC during the financial year in discharging and meeting their functions, duties and responsibilities with regards to Nomination and Remuneration related matters:-

##### A. Nomination-related matters

- i. Evaluated, assessed and recommended to the Board, the appointment of a Non-Independent Non-Executive Director of Duopharma Biotech based on the Company's selection criteria.

- ii. Reviewed and recommended the composition of the Board of Directors of the subsidiary companies of Duopharma Biotech, and training requirement for candidates to be appointed to the said boards.
- iii. Ensured that all Directors received appropriate continuing education programmes in order to keep abreast with developments in related industries and changes in the relevant statutory requirements.
- iv. Reviewed assessment results of Talents and Successors for the Group, including calling for selected talents to present themselves to the Committee for purpose of the Committee's assessment and engagement with talents.
- v. Reviewed the progress for Talent Management and Succession Planning in the Group.
- vi. Reviewed and recommended the appointment of a consultant to conduct a 3<sup>rd</sup> party Board Effectiveness Evaluation 2021 for the Board, Board Committees, Individual Directors and Independent Directors.
- vii. Reviewed the outcome and key improvement markers arising from the Board Effectiveness Evaluation 2021 for implementation and action by the Board and Management.
- viii. Reviewed and recommended to the Board retiring by rotation to be put forth for re-election in accordance with the Company's Board Charter and Practice 5.5 of the MCCG.
- ix. Reviewed and recommended the revision of the Company's Remuneration Policy and Procedures and the establishment of the Company's Diversity Policy for the Board of Directors and Senior Management.

# REPORT OF THE NOMINATION AND REMUNERATION COMMITTEE

- x. Reviewed and deliberated during the year under review on whether to adopt policy requiring employees appointed to Senior Management positions to be converted from permanent employment to fixed term contracts of employment and recommended for new recruits into Senior Management positions to be employed on fixed term contracts of employment. The policy was further reviewed in early 2022 to define circumstances where Senior Management who were members of the Group Management Committee were either given option to convert or required to be converted to fixed term contract of employment depending on the job grade that they were promoted to.
- xi. Reviewed and endorsed the Company's HR Strategy for the year 2021-2025 to provide support and drive the Company's strategies in relation to workforce and people development.
- xii. Reviewed and recommended the setting up of Learning Management System in Duopharma Biotech.

## B. Remuneration-related matters

- i. Reviewed the Directors Remuneration for the shareholders' approval at the Annual General Meeting of the Company in 2021.
- ii. Reviewed and recommended to the Board the annual increment and bonus package for employees of the Group.
- iii. Reviewed and recommended the variations to benefits-in-kind in the Group.
- iv. Reviewed and recommended the Performance Management Framework for the Group Managing Director.

## C. Annual Report matters

- i. Reviewed the Report of the NRC prior to the approval by the Board for inclusion in the 2020 Annual Report.

Details on the TOR of the NRC can be found on the Company's website at <https://duopharmabiotech.com/about-us/terms-of-reference/terms-of-reference-of-the-nomination-and-remuneration-committee-of-duopharma-biotech-berhad/>.

## (5) FORMALISED DIVERSITY POLICY

The Diversity Policy reflects the Company's commitment to promote diversity and inclusion for the Board and Senior Management and sets out the guiding principles and practices which underpin the Company's approach to instituting a diverse Board and Senior Management team. It encompasses various areas including, but not limited to diversity of gender, age, cultural background, education background, business and industry skills and experience.

### (i) Principles

The Company's Diversity Policy is anchored by the following principles:-

- (1) **Focused** – the Company articulates its diversity efforts to focus on gender diversity at leadership level to set the tone on an organisational basis
- (2) **Non-discriminatory** – the Company practices non-discrimination of any form where all appointments are based on objective criteria and merit established by the Board.
- (3) **Merit-based** – recruitment and selection process ensures that appointments are merit based.
- (4) **Credibility** – the Company pursue a well-rounded, diverse, and credible approach to ensuring board and leadership diversity.

### (ii) Diversity Framework

In promoting diversity, the Company's has set diversity objectives at our Board and Senior Management level. The diversity considerations are set at the leadership level to set the tone for organisational-wide initiatives with a view of imbuing cognitive variety during deliberations and decision making as well as spurring innovation at all levels. Based on a benchmarking done by KPMG Management and Risk Consulting Sdn. Bhd. on the Company, it was highlighted that the Company has a significantly higher proportion of women directors as compared to top 100 Malaysian listed companies by market capitalisation which exceed the requirement of Paragraph 15.02 of the MMLR to have at least one (1) woman director.

### (iii) Measures and Strategies

The following are some measures and strategies that the Board, NRC and the GMD should undertake:-

#### (1) Board of Directors

- (a) Gender diversity – to have at least 30% women Directors
- (b) Board Effectiveness Evaluation – to report annually on the outcomes of the board evaluation exercise, the composition and structure of the Board's as well as any issues and challenges the Board is facing when considering the diverse makeup of the Company
- (c) Age diversity – acknowledges the benefits of having a diverse boardroom in terms of age demographics with experience and maturity as well as youthful exuberance and seek to eliminate age stereotyping or discrimination on age. Further, age limit of Directors set at 80 years old;
- (d) Ethnic diversity – setting a long-term target for the Board's ethnicity composition to reflect the ethnicity stratifications in the country.

#### (2) Senior Management

- (a) Gender diversity – When shortlisting candidates for Senior Management, the GMD ensures that at least one female candidate is considered.
- (b) Progressive human capital policies – develop and oversee the implementation of appropriate policies, programmes and initiatives to build inclusion and promote diversity at Senior Management level and monitor equal pay for equal work among selected Senior Management other than practicing of gender-neutral job openings in internal and external recruitments.
- (c) Age diversity – whilst acknowledging that a wide range of age dispersion for Senior Management individuals has the advantage of creating a dynamic and multi-generational workforce with a diverse range of skill sets that are beneficial to the Company, and the Company does not set specific targets or limits for the age of Senior Management individuals.

### (6) FORMALISED FIT AND PROPER POLICY

In January 2022, the Company established the Fit and Proper Policy for the Board of Directors and Senior Management for the appointment and re-election of directors as required by Paragraph 15.01A of the MMLR issued by Bursa Malaysia. This policy addresses the application of Paragraph 2.20A of the MMLR that required every listed corporation to ensure that each of its directors, chief executive or chief financial officer has the character, experience, integrity, competence and time to effectively discharge his or her role as a director, chief executive or chief financial officer. The Company has made available its Fit and Proper Policy on the Company's website.

#### (a) Roles and Responsibilities

The Board and NRC is responsible for the application of this Policy and for conducting the fit and proper assessments.

Meanwhile, the NRC is responsible for leading the review of the appropriate skills, experience and characteristics required of Board members and Senior Management through a set procedure.

#### (b) Fit and Proper Assessment

The Fit and Proper Policy for the Board of Directors and Senior Management of the Company outlines the baseline criteria for the fit and proper assessment for the Board of Directors and Senior Management. During the appointment stage, assessment shall be performed via diligence or screening (i.e., using established search databases or services as adopted by the Company from time to time) as well as declarations from the concerned individuals. Meanwhile, as for re-election of Directors and re-appointment or contract renewal of Senior Management personnel, the assessment shall be performed based on a review of the Board Effectiveness Evaluation 2021 results and performance appraisal records respectively.

# REPORT OF THE NOMINATION AND REMUNERATION COMMITTEE

## (c) Fit and Proper Criteria

### (1) Character and integrity

In assessing the personal qualities such as honesty, integrity, diligence, independence of mind and fairness of the Directors and Senior Management, the NRC should consider matters including, but not limited to probity, personal integrity, financial Integrity, and reputation.

### (2) Experience and competence

In order to perform his or her role in an effective capacity, Board members and Senior Management personnel must demonstrate the experience and competence requirements to understand Duopharma Biotech's nature of business, inherent risks and the management process. The Board together with the NRC should consider matters including, but not limited to qualifications, training and skills; and relevant past performance or track record.

### (3) Time and commitment

The Board members should also be able to discharge their roles having regard to other commitments and participate and contribute in the Board.

## (d) Application of the Fit and Proper Policy for the Board of Directors and Senior Management

The recently adopted Fit and Proper Policy for the Board of Directors and Senior Management was first applied by the NRC and the Board when it considered and deliberated the retirement by rotation of Directors and the recommendation for the proposed re-election of those Directors seeking re-election at the forthcoming AGM of the Company. The application of the Fit and Proper Policy also served to fulfil the Company's obligation under Paragraph 2.20A of the MMLR to ensure that each of its Directors has the character, experience, integrity, competence and time to effectively discharge his role as a Director of the Company.

Pursuant to the Fit and Proper Policy, the NRC had prior to recommending to the Board the re-election of the Directors seeking re-election completed an evaluation of the respective Directors. The NRC and the Board had assessed individual Directors seeking re-election with due regard to, among others, the considerations listed in the Fit and Proper Policy by way of Fit and Proper assessment via diligence, screening and declarations from the concerned individuals. The assessment of fit and proper criteria was performed

via diligence or screening (i.e. using established search databases or services as adopted by the Company from time to time) as well as declarations from the concerned individuals. Additionally, the assessment was also based on a review of the Board Effectiveness Evaluation results (in relation to the Directors seeking re-election). Following the said assessment, both the NRC and the Board were satisfied that the Directors seeking re-election were fit and proper to be re-elected as Directors of the Company and have recommended that re-election of the said Directors be tabled at the forthcoming AGM for the shareholders' approval. Among the reasons for the recommendation for re-election of the aforesaid Directors were as follows:-

- (a) the recommendation for re-election were based on objective criteria and merit;
- (b) that based on the aforesaid diligence/screening, declarations and result of the Board Effectiveness Evaluation 2021 the Directors recommended for re-election have met the fit and proper criteria under the Fit and Proper Policy, namely –
  - (i) character and integrity (encompassing the qualities of probity, personal integrity, financial integrity and reputation);
  - (ii) experience and competence (encompassing qualifications, training and skills; and relevant past performance or track record); and
  - (iii) time and commitment (encompassing ability to discharge role having regard to other commitments, and participation and contribution in the Board).
- (c) the Directors recommended for re-election have demonstrated that they are able to devote the required time to serve the Board effectively;
- (d) the Directors had through the Self and Peer Assessment under the Board Effectiveness Evaluation 2021 been assessed on "contribution and performance" and "calibre and personality", and the overall high score recorded for each of the Directors seeking re-election showed that they had performed well in terms of their respective contribution and performance as well as in terms of their calibre and personality;
- (e) the Board Effectiveness Evaluation 2021 highlighted strong recognition of diversity at the Board level and that the variety of skill set present amongst the current Directors allows them to tackle issues in a multifaceted manner;
- (f) as to age diversity, Puan Amizar, being the latest addition to the Board and at 52 years old, added youth to the current Board that comprised a majority over the age of 60;

- (g) in relation to gender diversity, the re-election of the women Directors seeking re-election would ensure that the Board continued to comprise at least 30% women Directors;
- (h) in relation to the recommendation for re-election of the Independent Non-Executive Directors –
  - (i) based on the Independent Directors' self-assessment under the Board Effectiveness Evaluation 2021 each of them had declared their independence; and
  - (ii) the tenure of service of each of them calculated until the date of the forthcoming AGM was less than 9 years;
- (i) in relation to the recommendation for re-election of the Director(s) who are nominees of PNB –
  - (i) the nomination(s) by PNB was in line with PNB's Stewardship Framework and Voting Guidelines; and
  - (ii) the Board will continue to comprise a majority of independent non-executive directors thereby fulfilling requirement under Practice 5.2 of the MCCG.

Briefly, all nominations for appointment or re-election as Director of the Company are first tabled to and deliberated by the NRC taking into consideration the aforesaid requirements, policies and procedures. In this regard, the new Diversity Policy calls for the utilisation of independent sources including search firms or directors' registry to identify qualified candidates for appointment as Director of the Company, apart from recommendations of existing Board members, Management or major shareholders. If the NRC is satisfied after such deliberation that the Director was fit and proper to be appointed or re-elected as a Director, the NRC would recommend the same to the Board for its further deliberation and approval.

Additionally, the re-election of any Director seeking re-election is subject to shareholders' approving the re-election at the AGM of the Company.

## **(7) THE BOARD NOMINATION AND ELECTION PROCESS AND CRITERIA USED BY THE NRC IN THE SELECTION PROCESS**

The Board nomination and election process of Directors and criteria used in the selection process are currently governed and guided by the requirements enumerated in the Companies Act 2016, the MMLR and the Company's Constitution as well as the Company's following policies and procedures –

- (i) the Board Charter;
- (ii) the aforesaid Diversity Policy for the Board of Directors and Senior Management that was recently approved by the Board in December 2021;
- (iii) the aforesaid Fit and Proper Policy for the Board of Directors and Senior Management that was recently approved by the Board in January 2022; and
- (iv) the aforesaid Remuneration Policy and Procedures for the Board of Directors and Senior Management that was recently revised by the Board in December 2021.

Furthermore, the Company is working on formalising a policy on Board succession, and once the formal succession policy and framework has been approved and adopted by the Board, the nomination and election process would also be guided by the formal succession policy and framework (as opposed to the existing informal and unstructured succession plan).

# REPORT OF THE RISK MANAGEMENT & SUSTAINABILITY COMMITTEE

The Board of Directors of Duopharma Biotech is pleased to present the report on the Risk Management & Sustainability Committee (“RMSC” or “Committee”) and its activities during the financial year ended 31 December 2021.

## (1) COMPOSITION

As at the end of the financial year 2021, the composition of the RMSC consisted of three (3) members, comprising exclusively of Non-Executive Directors, a majority of whom are Independent Non-Executive Directors.

A total of seven (7) meetings were held during the year. The scheduled meetings were scheduled in advance in September 2020 and was communicated to the members early to allow them to plan ahead on their time commitment. Meetings were held on 3 February 2021, 4 March 2021, 28 April 2021, 4 August 2021, 11 October 2021, 10 November 2021 and 22 November 2021.

The status of directorship and attendance record of each member during the year are as follows:-

Members of RMSC	No. of Meetings Attended
<b>Datuk Mohd Radzif Bin Mohd Yunus</b> <i>Chairman, Non-Independent Non-Executive Director</i>	7/7
<b>Zaiton Binti Jamaluddin</b> <i>Member, Independent Non-Executive Director</i>	7/7
<b>Dato' Eisah Binti A. Rahman</b> <i>Member, Independent Non-Executive Director</i> (Resigned on 17 August 2021 pursuant to review of membership of the Committee by the Nomination and Remuneration Committee and the Board)	4/4
<b>Dato' Mohamad Kamarudin Bin Hassan</b> <i>Member, Senior Independent Non-Executive Director</i> (Appointed on 17 August 2021 pursuant to review of membership of the Committee by the Nomination and Remuneration Committee and the Board)	3/3

Pursuant to the TOR of the RMSC, the members serving the RMSC shall be changed at appropriate and regular intervals. In order to ensure that the entire Committee is not replaced

at any one time, such change of members shall be done on a progressive basis. During the financial year ended 31 December 2021, Dato' Mohamad Kamarudin Bin Hassan was appointed as a new member of the RMSC in place of Dato' Eisah Binti A. Rahman with effective from 17 August 2021, while Datuk Mohd Radzif Bin Mohd Yunus and Puan Zaiton Binti Jamaluddin continued to be the Chairman and a member of the RMSC, respectively thus maintaining the existing number of RMSC members at three (3).

## (2) KEY OBJECTIVE

The RMSC reviews the adequacy and integrity of the Group's risk management framework and policies which encapsulates the key processes for risk identification, assessment, mitigation, monitoring and reporting, as well as the effectiveness of the management of sustainability practices, policies and ESG oversight within Duopharma Biotech. Although RMSC carries both Risk and Sustainability as the key management agenda, the Board was of the view that matters of risk are accorded with due attention and that the agenda on risk management was not overwhelmed by other agenda. The members of the RMSC have the expertise, sufficient understanding and knowledge on risk management and sustainability issues and can discharge their duties in an effective manner.

## (3) OVERVIEW

Minutes of the RMSC meetings were circulated to all members and matters arising from the discussions and decisions made were escalated to relevant Management in charge for updates and action. The Chairman of the RMSC provides a summary report and highlights significant points on the decisions and recommendations from the RMSC meeting to the Board of Duopharma Biotech.

Recognising that for companies to be resilient, boards need to take a much more holistic view of the business coupled with proactive and effective measures to anticipate and address material ESG risks and opportunities, the Group's sustainability strategy is regularly reviewed by the Board of Duopharma Biotech as a fixed agenda item and tabled to the Board on quarterly basis. The RMSC reviews the paper on the update on the sustainability strategy before it is tabled and presented to the Board by the Chief Manufacturing Officer (being the person identified by the Board pursuant to MCCG Step-Up Practice 4.5 as the designated person within Management, to provide dedicated focus to manage sustainability strategically, including the integration of sustainability considerations in the operations of the Company) or any other relevant officer from the Company's dedicated Sustainability Department.

In addition, to aid the Board's oversight of the Group's sustainability practices and to focus Management's role in integrating sustainability considerations in the day-to-day operations of the Group and ensuring the effective implementation of the Group's sustainability strategies and plans, the format of meeting papers circulated to the Board and Board Committees was revised during the financial year under review to include a section on contributions or impact on sustainability.

During the year under review, the RMSC focused, among others, on the impact from the COVID-19 pandemic on existing risks across the Group to address gaps arising from the impact on the existing and future strategy, operation and businesses, at the same time continued to monitor the Group's key risks against the changing political environment, economic conditions, supply chain, strategic objectives and regulatory requirements. The RMSC also reviewed the risks surrounding the Group's initiatives relating to securing COVID-19 vaccine business.

The GRM Strategy was deliberated by the RMSC for the Company to develop a department strategy that is aligned to Duopharma Biotech Berhad's 7-year Strategy Plan to strengthen the risk management practices within the organisation and close any significant gaps.

The RMSC also reviewed the Business Continuity Management ("BCM") Policy developed based on requirements detailed in the ISO:22301 BCM standard to manage and minimise disruptions to the Company's prioritised activities following a disruptive incident and maintain an acceptable level of products and services to safeguard the interests of the key stakeholders of the Group, reputation, and maintain customers' trust and confidence. Additionally, the RMSC monitored the BCM desktop exercise to ensure business units in the Group understand the Business Continuity-related process flow and response to incidents, and identification of areas for improvement in a specified Business Continuity Plan and Incident/Crisis Management Plan ("ICMP").

The RMSC also monitored the reports on FTSE4Good ESG ratings and the development of Environmental plan from the identified gap analysis to improve the Environment scoring for FTSE4Good. Given increased attention by stakeholders on ESG factors in their investments on companies' corporate disclosures, the RMSC also provided oversight on the Company's plan in developing related ESG plans and strategies moving forward to realise the Company's ESG goals and objectives.

The performance of the RMSC was assessed as part of the Board Effectiveness Evaluation 2021 that was conducted by an independent external consultant. Based on the RMSC's score in the Board Effectiveness Evaluation 2021, the RMSC had performed relatively well.

Adopting a suggestion which arose from the Board Effectiveness Evaluation 2021, the RMSC members, facilitated by the Company Secretary at the end of the year under review, were given the liberty to plot forward-looking agenda items (also known as "annual missions") for the whole calendar year 2022 ahead of schedule. This provided a means to proactively solicit input from all RMSC members to fashion the RMSC's agenda.

#### (4) SUMMARY OF WORK DONE DURING THE YEAR

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

##### A. Risk Management-related matters

- i. Reviewed the status report of risk management activities for the year to ensure that all the planned activities for Duopharma Biotech were properly carried out.
- ii. Reviewed the summary of the risk assessment report prepared by the Group Risk Management Department.
- iii. Monitored the status of mitigation actions taken by the Management to ensure all risk management issues and concerns are adequately resolved on timely basis.
- iv. Reviewed Duopharma Biotech's Risk Profile and the management process for identifying, evaluating and managing the significant risks faced by the Company.
- v. Reviewed and updated Risk Appetite based on the Company's performance, goals and market condition.
- vi. Reviewed and recommended the Group Risk Management Strategy highlighting the key initiatives to be undertaken yearly in order to strengthen the risk management practices within the organisation and close any significant gaps from the Risk Maturity Assessment, which is aligned to Duopharma Biotech's 7-year strategy plan.

# REPORT OF THE RISK MANAGEMENT & SUSTAINABILITY COMMITTEE

- vii. Reviewed the impact of COVID-19 on the Group's financial performance, strategic direction, ongoing projects, execution of strategy taking into consideration current business performance, challenges and new opportunities.
- viii. Reviewed the Latest Estimates ("LE") 2021 and stress test on Duopharma Biotech's financial performance for the year 2021 and year ending 2022.
- ix. Monitored the potential benefits to Duopharma Biotech from the Malaysia Budget 2022.
- x. Reviewed the action plans against the recommendations on key areas of improvements for the RMSC based on the outcome of the Board Effectiveness Evaluation for the year 2021.

## B. Sustainability / ESG-related matters

- i. Monitored the Group's compliance to requirements relating to Safety, Health and Environment.
- ii. Reviewed reports on Safety, Health and Environment incidents and deliberated the adequacy and effectiveness of preventive and corrective actions taken.
- iii. Reviewed and recommended the BCM Policy for the Group developed by an appointed 3<sup>rd</sup> part consultant based on requirements detailed in the ISO:22301 BCM standard. including BCM desktop exercise, to ensure Business Continuity-related to understand individual roles and responsibilities, understand the escalation flow and response to incidents, validate the crisis communications response to the incidents, and identify areas for improvement in the specified Business Continuity Plan and ICMP for all business units in the Group.
- iv. Reviewed status updates in relation to the COVID-19 pandemic including the Guidelines from the Ministry of Health, Ministry of International Trade and Industry, and other related agencies, the development of Standard Operating Procedures for employees across the board in preventing the spread of COVID-19, as well as the status of COVID-19 cases of the Group.

- v. Reviewed reports on FTSE4Good ESG ratings and Environmental plan to improve the Environment scoring for FTSE4Good.
- vi. Monitored the Company's Sustainability commitment as per MCCG 2021 requirements to manage ESG risks and opportunities, and fostering sustainable returns through organisational health as well as disclosure of Sustainability Statement as per the MMLR.

## C. Annual Reports

- i. Reviewed the Report of RMSC and SORMIC prior to approval by the Board for inclusion in the 2020 Annual Report. The SORMIC was supported by the Annual Assurance Statement on Risk Management and Internal Controls, which were signed off by the Group Managing Director and the Chief Financial Officer.

- ii. Reviewed and recommended to the Board the Sustainability Report 2020 as well as an independent assurance engagement on selected sustainability information by an Independent 3<sup>rd</sup> party assurance provider for Duopharma Biotech's Sustainability Report.

## D. Project and Strategy-related matters

- i. Reviewed and recommended to the Board proposals on implementation of projects, investments, annual budget, operating plan including mergers & acquisitions for the year 2021.
- ii. Reviewed the CAPEX framework and recommended RMSC's role in the process to ensure adequate and effective risk management.

## E. Corruption Risk-related matters

- i. Reviewed the updates on the Group's Corruption Risk Management Risk Map and Residual Risk Rating.

## (5) OTHER MATTERS

- i. Duopharma Biotech was recognised as the Overall Winner at the Sustainable Business Awards Malaysia (SBA) 2020/21 under the Large Organisation category. The Company also won the “Business Ethics and Responsibility”, “Stakeholder Management” and “UN Sustainable Development Goals” categories. Significant Achievement were awarded for “Water Management” and “Waste Productivity & Materiality” categories.
- ii. Duopharma Biotech won the SDG Ambition Benchmark 10: Zero Incidences of Bribery Award at the UNGCMYB inaugural Sustainability Performance Awards 2021.
- iii. Duopharma Biotech was recognised by the Enterprise Risk Management Academy, which named Duopharma Biotech the ASEAN Risk Champion in the category of companies with turnover of greater than USD75 million, and Runner-Up in Risk Innovation at a virtual ceremony held on 10 December 2021.

Details on the TOR of the RMSC can be found on the Company’s website at <https://duopharmabiotech.com/about-us/terms-of-reference/terms-of-reference-of-the-risk-management-and-sustainability-committee-of-duopharma-biotech-berhad/>.

## GROUP RISK MANAGEMENT WORK DONE DURING THE YEAR

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

- i. Organised Risk Appetite training and workshop by Ernst & Young for Board of Directors and Senior Management.
- ii. Developed the Group Risk Management Strategy highlighting the key initiatives to be undertaken yearly in order to strengthen the risk management practices within the organisation and close any significant gaps from the Risk Maturity Assessment, which is aligned to Duopharma Biotech’s 7-year strategy plan.
- iii. COVID-19 had resulted in prolong Supply Chain risk. An external speaker well versed on supply chain risks was engaged to give an online talk to share information and recommendations to all staff.

- iv. Conducted six (6) Risk and Control Self-Assessment (“RCSA”) workshop and fifty (50) one-to-one sessions to instill understanding and importance of risk management and at the same time ensuring appropriate coverage of risk identification, analysis, evaluation and treatment within the Group;
- v. Conducted three (3) basic trainings on the use of the risk software and quarterly refresher training to perform updates in the risk software.
- vi. Conducted meeting of Risk Champions consisting of Head of Departments and Senior Managers to discuss top risks and other risk matters.
- vii. It was imperative to monitor the changes in market due to the COVID-19 pandemic. Fifty-one (51) Weekly Market Monitoring reports were issued with the objective of alerting the Group on matters in the market to enable the Group to be prepared with relevant actions.
- viii. Performed independent assessment and risk reports on Board papers and Capital Expenditure requests;
- ix. Chaired and organized quarterly Control Effectiveness Committee Meeting where the members are management team from Quality Assurance, Quality Control, Audit and Integrity, Safety Health & Environment, and Sustainability departments to discuss audit findings and strengthen control and mitigations;
- x. Conducted nine (9) on-line activities during Risk Month (October) as part of an on-going effort to inculcate risk management culture among staff;
- xi. Rolled out ten (10) issues of risk posters throughout the year to remind risk owners to perform risk management; and
- xii. Risk certification was successfully obtained by GRM personnel from a well-established enterprise risk management institution.
- xiii. GRMD team attended various technical trainings and meetings with vendor of risk software to improve the deliverables of the risk software.

# REPORT OF THE HALAL COMMITTEE

The Board of Directors of Duopharma Biotech Berhad is pleased to present the report on the Halal Committee ("HC" or "Committee") and its activities during the financial year ended 31 December 2021.

## (1) COMPOSITION

As at the end of the financial year 2021, the composition of the HC stood at three (3) members. The Committee is chaired by Datuk Nik Moustpha Bin Hj Nik Hassan.

A total of four (4) meetings were held during the financial year. The scheduled meetings were scheduled in advance in September 2020 and was communicated to the members early to allow them to plan ahead on their time commitment. Meetings were held on 3 February 2021, 15 April 2021, 4 August 2021 and 10 November 2021.

The status of directorship and attendance record of each member during the year are as follows:

MEMBERS OF HC	No. of Meetings Attended
<b>Datuk Mohd Radzif Bin Mohd Yunus</b> <i>Chairman, Non-Independent Non-Executive Director</i>	4/4
<b>Datuk Mohd Radzif Bin Mohd Yunus</b> <i>Member, Non-Independent Non-Executive Director</i>	4/4
<b>Dato' Eisah Binti A.Rahman</b> <i>Member, Independent Non-Executive Director</i> (Resigned on 17 August 2021 pursuant to review of membership of the Committee by the Nomination and Remuneration Committee and the Board)	3/3
<b>Puan Amizar Binti Mizuar</b> <i>Member, Non-Independent Non-Executive Director</i> (Appointed on 17 August 2021 pursuant to review of membership of the Committee by the Nomination and Remuneration Committee and the Board)	1/1

Pursuant to the Terms of Reference ("TOR") of the HC, the members serving the HC shall be changed at appropriate and regular intervals. In order to ensure that the entire Committee is not replaced at any one time, such change of members shall be done on a progressive basis. During the

financial year ended 31 December 2021, Puan Amizar Binti Mizuar was appointed as a new member of the HC in place of Dato' Eisah Binti A.Rahman with effect from 17 August 2021, while Datuk Nik Moustpha Bin Hj. Nik Hassan and Datuk Mohd Radzif Bin Mohd Yunus continued to be the Chairman and a member of the HC, respectively thus maintaining the existing number of HC members at three (3).

## (2) KEY OBJECTIVE

HC plays crucial role in providing stewardship to the halal pharmaceutical agenda concerning the Group.

Duopharma Biotech's adherence to halal started since 1998 which sets the Company different from other generic pharmaceuticals players. Attaining Halal Certification benefits all our consumers and patients as the Company's products are provided with an additional layer of assurance and hygiene after fulfilled requirements prescribed by Ministry of Health, Malaysia.

## (3) OVERVIEW

Minutes of the HC meetings were circulated to all members and matters arising from the discussions and decisions made were escalated to relevant Management in charge for updates and action. The Chairman of the HC provides a summary report and highlights significant points on the decisions and recommendations from the HC meeting to the Board of Duopharma Biotech. During the year, the HC focused on halal conformance and adherence with the Malaysian Standard MS 2424, Halal pharmaceuticals – General requirements, and the Halal Certification by Jabatan Kemajuan Islam Malaysia ("JAKIM").

In conjunction with the Group's commitment in reinforcement of external stakeholder awareness with regards to halal related matters, the HC oversees and monitors the implementation and engagement of the regional and international communication outreach programs.

The performance of the HC was assessed as part of the Board Effectiveness Evaluation 2021 that was conducted by an independent external consultant. Based on the HC's score in the BEE 2021, the HC had performed relatively well.

Adopting a suggestion which arose from the Board Effectiveness Evaluation 2021, the HC members, facilitated by the Company Secretary at the end of the year under review, were given the liberty to plot forward-looking agenda items (also known as "annual missions") for the whole calendar year 2022 ahead of schedule. This provided a means to proactively solicit input from all HC members to fashion the HC's agenda.

## SUMMARY OF WORK DONE DURING THE FINANCIAL YEAR UNDER REVIEW

### A. Strategy and Conformance to Halal Standards matters

- i. Reviewed and realigned the structure of Duopharma Biotech's halal operations committees to ensure that the committees function effectively to ensure all facilities and manufactured products maintain adherence to Halal Certification requirements.
- ii. Monitored the status of the Company's manufactured products that are halal-certified in accordance with the Malaysian Standard MS 2424, Halal pharmaceuticals – General requirements, and the Halal Malaysia Certification by JAKIM.
- iii. Monitored and reviewed halal strategic projects due diligence findings and conformance assessment and provided moving forward recommendations.
- iv. Reviewed and deliberated the critical aspect of industry, business sustainability and halal strategies to be taken to ensure the business sustainability while ensuring adherence to all laws and legal requirements, particularly on halal aspect.
- v. Reviewed and deliberated the Halal Strategy 2022 – 2033 that outlined a roadmap to be used by relevant departments within Duopharma Biotech towards developing a strong halal pharmaceuticals leadership. The proposed programs, activities and approaches are aimed at building on the Company's Halal strength and achievements, as well as supporting growth and contribution towards the Group's revenue targets.
- vi. Provided directives to assess the halal pharmaceutical market size and determine Duopharma Biotech's halal pharmaceutical market value. Thereon, the Company intends to establish the current position as the baseline and monitor the Company's market share growth in halal pharmaceuticals.

### B. Organisational core resources and capabilities matters

- i. Reviewed and provided directives on the background and expected credibility of the Company's Shariah Advisor and Halal Executives.
- ii. Reviewed and deliberated on the proposed Halal Key Performance Indicators ("KPI") for the Group for the year 2021 and recommended the alignment of the proposed Halal KPI for 2021 with the Company's business activities and desired outcome.
- iii. Monitored and reviewed the reports on Duopharma Biotech Halal Initiatives 2021 and Recommendations for 2021 Halal Planned Initiatives and Indicative Budget.

### C. External stakeholders' matters

- i. Guided on the principles and approach of awareness materials and communication on Halal Pharmaceuticals that demonstrated quality adherence beyond Good Manufacturing Practice.
- ii. Deliberated and assessed on the halal promotional programs completed in 2021, and made recommendations to improve on the approach and activities of the programs to enhance domestic and international presence.
- iii. Reviewed and recommended key influencers to adequately support the Company's Halal pharmaceutical awareness campaigns.
- iv. Deliberated and recommended funding for research and development on industry driven issues related to Halal pharmaceuticals by Science and Shariah academicians and research institutions.

### D. Annual Report matters

- i. Reviewed the Report of the HC prior to the approval by the Board for inclusion in the 2020 Annual Report.

Details on the TOR of the HC can be found on the Company's website at [www.duopharmabiotech.com](http://www.duopharmabiotech.com).

# REPORT OF THE MEDICAL ADVISORY COMMITTEE

The Board of Directors of Duopharma Biotech is pleased to present the report on the Medical Advisory Committee ("MAC" or "Committee") and its activities during the financial year ended 31 December 2021.

## (1) COMPOSITION

As at the end of the financial year 2021, the composition of the MAC stood at six (6) members including members of the Board as well as non-Board members who are key opinion leaders in their respective fields. The Committee is chaired by Dato' Dr. Zaki Morad Bin Mohamad Zaher.

A total of two (2) meetings were held during the financial year. The scheduled meetings were scheduled in advance in September 2020 and was communicated to the members early to allow them to plan ahead on their time commitment. Meetings were held on 10 April 2021 and 30 October 2021.

The status of directorship and attendance record of each member during the year are as follows:

Members Of MAC	No. of Meetings Attended
<b>Dato' Dr. Zaki Morad Bin Mohamad Zaher</b> <i>Chairman, Independent Non-Executive Director</i>	2/2
<b>Dato' Eisah Binti A. Rahman</b> <i>Member, Independent Non-Executive Director</i> (Appointed w.e.f. 17 August 2021 pursuant to review of membership of the Committee by the Nomination and Remuneration Committee and the of Directors)	1/1
<b>Dato' Dr. Mohamed Ibrahim Bin A. Wahid</b> <i>Member</i>	2/2
<b>Dr. Radhakrishna a/l Sothiratnam</b> <i>Member</i>	2/2
<b>Dr. Ng Wai Kiat</b> <i>Member</i>	2/2
<b>Datuk Dr. Zanariah Binti Hussein</b> <i>Member</i> (Appointed w.e.f. 27 January 2021)	2/2

Pursuant to the TOR of the MAC, the members serving the MAC shall be changed at appropriate and regular intervals. In order to ensure that the entire Committee is not replaced at any one time, such change of members shall be done on a progressive basis. During the financial year ended 31 December 2021, Datuk Dr. Zanariah Binti Hussein who is a Consultant Endocrinologist from Putrajaya Hospital and Dato' Eisah Binti A. Rahman who is an Independent, Non-Executive Director of Duopharma Biotech were appointed as new members of the MAC with effect from 27 January 2021 and 17 August 2021 respectively, while Dato' Dr. Zaki Morad Bin Mohamad Zaher, Dato' Dr. Mohamed Ibrahim Bin A. Wahid, Dr. Radhakrishna a/l Sothiratnam and Dr. Ng Wai Kiat continued to be the Chairman and members of the MAC, respectively. As a result, the existing number of MAC members has been increased from four (4) to six (6).

## (2) KEY OBJECTIVE

MAC plays crucial role in providing the Board, medical and clinical advice and professional guidance related to the Group pipeline.

## (3) OVERVIEW

Minutes of the MAC meetings were circulated to all members and matters arising from the discussions and decisions made were escalated to relevant Management in charge for updates and action. The Chairman of the MAC provides a summary report and highlights significant points on the decisions and recommendations from the MAC meeting to the Board of Duopharma Biotech.

The performance of the MAC was assessed as part of the Board Effectiveness Evaluation 2021 that was conducted by an independent external consultant. Whilst the MAC had relatively performed well, the Board Effectiveness Evaluation 2021 highlighted the need for alignment in expectations and communication and for MAC members to be more involved in agenda setting. Arising from this finding, the MAC members, facilitated by the MAC secretariat at the end of the year under review, were given the liberty to plot forward-looking agenda items for the whole calendar year 2022 ahead of schedule. This provided an avenue to proactively solicit input from all MAC members to fashion the MAC's agenda.

## SUMMARY OF WORK DONE DURING THE FINANCIAL YEAR UNDER REVIEW

During the year under review, the MAC:

- i. Reviewed and deliberated on the information provided by the Management about the Group's strategies and current projects which would assist the MAC members in exercising their role and responsibilities. Recommendations and feedback were provided on matters related to project pipelines and group strategies.
- ii. Reviewed and deliberated on the information provided by the Management which focuses on research and development activities of the Group. Recommendations were made to improve matters related to product pipelines as well as on issues related to disease and treatment trends.
- iii. Deliberated and provided expert professional advice on issues and queries from Duopharma Biotech's Research and Development, Ethical Specialty Business and Ethical Classic Business Units in relation to various therapeutic areas including diabetes, oncology, renal, vaccines, cardiovascular and respiratory medicines areas so as to help to guide and validate the business units' strategies. Recommendations and feedback were provided on matters related to business strategies and market competitiveness.

### (4) ANNUAL REPORT MATTERS

- i. Reviewed the Report of the MAC prior to the approval by the Board for inclusion in the 2020 Annual Report.

Details on the TOR of the Medical Advisory Committee can be found on the Company's website at [www.duopharmabiotech.com](http://www.duopharmabiotech.com)

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## BOARD AND MANAGEMENT'S RESPONSIBILITY

The Board of Directors of Duopharma Biotech is responsible for the establishment of a sound risk management framework and internal control system for Duopharma Biotech and its subsidiaries (collectively "the Group") and for the review of the adequacy and effectiveness of such framework and system, which includes financial, operational, environmental and compliance controls. In this regard, the Board is mindful of its role of setting the tone and culture towards effective risk management and internal control, and is guided by the philosophy that it is part of the Duopharma Biotech culture for the Group and its people to be responsible in performing their duties and responsibilities properly according to good practices and upholding the Company's core values of Passion, Excellence, Teamwork, Integrity, Responsible and Respect (PETIRR). This culture of compliance and being responsible includes continuously improving practices to enhance the accountability, transparency and sustainability of the Group. The Board has accordingly established a strong risk management and internal control governance structure and system that is designed to manage rather than eliminate the risk of failure to achieve the objectives of the Group. Accordingly, the Board takes cognisance that the system can only provide reasonable, and not absolute assurance against material misstatement or loss.

To carry out its risk management and control oversight responsibilities effectively, the Board is assisted by the Risk Management & Sustainability Committee ("RMSC"), and the Audit and Integrity Committee ("AIC") that oversee matters relating to risk, compliance and controls as set out in their respective Terms of Reference ("TOR"). All risk and internal control related matters which requires the attention of the Board were recommended by the RMSC and AIC for the Board's deliberation and approval. However, the Board remains responsible for all the actions of the Board committees with regard to the execution of the delegated role.

The risk management and control processes established by the Board are implemented by the Management, led during the year under review by the Group Managing Director ("GMD") and the Management of the Group, who collectively are responsible for good business practices and governance. The roles of the Management in this respect include:-

- (i) Identifying risks relevant to the business of the Group and the achievement of objectives and strategies;
- (ii) Designing, implementing and monitoring the risk management framework in accordance with the Company's strategic vision and overall risk appetite; and
- (iii) Identifying changes to risk or emerging risks with mitigation actions to address the risks and reporting to the Board on the changes in a timely manner.

## RISK MANAGEMENT AND SUSTAINABILITY FUNCTION

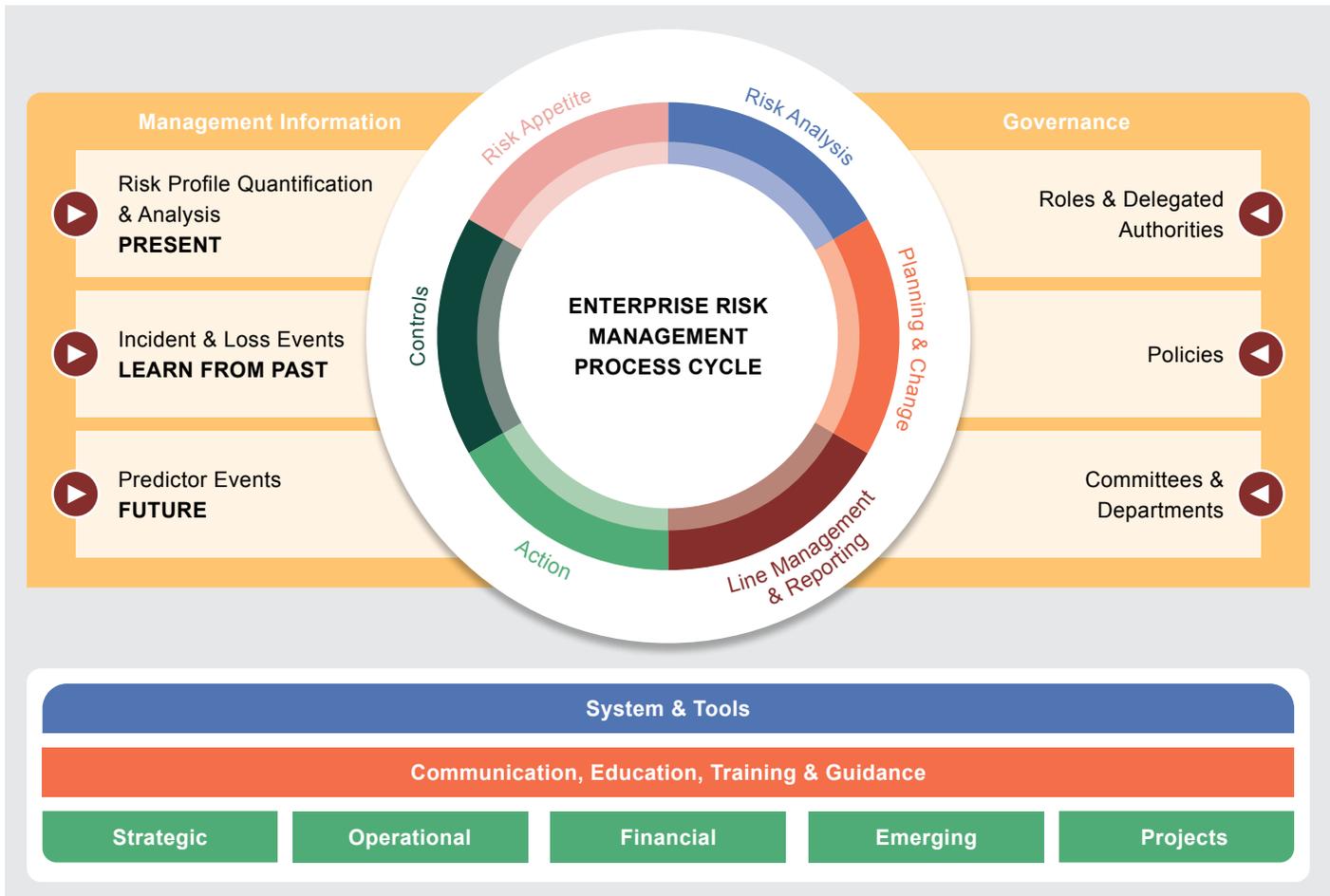
The Board had decided that a committee is required to ensure business sustainability in the face of challenging external conditions. In view of this, the RMSC is responsible to assist the Board in ensuring that there is a sound system for risk management and effective management of sustainability practices within the Group and its subsidiaries. Deliberations and key decisions for all RMSC meetings were minuted and tabled to the Board for information regularly. The TOR of the RMSC is incorporated in the Board Charter, which is accessible on the Company's website at <https://duopharmabiotech.com/about-us/corporate-governance/board-charter/>.

The RMSC is supported by an in-house risk management function i.e. the Group Risk Management Department ("GRMD"), and the Sustainability Department ("SD"). GRM provides risk advisory and supports the Board and the Executive Risk Management Committee ("ERMC") in all matters of Enterprise Risk Management. SD implements sustainability-related policies, measures and actions in achieving the Company's sustainability milestones and goals. Please refer to the standalone Sustainability Report 2021 for more details on the area of sustainability.

### Risk Management

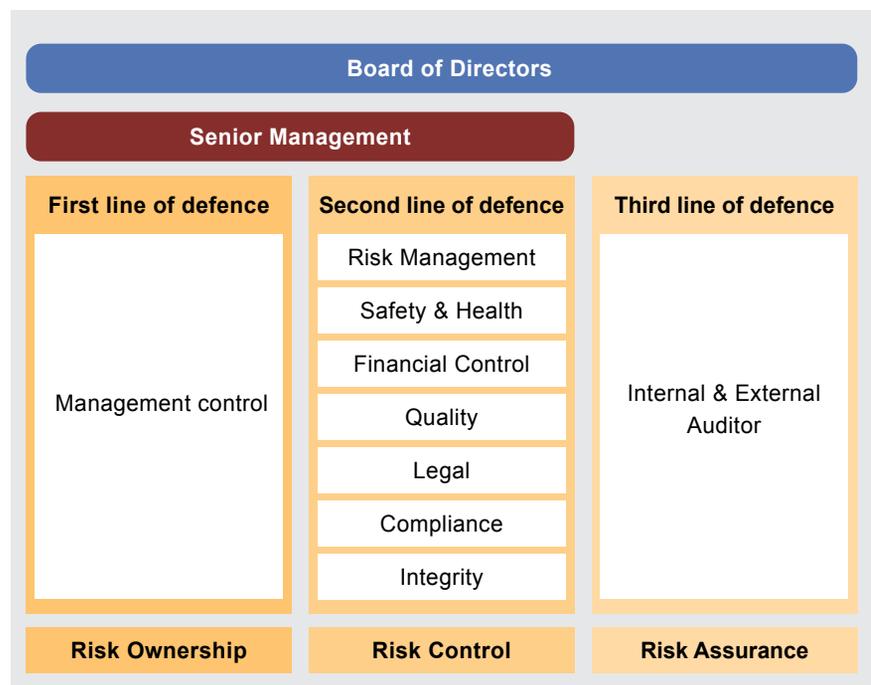
#### (i) Enterprise Risk Management ("ERM") Framework

The Company adopts ISO 31000:2009 Risk Management Principles and Guidelines which is an internationally recognised risk management process. The ERM framework defines the policy and objectives and sets the risk reporting structure. The framework structure includes risk profiling of historical and current risks as well as future expectations in anticipation of probable future exposures. The framework ties into the Group's governance policies and guidelines via deliberations at various committees. The framework operates within the context of Strategic, Operational, Financial, Emerging and Project risk categories. The framework was reviewed during a Risk Maturity Assessment Project conducted by Ernst & Young. The project started in November 2019 and the result was presented to the Board in February 2020.



The RMSC receives reports from members of the ERMC which is chaired by the GMD and comprises of the Group Management Committee (“GMC”). The ERMC is assisted by the Risk Champions consisting of Heads of Department and Senior Managers at all sites whose role is to identify, mitigate and manage risks within their departments. The Risk Champions appoint Risk Coordinators within their departments to enhance the risk management process with the risk owners. This reflects the Group’s overall risk governance structure where it aims to place accountability and ownership whilst facilitating an appropriate level of independence and segregation of duties between the three lines of defence, which include management control as the first line of defence, various established risk control and compliance functions as the second line of defence, and internal and external audit as the third line of defence.

**(ii) Three Line of Defence**



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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



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

## INTERNAL CONTROL SYSTEM

### Key Elements of the Group's System of Internal Controls

#### (i) Oversight by Audit and Integrity Committee

The AIC is responsible to assist the Board to monitor, oversee and evaluate the Group's financial performance and reporting, the duties and responsibilities of the Management, as well as the internal and external auditors as those duties and responsibilities relate to the Group's processes for managing and controlling its operations. The AIC is also responsible for determining that all major issues reported by the Group Internal Auditor ("GIA"), the external auditors and other outside advisors have been satisfactorily resolved. Finally, the AIC is responsible for reporting to the Board all important matters pertaining to the Group's control processes. The minutes of the AIC meetings were also tabled to the Board for information regularly.

Reviewing the effectiveness of internal control is an essential part of the Board's responsibilities whilst the Management is accountable to the Board for establishing an internal control framework with the objective of controlling the operations of the Group in a manner which provides the Board with reasonable assurance that the control objectives will be achieved.

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

The AIC also reviews the Internal Auditor's scope of work and coverage through the Annual Internal Audit Plan, authority and access that has been laid out in the Internal Audit Charter and ensures that the Internal Auditor has sufficient resources to function effectively.

The TOR of the AIC in relation to audit and integrity are incorporated in the Board Charter, which is accessible on the Company's website at <https://duopharmabiotech.com/about-us/corporate-governance/board-charter/>.

#### (ii) Oversight by Board Committees (the "Committees")

The delegation of responsibilities to the various committees of the Board is clearly defined. At present, the Committees which are established are the AIC, RMSC, Nomination and Remuneration Committee ("NRC"), Halal Committee ("HC") and Medical Advisory Committee ("MAC").

#### (iii) Corporate Governance Framework

The Board of Directors of Duopharma Biotech had on 22 February 2021, approved Duopharma Biotech's group-wide governance framework, called the Management & Monitoring Framework ("M&M Framework").

The M&M Framework was adopted pursuant to the Guidelines on Conduct of Directors of Listed Issuers and Their Subsidiaries ("Guidelines") issued by the Securities Commission Malaysia on 30 July 2020. The Guidelines sought to strengthen board governance and oversight in listed issuers and their subsidiaries and set out guidance on duties and responsibilities of boards in company group structures and requirements for the establishment of a group-wide framework to enable, among others, oversight of group performance and the implementation of corporate governance policies. The Guidelines encapsulate various core chapters including maintaining proper records and accounts.

The M&M Framework provides guidance to the Company and the nominee directors appointed in Duopharma Biotech's subsidiaries in discharging their roles and responsibilities in relation to the management and monitoring of subsidiaries as well as entities which Duopharma Biotech participates in the management; to record and communicate in writing the group-wide framework to ensure similar understanding amongst Management and employees of Duopharma Biotech and its subsidiaries; and to provide consistency of actions within Duopharma Biotech and its subsidiaries to ensure best practices are implemented in managing and monitoring.

The M&M Framework is applicable to the Group and its directors, officers and employees. The Management regularly updates the Board on the status of implementation of the M&M Framework.

#### (iv) Record Retention Policy

As part of the Group's commitment to ensuring compliance with the requirements of the Guidelines issued by the Securities Commission Malaysia and as an initiative to close one of the gaps identified by the M&M Framework, a Record Retention Policy was adopted by the Board during the year under review. This policy recognises the importance of proper record keeping to protect the records from loss, misuse, unauthorised access and modification, tampering, alteration or destruction of records and so as to assure the security and integrity of the Group's information and business.

#### (v) Revision of the Remuneration Policy and Procedure for the Board of Directors and Senior Management

The Board has adopted a Remuneration Policy and Procedures for the Board of Directors and Senior Management ("Remuneration Policy") that acts as the guiding document for the Board and the NRC to determine the remuneration of the Board and Senior Management, taking into account the demands, complexities and

performance of the Company as well as skills, experience, time commitment required and responsibilities reposed on the Directors and Senior Management. The NRC provides oversight in ensuring that the remuneration framework for the Board and Senior Management is simple, transparent, competitive, fair, performance accounted and aligned with the overall remuneration practices of the Company.

During the financial year under review, the NRC reviewed and recommended enhancements to the Remuneration Policy. The proposed enhancements were approved by the Board.

#### (vi) Diversity Policy for the Board of Directors and Senior Management ("Diversity Policy") and Fit and Proper Policy for the Board of Directors and Senior Management ("Fit and Proper Policy")

The updated Malaysian Code on Corporate Governance ("MCCG 2021") was issued on 28 April 2021 by the Securities Commission Malaysia to introduce new best practices and further guidance to strengthen the corporate governance culture of listed companies. In relation thereto, Bursa Malaysia Securities Berhad announced on 19 January 2022 amendments to the Main Market Listing Requirements ("MMLR"). The following policies had been developed and adopted by the Company to further enhance its corporate governance practices pursuant to the requirements of the MCCG 2021 and the amendments to the MMLR:-

##### (a) Diversity Policy

The Board had on 9 December 2021 approved the Diversity Policy that highlights Duopharma Biotech's commitment to diversity and sets out the guiding principles and practices which underpin the Company's approach to instituting a diverse Board and Senior Management team. It also considers the concept of diversity encompassing various areas including, but not limited to gender, age, cultural background, education background, business and industry skills and experience.

The Diversity Policy also reiterates the Company's policy on gender diversity as set out in the Board Charter, namely that the Board shall comprise of at least 30% women Directors to bring in a diversity of perspectives during the deliberation process. The Diversity Policy also acknowledges the importance of promoting diversity among Senior Management.

Please refer to the Report of the NRC in this Annual Report at pages 77 to 83 for further details of the Diversity Policy.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## (b) **Fit and Proper Policy**

In addition to the requirements of MCCG 2021 for a Company to have a formal, rigorous and transparent process for the appointment of directors (including reappointments) and senior management, the recent amendments to the MMLR included the insertion of Paragraph 15.01A that required listed companies to have a Fit and Proper Policy for the appointment and re-appointment of directors of the listed issuer and its subsidiaries.

The Board promptly on 19 January 2022 approved Duopharma Biotech's Fit and Proper Policy to serve as a guide for the NRC and the Board in their review and assessment of candidates for appointment onto the Board or Senior Management, and the re-election or re-appointment/renewal of Directors and Senior Management on fixed term contracts.

Please refer to the Report of the NRC in this Annual Report at pages 77 to 83 for further details of the Fit and Proper Policy as well as on the application by the NRC and the Board of the Fit and Proper Policy.

## (vii) **Policy on Beneficial Ownership Reporting**

Pursuant to Section 20C of the Companies Commission of Malaysia Act 2001, the Companies Commission of Malaysia (Suruhanjaya Syarikat Malaysia or "SSM") had on 1 March 2020, issued a Guideline for the Reporting Framework for Beneficial Ownership ("BO") of Legal Persons (the "Guideline"). The introduction of the Guideline was an effort to reduce illicit activities such as money laundering, terrorism financing and other serious crimes which often involve individuals hiding behind businesses to avoid detection.

Pursuant to Paragraph 38 of the Guideline, companies are required to have an appropriate internal policy on BO reporting and to require shareholders to notify the company on the identity of the BO and when there are changes in the BO information. As such, the Board had on 9 December 2021 approved the adoption of the Policy on Beneficial Ownership Reporting to comply with the Guideline requiring the company to have an appropriate internal policy on BO reporting and to require shareholders to notify the company on the identity of the BO and when there are changes in the BO information. This policy complements and reiterates Article 25 of the Company's Constitution which provides that the Company may require information on shareholding to be provided by shareholders or any other person that the Company was informed has an interest in any of the voting shares in the Company.

## (viii) **Review of Compliance to the Malaysian Code on Corporate Governance 2021 and the Recurrent Related Party Transactions ("RRPT") for the Financial Year Ended 31 December 2021**

On yearly basis, the GIA will conduct a review on the Company's compliance to the MCCG 2021 and RRPT requirements. The review for the financial year ended 31 December 2021 was conducted from January to February 2022 and the outcome was reported to the AIC.

## (ix) **Audit and Integrity Committee's Oversight on Finance Function**

On 15 December 2021, Bursa Malaysia Berhad issued an updated Corporate Governance Guide (4th edition) ("CG Guide") to complement the MCCG 2021 issued by the Securities Commission Malaysia on 28 April 2021. Pursuant to the recommendation by the CG Guide that the audit committee should ensure that the finance function within a company is carried out by the right personnel and equipped with adequate resources, the AIC had at its meeting in February 2022 conducted a review of the overall operational structure of the Group Finance Department of Duopharma Biotech. The review included the operational structure (including certain essential information such as background and career development of finance personnel) and the infrastructure that is currently inbuilt in supporting the financial reporting processes of the Duopharma Biotech Group. The AIC was satisfied that the finance function within the Group was carried out by the right personnel with the skills, experience, training and authority suitable to the industry and complexity of the Group's business; and that the finance function was equipped with adequate resources and the right infrastructure to support the financial reporting process.

## (x) **Assignment of Authority and Responsibility**

Clearly defined lines of authority within the Group's organisation structure have been established to facilitate the supervision and monitoring of conduct and operations of individual business units and support services departments. The Board has approved a defined and documented Limits of Authority ("LOA") which is used consistently throughout the Group. The LOA specify clear division and delegation of responsibilities from the Board to the Board Committees and to members of Management and the authorisation levels of various aspects of operations. The latest LOA was reviewed and approved by the Board on 9 December 2021 to resolve operational effectiveness and challenges and to reflect changing risks in Duopharma Biotech Group.

Additionally, Duopharma Biotech's GMC and RMSC provide added assurance to the Board on the feasibility evaluation of project/investment proposals and subsequent evaluation of the progress and results of endorsed project/investment through a process of due scrutiny. In relation thereto, the Board had in February 2022 approved changes to Duopharma Biotech's mergers and acquisitions framework, namely the addition of an investment framework as well as including Environment, Social and Governance ("ESG") as another parameter when evaluating mergers and acquisitions, and investment proposals.

**(xi) Insurance and physical safeguards**

Appropriate safeguards and adequate insurance are in place covering the Group's significant assets and operating facilities to minimise losses from any mishap including any natural and environmental hazards, and unauthorised intrusion.

**(xii) Planning, Monitoring & Reporting**

The Group undertakes a strategic budget planning process annually, to establish plans and targets against which performance is monitored. This process is linked to the Corporate Strategy on which the Board is updated on a quarterly basis. This business plan and budgets are subjected to evaluation and assessment by the Management and the Board. The RMSC deliberates on the risks and mitigation plans for the strategy and business plan before it is recommended to the Board for approval. Monthly reviews are carried out by the Management to ensure that the businesses are operating according to the plans, as well as to monitor adherence to the internal control procedures established. Management reports are presented to the Board each quarter providing financial information including key performance and risk indicators. The financial information is reviewed by the Management before it is presented to the Board for consideration and approval. In 2021, multiple strategy reviews were done throughout the year to monitor the impact of the COVID-19 pandemic on the Group's financial performance, strategic direction and ongoing projects. Moving forward, the Management will continue to monitor the situation.

**(xiii) Policies & Procedures**

There are policies and procedures in place to ensure compliance with controls, and relevant laws and regulations. In various instances, these policies and procedures form an integral part of the Quality Management Systems ("QMS"). The Group has further embarked on implementing an electronic QMS that allows the possibility of efficient and effective real-time management of all recorded data.

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

Annual assurance is provided by the GMD to the Board on the adequacy and effectiveness of controls in the business processes. The Management team likewise provides annual assurance to the GMD on the said matters.

**(xiv) Information Technology ("IT") and Cybersecurity**

The Group could be exposed to various IT risks which include network security risk, data protection risk and cybersecurity risk. These risks are mitigated through regular information technology risk assessment and relevant action plans.

Taking the cue from Guidance 10.2 of the MCCG 2021 relating to evaluation of key risk areas such as cybersecurity and the controls in place to mitigate or manage those risks, both the RMSC and the Board had in Quarter 4 of 2021 reviewed and were satisfied with Duopharma Biotech's current cybersecurity protection for its network infrastructure whereby Management had updated on the Duopharma Biotech's Cybersecurity Protection enabled in network infrastructures as well as the Company's Cybersecurity Enhancement Project Roadmap for 2022. In relation thereto, the Company's main component in the defense against cybersecurity risks were highlighted as follows:-

- (1) regular Cybersecurity Penetration Testing exercise in IT Landscape;
- (2) Endpoint Detection and Response system; and
- (3) Introduced Work From Home Policy and Procedures.

The Group will continue to embrace Industry 4.0 solutions/ technologies and the Internet of Things ("IoT") to improve its operational efficiency and increase productivity. The Group also continuously reviews and upgrades its own IT landscape, for example, during the ongoing COVID-19 pandemic environment, the Group invested in the following initiatives:

- (1) Implementing Work From Home remote tools to support the business operations;
- (2) Automate internal operations by leveraging SAP Application features to ensure business data is captured and safeguarded in the system;
- (3) Enhance cyber security protection of the Group's IT system;
- (4) Provide cyber security awareness to all employees; and
- (5) Invest to strengthen IT resources.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## (xv) Sustainability Management

In Duopharma Biotech, sustainability is about operating in a manner that enhances our business growth while respecting the needs and interests of our internal and external stakeholders. We recognise the inherent value of sustainable operations and are driven to achieve sustainability imperatives not just because it is expected of us, but because we believe it is the right thing to do.

All sustainability initiatives are led by our Board of Directors, who are ultimately accountable for the Company's strategic direction. Sustainability oversight is provided by the RMSC, which is supported by a Sustainability Management Council.

Our commitment to sustainability is reflected in investments made to create a culture of sustainability across the Group, ensuring that ESG principles are infused into our every action and decision; and that ESG-related risks are entered into our risk register.

Further information can be found in our stand alone Sustainability Report 2021.

### (a) Business Continuity Management ("BCM")

Business Continuity ("BC") is defined as the capability of an organisation to continue the delivery of products and services within acceptable time frames at a predefined capacity during a disruption.

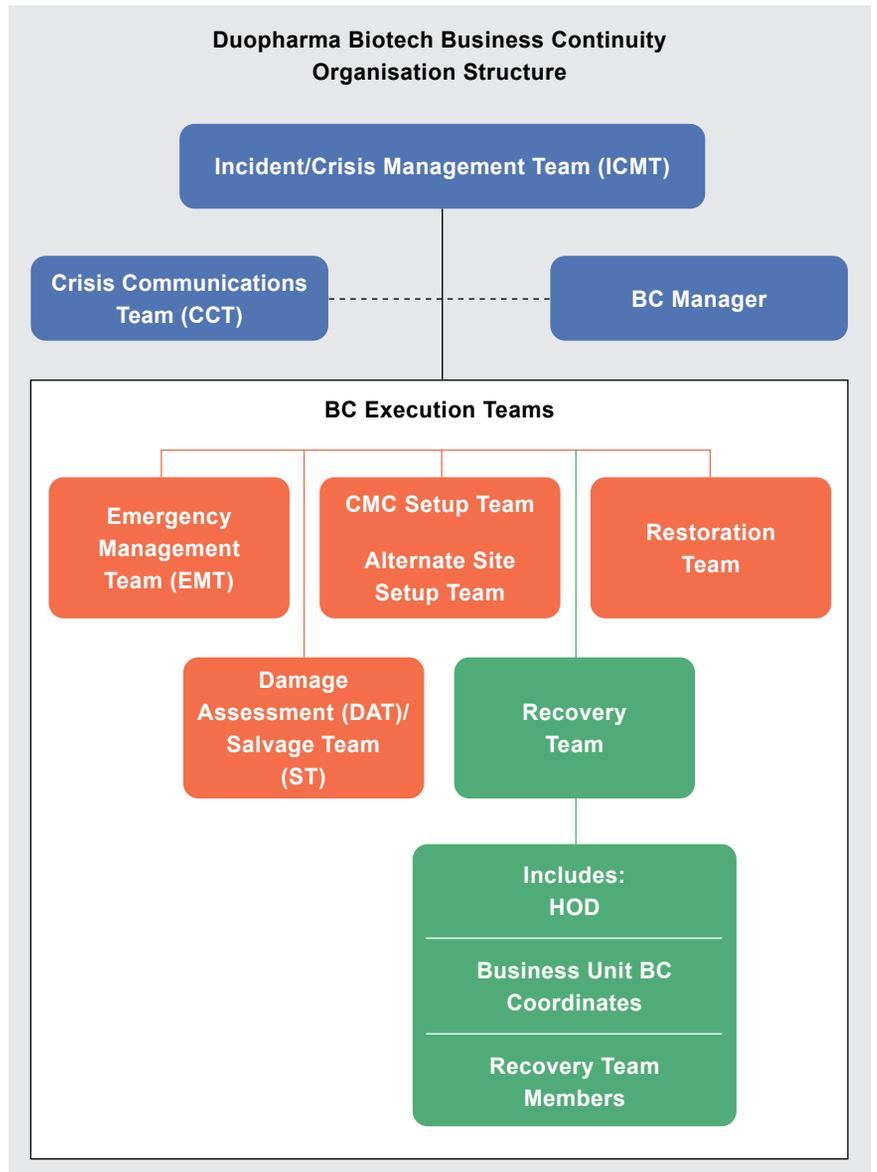
All identified business units underwent the process of developing individual business units' Business Impact Analysis ("BIA"), which included identifying Business Continuity Objectives prioritised activities, Maximum Tolerable Period of Disruption and Recovery Time Objective. This was followed by a comprehensive Risk Analysis which aimed to identify potential threat events to a business unit.

In Duopharma, BCM was established as documented procedures to:

- Manage a disruptive incident;
- Continue its activities based on the pre-determined recovery objectives in the BIA;
- Ensure communications to all interested parties remains available.

All identified business units in Duopharma Biotech have a set of BIA and Business Continuity Plan to be used in the event a Disaster level incident occurred and they need to recover their identified prioritised activities.

On 31st May 2021, Duopharma Biotech conducted a hybrid business continuity exercise. During the exercise a simulated disaster occurred and established response and recovery were tested and verified. Key point learning from this exercise will be used to further improve existing Duopharma Biotech BCM framework.



**(b) FTSE4GOOD Bursa Malaysia Index and UN Sustainable Development Goals**

In June 2020, Duopharma Biotech was included in the FTSE4Good Bursa Malaysia Index which measures the performance of public listed companies demonstrating strong ESG practices. Following this, FTSE4Good was integrated into the Group's risk register. Duopharma Biotech also became a participatory member of the United Nations Global Compact via Global Compact Network Malaysia and Brunei in 2019. This commits the Group to uphold its 10 Principles that include anti-corruption, human rights, labour practices and environmental protection as well as aligning the Group's processes with the Sustainable Development Goals.

In 2021, Duopharma Biotech achieved overall winner for the Sustainable Business Awards Malaysia 2020/2021 leading the Group to be recognised as the leader of sustainability in the country. The Group also won the 'SDG Ambition Benchmark 10: Zero Incidences of Bribery' due to the Group's strong anti-bribery and governance practices. These are some of the milestones that were achieved by the Group in the sustainability area.

**(xvi) Human Resource Management**

Key Performance Indicators are used to measure the achievement of staff in achieving the business and operational objectives. The Performance Management System utilises a top-down approach of cascading the Group's performance target into individual Key Performance Indicators to ensure consistency and alignment in assessing employee performance at all levels. Using the Competencies Framework and Learning & Development Framework, the skillsets of the Group's talent pool and staff are kept updated with various learning programmes, enhancing their capabilities to carry out duties and responsibilities towards achieving the Group's objectives. The Group also conducts periodical salary scale benchmarking and revision in order to stay competitive in the market as well as for talent attraction and retention purposes.

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

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

**(xvii) Group Internal Audit & Integrity Function**

The GIA function independently reviews and assesses the adequacy, operating effectiveness and integrity of the system of internal control in managing the key risks, and reports accordingly to the AIC on a quarterly basis. The annual audit plan is reviewed and approved by the AIC, the frequency of which is determined by the level of assessed risks, to provide an independent and objective report on operational and management activities of these functions. Where weaknesses and/or opportunity for improvement have been identified as a result of the reviews, improvement measures are recommended to strengthen controls; and follow-up audits are conducted by the GIA to assess the status of implementation thereof by Management. Timely resolution of the Internal Audit findings has been included as a performance measurement criteria for the Head's of Department to ensure accountability. In carrying out its work, GIA focuses on areas of priority as directed and approved by the AIC.

**(a) Integrity**

Section 17A of the Malaysian Anti-Corruption Act 2009 came into force on 1 June 2020, imposing steep penalties for corporate corruption. The Corporate Liability Provisions of Section 17A criminalise commercial organisations if their employees or associates commit bribery or corrupt activities. Accordingly, the Management and the Board have taken steps to ensure adequate procedures are in place to prevent bribery or corrupt activities from taking place within the Group.

The Group has adopted a zero-tolerance stance against any fraud, bribery and corruption in the conduct of its business activities. The Group expects its employees to conduct themselves with a high standard of professionalism and ethics in the conduct of our business and professional activities. The key strategies adopted to implement the integrity initiatives are Awareness, Enhancement, Prevention, Punitive Action and Rewards.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

The Integrity Office in Duopharma Biotech is responsible for, amongst others, ensuring compliance with the ISO 37001:2016 Anti-Bribery Management System ("ABMS"), conducting programmes to further inculcate and enhance integrity in the Group's culture and its stakeholders, managing the Group's Whistleblowing channels (SpeakUpPharma), enhancing business practices to further improve governance and confirming information/complaints received via the whistleblowing channels.

Among the key activities carried out are as follows:

(b) **ISO 37001:2016 Anti-Bribery Management System ("ABMS")**

As part of the Group's ongoing initiative to enhance and strengthen the state of Governance, Integrity and Corruption Risk Management, Duopharma Biotech has introduced the ABMS based on the ISO 37001:2016 standard contained measures designed to identify and evaluate the risk and to prevent, detect and respond to corruption and bribery.

The Group including its overseas subsidiaries in the Philippines and Singapore, obtained the ISO 37001:2016 ABMS certification without a single Non-Conformance Report issued by the certification body, SIRIM QAS International Sdn. Bhd. in October 2020. The ABMS ISO 37001 surveillance audit for 2021 was conducted by the certification Auditors, SIRIM QAS International Sdn Bhd. It was a stellar performance of "ZERO" non-conformance issued and only three (3) Opportunities for Improvement (OFIs) raised by the Auditors across the Group. This is a testament to the Ethics and Integrity initiatives embedded into our espoused culture and the commitment by adequately addressing the bribery/corruption risks and establishing a track record of accountability in order to create a better workplace and business environment.

The ABMS applies to the Group which it holds majority shareholding and management control. The scope of the ABMS includes the establishment, implementation, maintenance, reviews and the required improvements of the ABMS have been adopted and implemented by the Group.

(c) **Duopharma Biotech Organisational Integrity and Anti-Corruption Plan 2021 – 2023**

The board approved the Duopharma Biotech Organisational Integrity and Anti-Corruption Plan 2021 – 2023 OIACP to reinforce our commitment. The purpose of initiating the OIACP is to foster and maintain Board, Management, Employees and stakeholders confidence in the company's Integrity and Anti-Corruption System. This is achieved through the provision of a framework to build the culture of integrity in Duopharma Biotech by implementing the related objectives, strategies and programs encompassed and recommended in the Malaysian National Anti-Corruption Plan, the Guidelines on Adequate Procedures and the ISO 37001:2016 ABMS. Subsequent to the approval, briefing was conducted to all employees on 17 September 2021 in English and also in Bahasa Malaysia.

**The Objective of the Duopharma Biotech OIACP**

- Committing to promote values of integrity, transparency, accountability and good corporate governance;
- Strengthening internal systems that support corruption prevention;
- Complying with laws, policies and procedures relating to fighting corruption;
- To actively enhance a culture of professionalism and integrity in Duopharma Biotech;
- To prevent the incidence of misconduct and corruption linkages to others;
- To ensure Duopharma Biotech's integrity and transparency is sustained in daily practices through elements of honesty, efficiency and trustworthiness; and
- Supporting corruption prevention initiatives by the Government and Anti-Corruption Agencies.

## The 3 Years Strategy



## Duopharma Biotech OIACP Dimensions

An effective corporate ethics and integrity system gives equal importance to all 12 dimensions. For each dimension, there are further descriptors totalling 33 descriptors of the Integrity and Anti-Corruption initiatives. Details as follows:



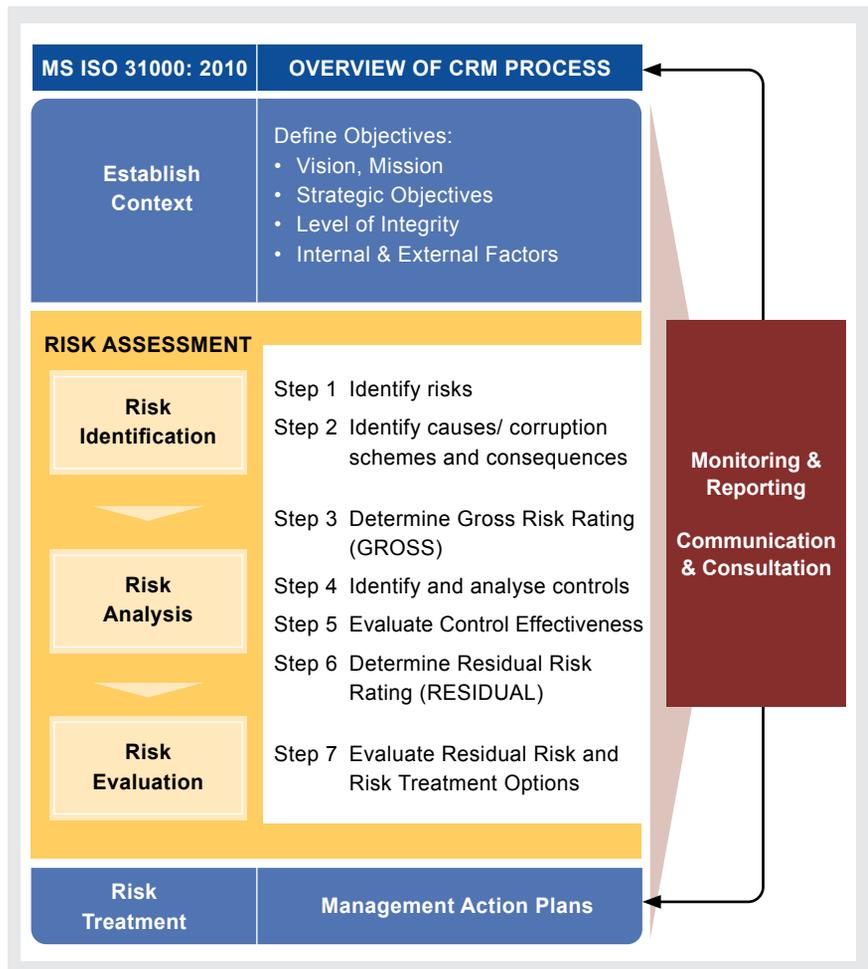
The 3-Year Duopharma Biotech OIACP will be the main reference document and acts as a guide in developing, tracking and monitoring the planned Integrity and Anti-Corruption initiatives. The OIACP is thorough enough to cover issues that need to be addressed internally as well as with the Business Associates.

### (d) Corruption Risk Management

The Duopharma Biotech's Corruption Risk Management echoes the tone at the top and sets appropriate standards in managing risks arising from fraud, bribery and corruption. Corruption Risk Management is a management process that helps identify structural weaknesses that may facilitate corruption, provides a framework for all staff to identify risk factors and treatments, and embeds corruption prevention within a well-established governance framework.

Further, separate corruption risk assessments for our subsidiaries in the Philippines and Singapore were conducted, reflecting the key provisions of Singapore's Prevention of Corruption Act 1960 and the Philippines Republic Act, respectively.

Duopharma Biotech's Corruption Risk Management Framework is as follows:



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The corruption/bribery risk assessment of the Group has been documented, demonstrating that the corruption/bribery risk assessment has been conducted and used to design or improve the ABMS. The Corruption Risk Report is tabled quarterly in the AIC meeting with the engagement of the individual corruption/bribery risk owner.

The risks will be reviewed every quarter and will be updated to the AIC. Effectiveness of the intervention or treatment of the identified corruption risk would also be included in the report. Corruptions Risk assessment is for the entire operations, subsidiaries and departments, including ad-hoc projects and in the proposed merger/ acquisition activities.

The corruption risk assessment, which is under the purview of the Group Internal Audit & Integrity Department is included in the Group's annual risk assessment pursuant to Paragraph 15.29(1) of the MMLR.

## (e) Code of Conduct

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

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

The Code of Conduct was reviewed in the year 2020 to incorporate amendments and updates from the supporting policies.

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

In 2021, to ease understanding, a "*Bahasa Malaysia*" version of the Code of Conduct was made available to the employees.

## (f) Establishment of Key Policies in Relation to Ethics, Integrity and Anti-Corruption

As part of the recommended adequate measures in achieving the highest standards of ethical conduct and in compliance with all applicable laws and regulations, steps were taken to strengthen the state of Governance and Integrity in Duopharma Biotech. The Board of Duopharma Biotech has approved the following policies in accordance to the ABMS requirements including establishment of the mother policy, Anti-Bribery and Anti-Corruption Policy ("ABAC") that was approved by the Board in December 2019. These policies are regularly reviewed at least once every three (3) years and updated to reflect the changing corruption risks. The policies and the guideline include a translated version in *Bahasa Malaysia*.

1. Whistleblowing Policy – approved by the Board on 17 August 2021 (Revised & Updated)
2. Investigation Procedure – approved by the AIC on 12 August 2021 (Revised & Updated)
3. Declaration of Interest Policy – approved by the Board on 17 August 2021 (Revised & Updated)
4. Integrity Pact Policy – approved by the Board on 17 August 2021 (Revised & Updated)
5. Grants, Charitable Donations and External Sponsorship Policy – approved by the Board on 17 August 2021
6. Gift & Hospitality Policy – approved by the Board in May 2019
7. Sponsorship Policy – approved by the Board in August 2019
8. Anti-Money Laundering and Counter Financing Terrorism Policy – approved by the Board in December 2019
9. ABMS Policy (a subset of ABAC Policy) – approved by the Board in December 2019;
10. Business Ethics Policy (a subset of ABAC Policy) – approved by the Board in December 2019.

The above policies have been communicated to the employees through email. A copy of the policies has been uploaded to the intranet and Duopharma Biotech website for ease of reference. We also have conducted sessions to brief the employees at all sites in 2019, 2020 and 2021 including refreshers and many other means to communicate the policy i.e. reminder cards, bunting, posters, computer screen savers and communication through the Integrity Champions. The Business Ethics Policy and the ABMS Policy is displayed at all sites. A series of briefings were also conducted with our Business Associates, including the forum on Sustainability during the Group's Halal, Integrity and Sustainability ("HIS") Program.

**(g) Whistleblowing Policy and Procedures**

The Group is committed to ensuring its business and operations are conducted in an ethical, moral and legal manner. The Group has established a Whistleblowing Policy that was approved by the Board in 2018 and the policy is also made available in Bahasa Malaysia. The whistleblowing policy refresher briefing was conducted for all staff in 2021.

Whistleblowing provides an avenue for employees and stakeholders to report serious concerns. There are currently five (5) available channels i.e., “Speak-Up-Pharma”, to address their concerns and the five (5) channels are via written Mail, Email, Telephone, Short Messaging Services, and secured website from Web Address.

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

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

In 2021, there were three (“3”) reports received via the whistleblowing channel. All the received reports are disclosed and discussed in the AIC. Further, on a bi-annual basis, the number of whistleblowing reports received and the status is reported to the Malaysian Anti-Corruption Commission

**(h) Mandatory Ethics & Integrity Policies Briefing**

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

With the amendment and requirements of the Malaysian Anti-Corruption Commission Act 2009 (Act) 694 with the inclusion of Section 17A (Corporate Liability Provision) that was effective 1 June 2020, the Mandatory Ethics

& Integrity Policies briefing was conducted to all employees to ensure a clear understanding of the newly developed and updated policies. A refresher briefing was conducted in 2021. The Integrity Champions also delivered similar briefings to our colleagues in the production line. Training provided to overseas operations was carried out through a combination of in-person and video conferencing.

**(i) New Staff Briefing on Ethics, Integrity & Anti-Corruption**

Between January and December 2021, the Integrity Office provided in-person and virtual training to 92 new employees in Malaysia. For new staff who joined the Philippines and Singapore office, the training was carried out by the local Integrity Champions.

**(j) Integrity Pact**

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

The Group first implemented the Integrity Pact in 2015 with the suppliers on a voluntary basis. Since then, annual Integrity pact briefings were held for new suppliers. With the new Integrity Pact policy that was approved by the Board in August 2019, all suppliers in Duopharma Biotech would be required to sign the Integrity Pact. In 2021, the Integrity Pact Policy and the Integrity Pact Agreement was reassessed and refined to ensure the Integrity Pact Agreement is truly bilateral between two parties governing the requirements, obligations and sanctions if a non-compliance arises.

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

In 2021, virtual briefing sessions were held for the business associates (including overseas suppliers, international distributors, and Bumiputera Agents) that was participated by 289 business associates. The briefing included topics on the Section 17A requirements and sanctions, the Company’s policies including the ABAC, Whistleblowing, Gift & Hospitality and the Sponsorship policy.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## (k) Declaration of Interest Filing

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

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

## (l) Appointment of the Integrity Champions

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

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

## (m) Business Ethics Institute of Malaysia ("BEIM") Five Petals Gold Ethics Award

Duopharma Biotech was awarded the Five Petals Gold Ethics Award at the Virtual Five Petals BEIM Gold Ethics Award Presentation Ceremony held on 19 December 2020, which is valid for a period of two (2) years. The inaugural Gold Ethics award recognises the five (5) steps (Criteria #1-5) taken and rewards qualifying organisations with a Petal award upon successful achievement of each criterion and is evaluated by the BEIM council including KPMG as validators. The award is a testament to the Ethics and Integrity initiatives taken by the Board and Management of Duopharma Biotech.

## BOARD'S ASSESSMENT

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

The Board confirms that the risk management process in identifying, evaluating and managing significant risks faced by the Group has been in place throughout 2021 up to date of approval of this statement.

For the financial year 2021, the Board is of the view that the system of internal controls was adequate and effective and, has not resulted in any material loss, contingency or uncertainty that would require disclosure in the Annual Report 2021.

## REVIEW OF STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2021, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects.

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or

(b) is factually inaccurate.

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

The statement has been approved by the Board of Directors at its meeting on 15 March 2022.

## 1. UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS

There were no proceeds raised from corporate proposals during the financial year.

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

During the year ended 31 December 2021, the following amount have been paid or are payable to the auditors for services rendered to the Duopharma Biotech Group:

	Audit Work (RM'000)	Non-Audit Work (RM'000)
Company Level	58	213
Group Level	330	213

The non-audit services were provided by KPMG Management & Risk Consulting Sdn. Bhd. Details on the nature of the non-audit services rendered are as follows:-

- Drafting Corporate Governance Overview Statement for Annual Report 2021 and Corporate Governance Report 2021;
- Moderator services for question-and-answer session for virtual AGM 2021;
- Board Effectiveness Assessment 2021;
- Facilitate the review and enhancement of the Terms of Reference ("TOR") of the Board and Board Committees as well as Corporate Governance Policies pursuant to the updated Malaysian Code on Corporate Governance 2021 ("MCCG 2021"); and
- Revision of the governance framework of the Board committees' vis a vis the Board as well as review on the outworking of the Group Management Committee.

The one-off governance advisory services on the review and enhancement of the TOR of the Board and Board Committees as well as Corporate Governance Policies pursuant to the updated MCCG 2021 were due to changes in the domestic corporate governance promulgations and need to recalibrate Board Committee structure, owing to the findings from the Board Effectiveness Assessment 2021 exercise.

The non-audit services and fees therefor were approved by the Audit and Integrity Committee ("AIC") and the Board prior to the engagement of such non-audit services. In relation to this, the AIC was provided assurance by the external auditors confirming their independence throughout the financial year under review.

## 3. MATERIAL CONTRACTS INVOLVING INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS

Save for the following, there were no material contracts entered into by the Company and/or its subsidiaries involving the interests of Directors or major shareholder, either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year:

Duopharma Biotech had on 8 July 2020 entered and executed the following facilities with Bank Islam Malaysia Berhad ("BIMB"):

- Tawarruq Facility Agreement for Business Financing-i 1 of RM67,000,000.00 ("BF-i (1)"); and
- Tawarruq Facility Agreement for Business Financing-i 2 of RM83,000,000.00 ("BF-i (2)"), (hereinafter BF-i (1) and BF-i (2) are collectively referred to as the "BIMB Facilities").

The particulars of BF-i (1) are as follows-

Purpose:	To redeem the Commodity Murabahah Term Financing-i facility granted by RHB Islamic Bank Berhad, and excess (if any) to be credited to the Company's current account
Bank's Profit Rate:	15.00% per annum
Bank's Effective Rate:	1 month Cost of Funds ('COF') + 0.65% per annum
Tenure:	9 years
Terms as to payment:	Quarterly instalment shall become due on the 5 <sup>th</sup> of every quarter or any other date as determined by the BIMB from time to time
Security provided:	Nil

## OTHER DISCLOSURES

The particulars of BF-i (2) are as follows-

Purpose:	To redeem the Revolving Credit-i granted by Oversea-Chinese Banking Corporation Limited, Labuan Branch, and excess (if any) to be credited to the Company's current account
Bank's Profit Rate:	15.00% per annum
Bank's Effective Rate:	1 month Cost of Funds ('COF') + 0.65% per annum
Tenure:	9 years
Terms as to payment:	Quarterly instalment shall become due on the 5 <sup>th</sup> of every quarter or any other date as determined by the BIMB from time to time.
Security provided:	Nil

As at 31 March 2022, Permodalan Nasional Berhad ("PNB") holds 42.287% of the issued shares of Duopharma Biotech. Yayasan Pelaburan Bumiputra ("YPB") is an indirect major shareholder of Duopharma Biotech via its deemed interest through PNB by virtue of Section 8(4) of the Companies Act 2016. As at 31 March 2022, the unit trust funds managed by PNB (namely Amanahraya Trustees Berhad - Amanah Saham Bumiputera; Amanahraya Trustees Berhad - Amanah Saham Malaysia 3; and Amanahraya Trustees Berhad - Amanah Saham Malaysia) collectively hold 8.915 % of the issued shares of Duopharma Biotech. As such, as at 31 March 2022, PNB controls 51.202% of the issued shares of Duopharma Biotech.

PNB and YPB are deemed interested in the BIMB Facilities as PNB and unit trust funds managed by PNB collectively hold more than 5% of the issued shares of BIMB.

Pursuant to Paragraph 10.08(11)(e) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the receipt of the BIMB Facilities from the BIMB is not normally regarded as related party transaction as the Facilities are upon normal commercial terms and in the ordinary course of business, from a bank whose activities are regulated by the Islamic Financial Services Act 2013 and are subject to supervision by Bank Negara Malaysia.

As at 31 December 2021, the Duopharma Biotech Group has material commitments for capital expenditure of RM48.29 million (contracted but not provided for).

#### 4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at 31 December 2021, neither Duopharma Biotech nor its subsidiaries, was engaged in any material litigation, claim or arbitration, either as plaintiff or defendant or otherwise, and the Board does not have any knowledge of any proceedings, pending or threatened against Duopharma Biotech and/or its subsidiary, or of any fact likely to give rise to any such proceedings, which might materially or adversely affect the financial position or business of Duopharma Biotech and/or its subsidiary.

#### 5. RECURRENT RELATED PARTY TRANSACTION OF REVENUE OR TRADING NATURE

Duopharma Biotech has not sought any shareholders' mandate for the recurrent related party transaction of a revenue or trading nature at the last Annual General Meeting ("AGM") of the Company held on 28 May 2021. The last shareholders' mandate for the recurrent related party transaction of a revenue or trading nature which are necessary for its day-to-day operations and are in the ordinary course of business with related parties was obtained during the AGM held on 22 May 2017 and the said mandate had expired upon conclusion of the AGM held on 31 May 2018.

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

- (a) since no other RRPTs of a revenue or trading nature (i.e., other than those falling within the ambit of the aforesaid waiver) were identified or anticipated for the period from the date of the AGM of the Company held on 31 May 2018 until the date of the AGM of the Company held on 31 May 2019, the Company did not seek a new shareholders' mandate to apply to RRPTs of a revenue or trading nature with related parties at the AGM of the Company held on 31 May 2018;

- (b) since no other RRPTs of a revenue or trading nature (i.e., other than those falling within the ambit of the aforesaid waiver) were identified or anticipated for the period from the date of the AGM of the Company held on 31 May 2019 until the date of the AGM of the Company held on 17 June 2020, the Company did not seek a new shareholders' mandate to apply to RRPTs of a revenue or trading nature with related parties at the AGM of the Company held on 31 May 2019;
- (c) since no other RRPTs of a revenue or trading nature (i.e., other than those falling within the ambit of the aforesaid waiver) were identified or anticipated for the period from the date of the AGM of the Company held on 17 June 2020 until the date of the previous AGM of the Company held on 28 May 2021, the Company did not seek a new shareholders' mandate to apply to RRPTs of a revenue or trading nature with related parties at the AGM of the Company held on 17 June 2020;
- (d) since no other RRPTs of a revenue or trading nature (i.e., other than those falling within the ambit of the aforesaid waiver) were identified or anticipated for the period from the date of the AGM of the Company held on 28 May 2021 until the date of the forthcoming AGM of the Company, the Company did not seek a new shareholders' mandate to apply to RRPTs of a revenue or trading nature with related parties at the previous AGM of the Company; and
- (e) likewise, since no other RRPTs of a revenue or trading nature (i.e., other than those falling within the ambit of the aforesaid waiver) have as at to date been identified or anticipated for the period from the date of the forthcoming AGM of the Company until the date of the next AGM of the Company in 2023, the Company will not be seeking a new shareholders' mandate to apply to RRPTs of a revenue or trading nature with related parties at the forthcoming AGM of the Company.

In view of the aforesaid, there was no requirement for shareholders mandate for RRPTs of a revenue or trading nature with related parties during the year under review. Consequently, there was no RRPTs conducted pursuant to a shareholders' mandate for RRPTs during the financial year ended 31 December 2021, and no requirement to disclose in this Annual Report on RRPTs conducted pursuant to a shareholders' mandate for RRPTs during the financial year ended 31 December 2021.

The Audit and Integrity Committee and the Board have reviewed the Group's RRPTs of a revenue or trading nature and have prescribed the following procedures to be complied with by the Duopharma Biotech Group in relation thereto –

- (i) the RRPTs are to be undertaken on an arm's length basis and on normal commercial terms consistent with Duopharma Biotech Group's usual business practices and policies, which are no more favourable to the interested parties than those generally available to the public and are not detrimental to the minority shareholders of Duopharma;
- (ii) the RRPTs involving the interest of related parties will only be transacted at the prevailing market rates/prices for the services or products on the usual commercial terms, or otherwise in accordance with applicable industry norms, after taking into account the pricing, the level of services, quality of products and other related factors; and
- (iii) the pricing for services and products to be provided/supplied and/or received is determined based on the Duopharma Biotech Group's business practices and policies to ensure that prices and terms and conditions are based on competitive prices of similar products and services in the open market.



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# SEC 04

ABOUT US

STRATEGIC REPORT

GOVERNANCE

FINANCIAL REPORT

OTHER INFORMATION

AGM INFORMATION



We have entered the health and beauty segment through the launch of the Flavettes®Nutriskincare™ range, which also expands our FLAVETTES® portfolio

## FINANCIAL REPORT

Directors' Report	110
Statements of Financial Position	116
Statements of Profit or Loss and Other Comprehensive Income	117
Consolidated Statement of Changes in Equity	118
Statement of Changes in Equity	119
Statements of Cash Flows	120
Notes to Financial Statements	123
Statement by Directors	184
Statutory Declaration	184
Independent Auditors' Report to the members of Duopharma Biotech Berhad	185

# DIRECTORS' REPORT

For the year ended 31 December 2021

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2021.

## PRINCIPAL ACTIVITIES

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

## ULTIMATE HOLDING COMPANY

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

## RESULTS

	Group RM'000	Company RM'000
Profit for the year	65,683	38,256

## RESERVES AND PROVISIONS

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

## DIVIDENDS

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

- i) a second interim ordinary dividend of 6.0 sen per ordinary share totalling RM42,361,615 in respect of the financial year ended 31 December 2020 on 21 May 2021.

Out of the total distribution, a total of RM934,087 was converted into 303,275 new ordinary shares of the Company at the conversion price of RM3.08 per ordinary share under the Dividend Reinvestment Plan ("DRP"); and

- ii) an interim ordinary dividend of 0.5 sen per ordinary share totalling RM3,531,435 in respect of the year ended 31 December 2021 on 15 September 2021.

The second interim ordinary dividend declared by the Directors in respect of the financial year ended 31 December 2021 is 1.8 sen per ordinary share totalling RM16,951,782.

## DIVIDENDS (CONTINUED)

The financial statements for the current financial year do not reflect this second interim dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2022.

## DIRECTORS OF THE COMPANY

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

### Duopharma Biotech Berhad

Tan Sri Datin Paduka Siti Sa'diah Binti Sh Bakir  
 Leonard Ariff Bin Abdul Shatar  
 Dato' Mohamad Kamarudin Bin Hassan  
 Razalee Bin Amin  
 Zaiton Binti Jamaluddin  
 Dato' Eisah Binti A.Rahman  
 Datuk Nik Moustpha Bin Hj Nik Hassan  
 Datuk Mohd Radzif Bin Mohd Yunus  
 Dato' Dr. Zaki Morad Bin Mohamad Zaher  
 Amizar Binti Mizuar (Appointed on 9 July 2021)

### Subsidiaries

#### Duopharma (M) Sendirian Berhad

Leonard Ariff Bin Abdul Shatar  
 Wan Amir-Jefferey Bin Wan Abdul Majid (Appointed on 22 March 2021)  
 Mohd Idzwan Mohd Malek (Appointed on 22 March 2021)  
 Sabrina Binti Haron (Resigned on 22 March 2021)  
 Mohd Fairuz Khan Bin Pret Khan (Resigned on 22 March 2021)

#### Duopharma Manufacturing (Bangi) Sdn. Bhd.

Feizril Nor Bin Nurbi  
 Shamsul Idham Bin A.lahad  
 Mohd Fairuz Khan Bin Pret Khan (Appointed on 22 March 2021)

#### Duopharma Marketing Sdn. Bhd.

Noor Aida Binti Jaafar  
 Mohamed Shazman Merican (Appointed on 22 March 2021)  
 Zaini Bin Said (Appointed on 10 December 2021)  
 Wan Amir-Jeffery Bin Wan Abdul Majid (Resigned on 22 March 2021)

#### Duopharma Consumer Healthcare Sdn. Bhd.

Wan Amir-Jeffery Bin Wan Abdul Majid  
 Feizril Nor Bin Nurbi  
 Shamsul Idham Bin A.lahad

**DIRECTORS OF THE COMPANY (CONTINUED)****Subsidiaries (continued)****Duopharma HAPI Sdn. Bhd.**

RoZIAH Hanim Binti Abd. Karim (Appointed on 22 March 2021)  
Sabrina Binti Haron (Appointed on 22 March 2021)  
Suhazair Bin Mansor (Appointed on 10 December 2021)  
Wan Amir-Jeffery Bin Wan Abdul Majid (Resigned on 22 March 2021)  
Mohd Idzwan Bin Mohd Malik (Resigned on 22 March 2021)  
Noor Aida Binti Jaafar (Resigned on 22 March 2021)

**Duopharma Innovation Sdn. Bhd.**

Leonard Ariff Bin Abdul Shatar  
Wan Amir-Jeffery Bin Wan Abdul Majid  
Krisnakumara-Reddi a/l Kesava-Reddi

**Unique Pharmacy (Penang) Sdn. Bhd.**

Krisnakumara-Reddi a/l Kesava-Reddi  
Shamsul Idham Bin A.lahad  
Ng Su Yee

**Sentosa Pharmacy Sdn. Bhd.**

Wan Amir-Jeffery Bin Wan Abdul Majid  
Chek Wu Kong  
Urudra a/l N. Sarvanantham (Resigned on 8 November 2021)

**Duopharma Manufacturing (Glenmarie) Sdn. Bhd.**

Leonard Ariff Bin Abdul Shatar  
Wan Amir-Jeffery Bin Wan Abdul Majid  
Ng Su Yee

**Negeri Pharmacy Sdn. Bhd.**

Chek Wu Kong  
Shamsul Idham Bin A.lahad  
Urudra a/l N Sarvanantham (Resigned on 8 November 2021)

**Duopharma (Singapore) Pte. Ltd.**

Wan Amir-Jeffery Bin Wan Abdul Majid  
Teo Cheng Peow  
Shamsul Idham Bin A.lahad (Appointed on 9 December 2021)  
Urudra a/l N. Sarvanantham (Resigned on 9 December 2021)

**DB (Philippines) Inc.**

Wan Amir-Jeffery Bin Wan Abdul Majid  
Darwin Ropher Perez  
Susan M. Chu (Appointed on 12 April 2021)  
Chek Wu Kong (Appointed on 9 December 2021)  
Dante O. Perez (Resigned on 9 September 2021)  
Urudra a/l N. Sarvanantham (Resigned on 9 December 2021)

## DIRECTORS' INTERESTS IN SHARES

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

	Number of ordinary shares			At 31.12.2021
	At 1.1.2021	Bought/ Received	Sold	
Interests in Duopharma Biotech Berhad:				
Datuk Mohd Radzif Bin Mohd Yunus	18,970	-	-	18,970

None of the other Directors holding office at 31 December 2021 had any interest in the shares of the Company and of its related corporations during the financial year.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

## ISSUE OF SHARES

During the financial year, the Company issued:

- (i) 303,275 new ordinary shares of RM3.08 per ordinary share via the implementation of DRP for 2021 second interim dividend for a total consideration of RM934,087.
- (ii) 235,435,495 new ordinary shares on the basis of one bonus share for every three existing shares held subsequent to the DRP.

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

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

## OPTIONS GRANTED OVER UNISSUED SHARES

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

**INDEMNITY AND INSURANCE COSTS**

During the financial year, Directors and Officers of Duopharma Biotech Berhad, together with its subsidiaries are covered under the Directors' and Officers' Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the policy. The total amount of Directors' and Officers' Liability Insurance effected for the Directors and Officers of the Group was RM50 million. The total amount of premium paid by the Group for the Directors' and Officers' Liability Insurance was RM52,268.

**OTHER STATUTORY INFORMATION**

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2021 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

## AUDITORS

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

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

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

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

Director

.....  
**Leonard Ariff Bin Abdul Shatar**

Director

Kuala Lumpur

15 March 2022

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Assets</b>					
Property, plant and equipment	3	542,525	441,789	4,055	1,858
Investment property	4	1,050	1,100	-	-
Intangible assets	5	39,524	35,066	3,209	4,097
Investments in subsidiaries	6	-	-	386,090	386,090
Other investments	7	73,536	112,247	73,536	112,247
Deferred tax assets	8	12,700	8,537	-	-
Trade and other receivables	9	-	-	52,300	47,815
<b>Total non-current assets</b>		<b>669,335</b>	<b>598,739</b>	<b>519,190</b>	<b>552,107</b>
Inventories	10	222,192	151,266	-	-
Current tax assets		2,922	8,217	1,263	873
Trade and other receivables	9	131,702	142,181	208,563	140,795
Cash and cash equivalents	11	137,980	158,029	91,030	75,679
<b>Total current assets</b>		<b>494,796</b>	<b>459,693</b>	<b>300,856</b>	<b>217,347</b>
<b>Total assets</b>		<b>1,164,131</b>	<b>1,058,432</b>	<b>820,046</b>	<b>769,454</b>
<b>Equity</b>					
Share capital	12.1	405,856	404,922	405,856	404,922
Reserves		(21,824)	18,717	(21,941)	18,840
Retained earnings		239,972	220,182	44,879	52,516
<b>Equity attributable to owners of the Company</b>	12	<b>624,004</b>	<b>643,821</b>	<b>428,794</b>	<b>476,278</b>
<b>Liabilities</b>					
Loans and borrowings	13	297,797	253,281	297,797	253,281
Trade and other payables	14	2,478	659	2,173	219
Deferred tax liabilities	8	9,543	10,350	-	-
<b>Total non-current liabilities</b>		<b>309,818</b>	<b>264,290</b>	<b>299,970</b>	<b>253,500</b>
Loans and borrowings	13	102,925	48,793	81,735	28,793
Trade and other payables	14	121,326	100,784	9,547	10,883
Current tax liabilities		6,058	744	-	-
<b>Total current liabilities</b>		<b>230,309</b>	<b>150,321</b>	<b>91,282</b>	<b>39,676</b>
<b>Total liabilities</b>		<b>540,127</b>	<b>414,611</b>	<b>391,252</b>	<b>293,176</b>
<b>Total equity and liabilities</b>		<b>1,164,131</b>	<b>1,058,432</b>	<b>820,046</b>	<b>769,454</b>

The notes on pages 123 to 183 are an integral part of these financial statements.

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

117

For the year ended 31 December 2021

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue	15	639,175	569,902	66,955	63,356
Cost of sales		(385,191)	(336,701)	-	-
<b>Gross profit</b>		<b>253,984</b>	<b>233,201</b>	<b>66,955</b>	<b>63,356</b>
Other income		1,591	648	1,400	-
Distribution and marketing expenses		(94,650)	(81,159)	-	-
Administrative expenses		(71,134)	(69,655)	(27,825)	(27,701)
Net reversal of impairment of financial instruments		(102)	820	-	-
Other expenses		(930)	(1,999)	(502)	(1,909)
<b>Results from operating activities</b>	16	<b>88,759</b>	<b>81,856</b>	<b>40,028</b>	<b>33,746</b>
Finance income	17	1,196	1,510	9,865	7,295
Finance costs	18	(6,972)	(7,209)	(10,420)	(9,283)
<b>Profit before tax</b>		<b>82,983</b>	<b>76,157</b>	<b>39,473</b>	<b>31,758</b>
Tax expense	20	(17,300)	(17,547)	(1,217)	94
<b>Profit for the year</b>		<b>65,683</b>	<b>58,610</b>	<b>38,256</b>	<b>31,852</b>
<b>Other comprehensive income, net of tax</b>					
<b>Items that will not be reclassified subsequent to profit or loss</b>					
Net change in fair value of equity instruments designated at fair value through other comprehensive (loss)/income		(40,781)	63,088	(40,781)	63,088
<b>Items that are or may be reclassified subsequent to profit or loss</b>					
Foreign currency translation differences for foreign operations		240	(396)	-	-
		(40,541)	62,692	(40,781)	63,088
<b>Total comprehensive income/(loss) for the year</b>		<b>25,142</b>	<b>121,302</b>	<b>(2,525)</b>	<b>94,940</b>
<b>Basic earnings per ordinary share (sen)</b>	21	<b>7.08</b>	<b>6.31</b>		

The notes on pages 123 to 183 are an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Note	← Attributable to owners of the Company →				Total RM'000
		← Non-distributable →		→ Distributable		
		Share capital RM'000	Translation reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	
<b>Group</b>						
<b>At 1 January 2020</b>		374,404	273	(27,873)	182,946	529,750
Foreign currency translation differences for foreign operations		-	(396)	-	-	(396)
Net change in fair value of equity instrument designated at FVOCI		-	-	63,088	-	63,088
Total other comprehensive income for the year		-	(396)	63,088	-	62,692
Profit for the year		-	-	-	58,610	58,610
<b>Profit and total comprehensive income for the year</b>		-	(396)	63,088	58,610	121,302
<i>Contributions by and distributions to owners of the Company</i>						
- Issuance of shares pursuant to Dividend Reinvestment Plan		30,518	-	-	-	30,518
- Dividends to owners of the Company	22	-	-	-	(37,749)	(37,749)
<b>Total transactions with owners of the Company</b>		30,518	-	-	(37,749)	(7,231)
Transfer upon the disposal of equity investment designated at FVOCI	7	-	-	(16,375)	16,375	-
<b>At 31 December 2020</b>		404,922	(123)	18,840	220,182	643,821
		Note 12.1	Note 12.2	Note 12.3		
<b>Group</b>						
<b>At 1 January 2021</b>		404,922	(123)	18,840	220,182	643,821
Foreign currency translation differences for foreign operations		-	240	-	-	240
Net change in fair value of equity instrument designated at FVOCI		-	-	(40,781)	-	(40,781)
Total other comprehensive loss for the year		-	240	(40,781)	-	(40,541)
Profit for the year		-	-	-	65,683	65,683
<b>Profit and total comprehensive income for the year</b>		-	240	(40,781)	65,683	25,142
<i>Contributions by and distributions to owners of the Company</i>						
- Issuance of shares pursuant to Dividend Reinvestment Plan		934	-	-	-	934
- Dividends to owners of the Company	22	-	-	-	(45,893)	(45,893)
<b>Total transactions with owners of the Company</b>		934	-	-	(45,893)	(44,959)
<b>At 31 December 2021</b>		405,856	117	(21,941)	239,972	624,004
		Note 12.1	Note 12.2	Note 12.3		

The notes on pages 123 to 183 are an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

119

ABOUT US

STRATEGIC REPORT

GOVERNANCE

FINANCIAL REPORT

OTHER INFORMATION

AGM INFORMATION

	← Attributable to owners of the Company →			
	← Non-distributable →	Distributable		
Note	Share capital RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000
<b>Company</b>				
<b>At 1 January 2020</b>	374,404	(27,873)	42,038	388,569
Net change in fair value of equity instrument designated at FVOCI	-	63,088	-	63,088
Total other comprehensive income for the year	-	63,088	-	63,088
Profit for the year	-	-	31,852	31,852
<b>Profit and total comprehensive income for the year</b>	-	63,088	31,852	94,940
<i>Contributions by and distributions to owners of the Company</i>				
- Issuance of share pursuant to Dividend Reinvestment Plan	30,518	-	-	30,518
- Dividends to owners of the Company	22	-	(37,749)	(37,749)
<b>Total transactions with owners of the Company</b>	30,518	-	(37,749)	(7,231)
Transfer upon the disposal of equity investment designated at FVOCI	7	-	(16,375)	16,375
<b>At 31 December 2020</b>	404,922	18,840	52,516	476,278
	Note 12.1	Note 12.3		
<b>Company</b>				
<b>At 1 January 2021</b>	404,922	18,840	52,516	476,278
Net change in fair value of equity instrument designated at FVOCI	-	(40,781)	-	(40,781)
Total other comprehensive loss for the year	-	(40,781)	-	(40,781)
Profit for the year	-	-	38,256	38,256
<b>Loss and total comprehensive expense for the year</b>	-	(40,781)	38,256	(2,525)
<i>Contributions by and distributions to owners of the Company</i>				
- Issuance of share pursuant to Dividend Reinvestment Plan	934	-	-	934
- Dividends to owners of the Company	22	-	(45,893)	(45,893)
<b>Total transactions with owners of the Company</b>	934	-	(45,893)	(44,959)
<b>At 31 December 2021</b>	405,856	(21,941)	44,879	428,794
	Note 12.1	Note 12.3		

The notes on pages 123 to 183 are an integral part of these financial statements.

# STATEMENTS OF CASH FLOWS

For the year ended 31 December 2021

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Cash flows from operating activities</b>					
Profit before tax		82,983	76,157	39,473	31,758
<i>Adjustments for:</i>					
Depreciation of property, plant and equipment	3	29,583	27,477	890	747
Write off on property, plant and equipment	16	46	39	-	-
Loss on disposal of property, plant and equipment	16	7	-	-	-
Amortisation of intangible assets	5	2,372	1,590	888	344
Write off of intangible assets	5	-	962	-	-
Dividend income		-	-	(41,534)	(36,233)
Finance cost	18	6,972	7,209	10,420	9,283
Finance income from					
- Cash and cash equivalents	17	(1,196)	(1,510)	(593)	(679)
- Subsidiaries	17	-	-	(9,272)	(6,616)
Provision for/(Reversal of) impairment on trade receivables		102	(820)	-	-
Net inventories (written back)/written down	10	(2,182)	5,551	-	-
Net inventories written off	10	9,686	8,736	-	-
Net unrealised foreign exchange gain	16	365	(382)	507	(133)
Gain from lease modifications		(25)	-	-	-
Change in fair value of investment properties	4	50	100	-	-
<b>Operating profit/(loss) before changes in working capital</b>		<b>128,763</b>	<b>125,109</b>	<b>779</b>	<b>(1,529)</b>
Change in inventories		(78,430)	(21,366)	-	-
Change in trade and other receivables		(4,144)	4,544	(72,253)	(43,092)
Change in trade and other payables		20,644	(12,476)	(1,309)	839
<b>Cash generated from/(used in) operations</b>		<b>66,833</b>	<b>95,811</b>	<b>(72,783)</b>	<b>(43,782)</b>
Interest paid		(11,968)	(6,342)	(10,420)	(7,975)
Tax paid		(12,087)	(18,851)	(1,607)	(1,483)
Tax refund		426	730	-	288
<b>Net cash generated from/(used in) operating activities</b>		<b>43,204</b>	<b>71,348</b>	<b>(84,810)</b>	<b>(52,952)</b>

# STATEMENTS OF CASH FLOWS

121

For the year ended 31 December 2021 (continued)

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment	3	(109,362)	(56,111)	(688)	(366)
Acquisition of intangible assets	5	(5,644)	(9,505)	-	(4,441)
Increase in investments in subsidiaries	6	-	-	-	(6,720)
Proceeds from disposal of property, plant and equipment		21	-	-	-
Proceeds from disposal of other investments		-	24,598	-	24,598
Increase in other investments		(2,070)	(21,918)	(2,070)	(21,918)
Interest received from					
- Cash and cash equivalents		1,196	1,510	593	679
- Subsidiaries		-	-	9,272	8,144
Dividend received		-	-	41,534	36,233
<b>Net cash (used in)/generated from investing activities</b>		<b>(115,859)</b>	<b>(61,426)</b>	<b>48,641</b>	<b>36,209</b>
<b>Cash flows from financing activities</b>					
Dividends paid to owners of the Company		(44,959)	(7,231)	(44,959)	(7,231)
Payment of lease liabilities		(777)	(783)	(433)	(395)
Proceeds from borrowings		186,784	193,807	111,429	179,560
Repayment of loan and borrowings		(88,682)	(157,959)	(14,517)	(141,629)
<b>Net cash generated from financing activities</b>		<b>52,366</b>	<b>27,834</b>	<b>51,520</b>	<b>30,305</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(20,289)</b>	<b>37,756</b>	<b>15,351</b>	<b>13,562</b>
Exchange differences on translation of financial statement of foreign operations		240	(396)	-	-
Cash and cash equivalents at 1 January		158,029	120,669	75,679	62,117
<b>Cash and cash equivalents at 31 December</b>		<b>137,980</b>	<b>158,029</b>	<b>91,030</b>	<b>75,679</b>

# STATEMENTS OF CASH FLOWS

For the year ended 31 December 2021 (continued)

## Cash and cash equivalents

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

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Deposits placed with licensed banks	11	8,846	1,462	-	-
Cash and bank balances	11	97,635	102,661	59,531	21,773
Highly liquid investment with financial institutions	11	31,499	53,906	31,499	53,906
		<b>137,980</b>	<b>158,029</b>	<b>91,030</b>	<b>75,679</b>

## Cash outflows for leases as a lessee

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Included in net cash from operating activities:</b>					
Payment relating to leases of low value assets	16	366	861	-	4
Payment relating to short-term lease	16	494	-	-	-
Payment relating to variable lease payments not included in the measure of lease liabilities	16	1,757	1,995	-	-
Interest paid in relation to lease liabilities	18	62	55	57	44
<b>Included in net cash from financing activities:</b>					
Payment of lease liabilities		777	783	433	395
Total cash outflows for leases		<b>3,456</b>	<b>3,694</b>	<b>490</b>	<b>443</b>

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

Group	At 1 January 2020 RM'000	Net changes from financing cash flows RM'000	Foreign exchange movement RM'000	Addition of new lease RM'000	At 31 December 2020/ 1 January 2021 RM'000	Net changes from financing cash flows RM'000	Foreign exchange movement RM'000	Addition of new lease RM'000	Effect of lease modification RM'000	At 31 December 2021 RM'000
Term loan	154,738	111,222	-	-	265,960	46,912	-	-	-	312,872
Revolving credit	107,582	(73,293)	1,825	-	36,114	47,613	546	-	-	84,273
Banker's acceptance	2,081	(2,081)	-	-	-	3,577	-	-	-	3,577
Lease liabilities	1,596	(783)	-	447	1,260	(777)	-	2,701	(65)	3,119
Total liabilities from financing activities	265,997	35,065	1,825	447	303,334	97,325	546	2,701	(65)	403,841

Company	At 1 January 2020 RM'000	Net changes from financing cash flows RM'000	Foreign exchange movement RM'000	At 31 December 2020/ 1 January 2021 RM'000	Net changes from financing cash flows RM'000	Foreign exchange movement RM'000	Addition of new leases RM'000	At 31 December 2021 RM'000
Term loan	154,738	111,222	-	265,960	46,912	-	-	312,872
Revolving credit	87,580	(73,291)	1,825	16,114	50,000	546	-	66,660
Lease liabilities	1,031	(395)	-	636	(433)	-	2,399	2,602
Total liabilities from financing activities	243,349	37,536	1,825	282,710	96,479	546	2,399	382,134

Duopharma Biotech Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows:

#### Principal place of business

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

#### Registered office

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

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”). The financial statements of the Company as at and for the financial year ended 31 December 2021 do not include other entities.

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

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

The financial statements were authorised for issue by the Board of Directors on 15 March 2022.

## 1. BASIS OF PREPARATION

### (a) Statement of compliance

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION (CONTINUED)

### (a) Statement of compliance (continued)

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

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

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

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

The Group and the Company plan to apply the abovementioned accounting standards, interpretations and amendments, where applicable:

- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 April 2021.
- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022, except for amendments to MFRS 141 which is not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17 and amendments to MFRS 17 which are not applicable to the Group and the Company.

### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

### (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (“RM”), which is the Company’s functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

### (d) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 3 – Extension options and incremental borrowing rate in relation to leases
- Note 5 – Intangible assets
- Note 15 – Revenue

## 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

### (a) Basis of consolidation

#### (i) Subsidiaries

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

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

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

#### (ii) Business combinations

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of consolidation (continued)

#### (iii) Acquisitions from entities under common control

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

#### (iv) Loss of control

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

#### (v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

### (b) Foreign currency

#### (i) Foreign currency transactions

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

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

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Foreign currency (continued)

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

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

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

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

### (c) Financial instruments

#### (i) Recognition and initial measurement

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

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

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

##### *Financial assets*

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Financial instruments (continued)

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

##### *Financial assets (continued)*

#### (a) Amortised cost

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

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

#### (b) Fair value through other comprehensive income

##### (i) Debt investments

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

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

##### (ii) Equity investments

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Financial instruments (continued)

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

##### *Financial assets (continued)*

#### (c) Fair value through profit or loss

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

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

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

##### *Financial liabilities*

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

#### (a) Fair value through profit or loss

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Financial instruments (continued)

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

##### *Financial liabilities (continued)*

#### (a) Fair value through profit or loss (continued)

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

#### (b) Amortised cost

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

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

#### (iii) Derecognition

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

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

### (d) Property, plant and equipment

#### (i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing cost.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Property, plant and equipment (continued)

#### (i) Recognition and measurement (continued)

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

#### (ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

#### (iii) Depreciation

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

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

• freehold buildings	50 years
• plant and machineries	5 - 10 years
• office equipment, furniture and fittings	5 - 20 years
• motor vehicles	4 - 10 years
• renovations	10 years

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Leases

#### (i) Definition of a lease

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

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

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

#### (ii) Recognition and initial measurement

##### As a lessee

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

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

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

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

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(e) Leases (continued)**

**(ii) Recognition and initial measurement (continued)**

**As a lessee (continued)**

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

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

**(iii) Subsequent measurement**

**As a lessee**

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

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

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

**(f) Intangible assets**

**(i) Research and development**

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Intangible assets (continued)

#### (ii) Marketing rights

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

#### (iii) Computer software

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

#### (iv) Subsequent expenditure

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

#### (v) Amortisation

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

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

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

• marketing rights	10 years
• development costs	10 years
• computer software	5 - 10 years

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Investment property

#### Investment property carried at fair value

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

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

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

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

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

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

### (h) Inventories

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

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

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

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

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

Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs of disposal.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (j) Contract asset/Contract liability

A contract asset is recognised when the Group's or the Company's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments* (see note 2(l)(i)).

A contract liability is stated at cost and represents the obligation of the Group or the Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

### (k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments.

### (l) Impairment

#### (i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowance at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (I) Impairment (continued)

#### (i) Financial assets (continued)

At each reporting date, the Group and the Company assess whether financial assets arrived at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

#### (ii) Other assets

The carrying amounts of other assets (except for inventories, deferred tax asset, investment property measured at fair value and asset held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the other assets in the cash-generating unit (or a group of cash-generating units) on a *pro rata* basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (m) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

#### (i) Issue expenses

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

#### (ii) Ordinary shares

Ordinary shares are classified as equity.

#### (iii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

#### (iv) Distribution of assets to owners of the Company

The Group measures a liability to distribute assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

### (n) Employee benefits

#### (i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### (ii) State plans

The Group's contributions to the statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

### (o) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

#### Warranties

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (p) Revenue and other income

#### (i) Revenue from contract with customers

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or services at a point in time unless one of the following overtime criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
- (b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

#### (ii) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

#### (iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

#### (iv) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

### (q) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (r) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentive that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

### (s) Earnings per ordinary share

The Group presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is not presented as the Group has no shares or other instruments with potential dilutive effects.

### (t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (u) Contingencies

#### (i) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

#### (ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

### (v) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. PROPERTY, PLANT AND EQUIPMENT

	← Own use →								Total RM'000
	Freehold land RM'000	Freehold buildings RM'000	Plant and machineries RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Renovations RM'000	Capital work-in- progress RM'000	Right-of- use assets RM'000	
<b>Group</b>									
<b>Cost</b>									
At 1 January 2020	69,882	58,672	257,178	10,680	1,711	2,044	93,334	93,013	586,514
Additions	-	207	19,266	2,524	115	409	30,677	447	53,645
Borrowing costs capitalised at 3.39% per annum	-	-	-	-	-	-	3,398	-	3,398
Write off	-	-	(220)	(578)	-	-	-	(3)	(801)
Reclassification	-	60,690	822	92	-	-	(61,604)	-	-
Effect of exchange rate	-	-	-	46	-	-	-	-	46
At 31 December 2020/ 1 January 2021	69,882	119,569	277,046	12,764	1,826	2,453	65,805	93,457	642,802
Additions	-	4,657	19,750	1,105	-	395	97,679	3,037	126,623
Borrowing costs capitalised at 3.60% per annum	-	-	-	-	-	-	3,810	-	3,810
Disposals	-	-	(5,287)	(17)	-	-	-	-	(5,304)
Write off	-	-	(2,603)	(10)	-	-	-	-	(2,613)
Reclassification	-	282	4,380	-	-	-	(4,662)	-	-
Effect of lease modifications	-	-	-	-	-	-	-	(376)	(376)
Effect of exchange rate	-	-	-	(9)	(4)	1	-	4	(8)
At 31 December 2021	69,882	124,508	293,286	13,833	1,822	2,849	162,632	96,122	764,934

### 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	← Own use →								Total RM'000
	Freehold land RM'000	Freehold buildings RM'000	Plant and machineries RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Renovations RM'000	Capital work-in- progress RM'000	Right-of- use assets RM'000	
<b>Group</b>									
<b>Depreciation</b>									
At 1 January 2020	-	19,276	135,358	6,618	1,016	1,012	-	10,986	174,266
Depreciation for the year	-	2,032	19,887	1,437	231	407	-	3,483	27,477
Write off	-	-	(185)	(574)	-	-	-	(3)	(762)
Effect of exchange rate	-	-	-	32	-	-	-	-	32
At 31 December 2020/ 1 January 2021	-	21,308	155,060	7,513	1,247	1,419	-	14,466	201,013
Depreciation for the year	-	2,181	21,458	1,797	248	413	-	3,486	29,583
Disposals	-	-	(5,271)	(3)	-	-	-	-	(5,276)
Write off	-	-	(2,567)	-	-	-	-	-	(2,567)
Effect of lease modifications	-	-	-	-	-	-	-	(336)	(336)
Effect of exchange rate	-	-	-	(10)	(4)	-	-	6	(8)
At 31 December 2021	-	23,489	168,680	9,297	1,491	1,832	-	17,622	222,409
<b>Carrying amounts</b>									
At 1 January 2020	69,882	39,396	121,820	4,062	695	1,032	93,334	82,027	412,248
At 31 December 2020	69,882	98,261	121,986	5,251	579	1,034	65,805	78,991	441,789
At 31 December 2021	69,882	101,019	124,606	4,536	331	1,017	162,632	78,500	542,525

Note 3.1

# NOTES TO THE FINANCIAL STATEMENTS

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	← Own use →			Total RM'000
	Office equipment, furniture and fittings RM'000	Renovation RM'000	Right-of-use asset RM'000	
<b>Company</b>				
<b>Cost</b>				
At 1 January 2020	595	1,000	1,451	3,046
Additions	366	-	-	366
At 31 December 2020/1 January 2021	<b>961</b>	<b>1,000</b>	<b>1,451</b>	<b>3,412</b>
Additions	<b>533</b>	<b>155</b>	<b>2,399</b>	<b>3,087</b>
At 31 December 2021	<b>1,494</b>	<b>1,155</b>	<b>3,850</b>	<b>6,499</b>
<b>Depreciation</b>				
At 1 January 2020	77	205	525	807
Depreciation for the year	108	280	359	747
At 31 December 2020/1 January 2021	<b>185</b>	<b>485</b>	<b>884</b>	<b>1,554</b>
Depreciation for the year	<b>210</b>	<b>280</b>	<b>400</b>	<b>890</b>
At 31 December 2021	<b>395</b>	<b>765</b>	<b>1,284</b>	<b>2,444</b>
<b>Carrying amounts</b>				
At 1 January 2020	518	795	926	2,239
At 31 December 2020	776	515	567	1,858
At 31 December 2021	<b>1,099</b>	<b>390</b>	<b>2,566</b>	<b>4,055</b>

Note 3.1

### 3.1 As a lessee

#### *Right-of-use assets*

	Land RM'000	Buildings RM'000	Total RM'000
<b>Group</b>			
<b>Cost</b>			
At 1 January 2020	18,103	74,910	93,013
Additions	-	447	447
Effect of lease modifications	-	(3)	(3)
At 31 December 2020/1 January 2021	<b>18,103</b>	<b>75,354</b>	<b>93,457</b>
Additions	-	1,027	1,027
Effect of lease modifications	-	1,634	1,634
Effect of exchange rate	-	4	4
At 31 December 2021	<b>18,103</b>	<b>78,019</b>	<b>96,122</b>

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.1 As a lessee (continued)

*Right-of-use assets (continued)*

	Land RM'000	Buildings RM'000	Total RM'000
<b>Group</b>			
<b>Depreciation</b>			
At 1 January 2020	1,726	9,260	10,986
Depreciation for the year	616	2,867	3,483
Effect of lease modifications	-	(3)	(3)
At 31 December 2020/1 January 2021	<b>2,342</b>	<b>12,124</b>	<b>14,466</b>
Depreciation for the year	<b>614</b>	<b>2,872</b>	<b>3,486</b>
Effect of lease modifications	-	(336)	(336)
Effect of exchange rate	-	6	6
At 31 December 2021	<b>2,956</b>	<b>14,666</b>	<b>17,622</b>

**Carrying amounts**

At 31 December 2020	15,761	63,230	78,991
At 31 December 2021	<b>15,147</b>	<b>63,353</b>	<b>78,500</b>

	Building RM'000
<b>Company</b>	
<b>Cost</b>	
At 1 January 2020/31 December 2020/1 January 2021	1,451
Additions	2,399
At 31 December 2021	<b>3,850</b>

**Depreciation**

At 1 January 2020	525
Depreciation for the year	359
At 31 December 2020	<b>884</b>
Depreciation for the year	<b>400</b>
At 31 December 2021	<b>1,284</b>

**Carrying amounts**

At 1 January 2020	926
At 31 December 2020/1 January 2021	<b>567</b>
At 31 December 2021	<b>2,566</b>

The Group and the Company lease buildings and land under operating lease. The lease typically run for a period of 3 year.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### 3.1 As a lessee (continued)

#### Significant judgements and assumptions in relation to leases

The Group assesses at lease commencement date by applying significant judgement whether it is reasonably certain to exercise the extension options. Group entities consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applied judgement and assumptions in determining the incremental borrowing rate of the lease. Group entities first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the lease.

## 4. INVESTMENT PROPERTY

	Group	
	2021 RM'000	2020 RM'000
At 1 January	1,100	1,200
Change in fair value recognised in profit and loss	(50)	(100)
At 31 December	1,050	1,100
Included in the above is:		
At fair value		
Leasehold land with unexpired lease period of more than 50 years	1,050	1,100

### 4.1 Fair value information

#### Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment property.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

## 4. INVESTMENT PROPERTY (CONTINUED)

### 4.1 Fair value information (continued)

#### Level 3 fair value (continued)

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Sales comparison approach: Sales price of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.	<p>Recent transactions of similar properties at or near reporting date with similar land usage, land size and location.</p> <p>The characteristics, merits and disadvantages of these properties are noted and diligent adjustments thereof are then made by valuer to reflect the differences and to arrive at the value of the property.</p>	The estimated fair value would increase (decrease) if recent transactions of similar properties at or near reporting date with similar land usage, land size and location were higher (lower).

#### Valuation processes applied by the Company for Level 3 fair value

The fair value of investment property is determined by external, independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The valuation company provides the fair value of the Group's investment property portfolio every twelve months. Changes in Level 3 fair values are analysed by the management every twelve months after obtaining valuation report from the valuation company.

#### Highest and best use

The Group's investment property is a vacant land. The highest and best use of the property should be an industrial land located nearby the Group's investment property.

# NOTES TO THE FINANCIAL STATEMENTS

## 5. INTANGIBLE ASSETS

	Marketing rights RM'000	Development costs RM'000	Computer software RM'000	Total RM'000
<b>Group</b>				
<b>Cost</b>				
At 1 January 2020	838	27,806	-	28,644
Additions	49	4,266	4,441	8,756
Write off	-	(962)	-	(962)
Borrowing costs capitalised at 4.25% per annum	-	749	-	749
At 31 December 2020/1 January 2021	<b>887</b>	<b>31,859</b>	<b>4,441</b>	<b>37,187</b>
Additions	<b>1,257</b>	<b>4,387</b>	-	<b>5,644</b>
Borrowing costs capitalised at 3.60% per annum	-	<b>1,186</b>	-	<b>1,186</b>
At 31 December 2021	<b>2,144</b>	<b>37,432</b>	<b>4,441</b>	<b>44,017</b>
<b>Amortisation</b>				
At 1 January 2020	(243)	(288)	-	(531)
Amortisation for the year	(81)	(1,165)	(344)	(1,590)
At 31 December 2020/1 January 2021	<b>(324)</b>	<b>(1,453)</b>	<b>(344)</b>	<b>(2,121)</b>
Amortisation for the year	<b>(81)</b>	<b>(1,403)</b>	<b>(888)</b>	<b>(2,372)</b>
At 31 December 2021	<b>(405)</b>	<b>(2,856)</b>	<b>(1,232)</b>	<b>(4,493)</b>
<b>Carrying amount</b>				
At 1 January 2020	595	27,518	-	28,113
At 31 December 2020	563	30,406	4,097	35,066
At 31 December 2021	<b>1,739</b>	<b>34,576</b>	<b>3,209</b>	<b>39,524</b>

## 5. INTANGIBLE ASSETS (CONTINUED)

	Computer software RM'000
<b>Company</b>	
<b>Cost</b>	
1 January 2020	-
Additions	4,441
At 31 December 2020/1 January 2021	4,441
Additions	-
At 31 December 2021	4,441
<b>Amortisation</b>	
1 January 2020	-
Amortisation for the year	344
At 31 December 2020/1 January 2021	344
Amortisation for the year	888
At 31 December 2021	1,232
<b>Carrying amount</b>	
At 1 January 2020	-
At 31 December 2020	4,097
At 31 December 2021	3,209

### Marketing rights

The carrying amount of marketing rights amounting to RM1,739,000 (2020: RM563,000) represents the sole and exclusive right to market and sell Insugen & Basalog One developed by Biocon SA, a company incorporated in India.

### Development costs

The carrying amount of development costs represents costs incurred for the purpose of commercialisation of biosimilar products, oncology products as well as Bioequivalence study of various products. The Group will hold the exclusive commercialisation rights for product marketing and distribution in Malaysia, Singapore and Brunei, as well as the exclusive and perpetual royalty-free license to use the technical information for biosimilar products.

Some of the products have commenced commercial activity and is being amortised accordingly. However, there are products that are yet to be fully commercialised at year-end. The management made an assumption that the development costs will be recovered through future commercial activity when the products are fully commercialised in the future.

### Computer software

The carrying amount of computer software amounting to RM3,209,000 (2020: RM4,097,000) represents the Enterprise Resource Planning ("ERP") software to support the operations of the business.

# NOTES TO THE FINANCIAL STATEMENTS

## 6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2021 RM'000	2020 RM'000
Unquoted shares, at cost	386,090	386,090

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal place of business	Principal activities	Effective ownership interest and voting interest	
			2021 %	2020 %
Duopharma (M) Sendirian Berhad	Malaysia	Manufacturing, distribution, importing and exporting of pharmaceutical products and medicines	100	100
Duopharma Manufacturing (Bangi) Sdn. Bhd.	Malaysia	Manufacturing of pharmaceutical products and sales of medicines	100	100
Duopharma Marketing Sdn. Bhd.	Malaysia	Marketing and sales of medicines and pharmaceutical products	100	100
Duopharma Consumer Healthcare Sdn. Bhd.	Malaysia	Trading of pharmaceutical products	100	100
Duopharma HAPI Sdn. Bhd.	Malaysia	Trading and manufacturing of pharmaceutical products	100	100
Duopharma Innovation Sdn. Bhd.	Malaysia	Research and development of pharmaceutical products	100	100
Unique Pharmacy (Penang) Sdn. Bhd.	Malaysia	Distributor of pharmaceutical products	100	100
Sentosa Pharmacy Sdn. Bhd.	Malaysia	Distributor of pharmaceutical products	100	100
Duopharma Manufacturing (Glenmarie) Sdn. Bhd	Malaysia	Property management and services	100	100
Negeri Pharmacy Sdn. Bhd.	Malaysia	Trading of pharmaceutical products (ceased operations since September 2002)	100	100
Duopharma (Singapore) Pte. Ltd.#	Singapore	Distribution, wholesaler of medicinal and pharmaceutical products	100	100
DB (Philippines), Inc.#	Philippines	Distribution, importing and exporting pharmaceutical and chemical products	100	100

# Not audited by member firms of KPMG International.

## 7. OTHER INVESTMENTS

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Non-current</b>					
Fair value through other comprehensive income	7.1	73,536	112,247	73,536	112,247

### 7.1 Equity investments designated at fair value through other comprehensive income

The Group designated the investments shown below as equity securities at fair value through other comprehensive income because these equity securities represent investments that the Group intends to hold for long-term strategic purposes.

	Group and Company Fair value at 31 December RM'000
<b>2021</b>	
PanGen Biotech Inc.	26,399
SCM Lifescience Co., Ltd.	22,337
AZTherapies, Inc.	20,885
Naluri Hidup Sdn. Bhd.	3,915
	<b>73,536</b>
<b>2020</b>	
PanGen Biotech Inc.	30,335
SCM Lifescience Co., Ltd.	59,994
AZTherapies, Inc.	20,885
Naluri Hidup Sdn. Bhd.	1,033
	<b>112,247</b>

During the year, the Group has increased its investment in Naluri Hidup Sdn. Bhd. by way of acquiring ordinary shares for a total consideration of RM2,070,000.

In 2020, the Group partially disposed the following investment which is carried with fair value through other comprehensive income:

	Fair value at derecognition RM'000	Gain on disposal RM'000
<b>Group</b>		
SCM Lifescience Co., Ltd.	24,598	16,375

# NOTES TO THE FINANCIAL STATEMENTS

## 8. DEFERRED TAX ASSETS/(LIABILITIES)

### Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Group</b>						
Property, plant and equipment	-	-	(25,011)	(22,041)	(25,011)	(22,041)
Lease liabilities	20	15	-	-	20	15
Provisions	15,721	9,912	(99)	-	15,622	9,912
Unutilised capital allowance carry-forwards	7,381	7,132	-	-	7,381	7,132
Unutilised reinvestment allowance	2,151	4,681	-	-	2,151	4,681
Tax losses carry-forwards	4,753	259	-	-	4,753	259
Other items	547	1,977	(2,306)	(3,748)	(1,759)	(1,771)
Tax assets/(liabilities)	30,573	23,976	(27,416)	(25,789)	3,157	(1,813)
Set off of tax	(17,873)	(15,439)	17,873	15,439	-	-
Net tax assets/(liabilities)	12,700	8,537	(9,543)	(10,350)	3,157	(1,813)

Under the current tax legislation, the ability to carry forward unutilised reinvestment allowance is restricted to a maximum period of seven consecutive Year of Assessment ("YA") upon expiry of the qualifying period, effective YA 2019. The Group's unutilised reinvestment of allowance of RM19,503,000 (2020: RM19,503,000) expires in YA 2025.

### Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Tax loss carry-forwards	-	14,751	-	-
Reinvestment allowance	10,540	-	-	-
Other deductible temporary differences	298	3,801	298	694
	10,838	18,552	298	694

Under the current tax legislation, tax loss carry-forwards can only be carried forward up to ten years from the end of qualifying period with effect from the year of assessment 2022.

## 8. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

### Unrecognised deferred tax assets (continued)

During the financial year, the previously unrecognised tax losses of RM14,751,000 of a subsidiary were recognised as management considered it probable that future taxable profits will be available against which they can be utilised. The Group also assessed its ability to utilise the reinvestment allowance which will expire in year of assessment 2025. The reinvestment allowance which are able to be utilised up to its expiry date amounted to RM8,963,000 and the Group has derecognised the remaining RM10,540,000 of its reinvestment allowance.

### Movement in temporary differences during the year

	Recognised		Recognised		At 31.12.2021 RM'000
	At 1.1.2020 RM'000	in profit or loss (Note 20) RM'000	At 31.12.2020/ 1.1.2021 RM'000	in profit or loss (Note 20) RM'000	
<b>Group</b>					
Property, plant and equipment	(20,962)	(1,079)	(22,041)	(2,970)	(25,011)
Lease liabilities	18	(3)	15	5	20
Provisions	8,381	1,531	9,912	5,710	15,622
Unutilised capital allowance carry-forwards	6,847	285	7,132	249	7,381
Unutilised reinvestment allowance	4,681	-	4,681	(2,530)	2,151
Tax losses carry-forwards	1,103	(844)	259	4,494	4,753
Other items	(925)	(846)	(1,771)	12	(1,759)
<b>Total</b>	<b>(857)</b>	<b>(956)</b>	<b>(1,813)</b>	<b>4,970</b>	<b>3,157</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 9. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Non-current</b>					
<b>Non-trade</b>					
Amount due from subsidiaries	9.1	-	-	52,300	47,815
<b>Current</b>					
<b>Trade</b>					
Trade receivables		122,415	112,992	-	-
<b>Non-trade</b>					
Amount due from subsidiaries	9.2	-	-	208,217	140,573
Other receivables and deposits	9.3	7,383	28,521	303	138
Prepayments		1,904	668	43	84
		<b>9,287</b>	29,189	<b>208,563</b>	140,795
		<b>131,702</b>	142,181	<b>208,563</b>	140,795
		<b>131,702</b>	142,181	<b>260,863</b>	188,610

9.1 The non-current non-trade amount due from subsidiaries are unsecured, subject to interest at 4.0% per annum (2020:5.0% per annum).

9.2 The current non-trade amounts due from subsidiaries are unsecured, subject to interest at 4.0% per annum (2020: 5.0% per annum) and repayable on demand.

9.3 As at end of the previous financial year, included in other receivables and deposits of the Group were deposits for renovation of factories and new plant and machineries amounting to RM14,560,000. In the current year, renovation of factories and new plant and machineries has been recognised as capital work-in-progress.

## 10. INVENTORIES

	Group	
	2021 RM'000	2020 RM'000
Raw materials and consumables	51,924	39,727
Work-in-progress	5,734	6,701
Packing materials	18,677	11,763
Finished goods	145,857	93,075
	<b>222,192</b>	151,266
Recognised in profit or loss:		
Inventories recognised as cost of sales	230,709	121,595
Net inventories (written back)/written down	(2,182)	5,551
Net inventories written off	9,686	8,736

## 11. CASH AND CASH EQUIVALENTS

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Deposits placed with licensed banks		8,846	1,462	-	-
Cash and bank balances		97,635	102,661	59,531	21,773
Highly liquid investments with financial institutions	11.1	31,499	53,906	31,499	53,906
		<b>137,980</b>	<b>158,029</b>	<b>91,030</b>	<b>75,679</b>

### 11.1 Highly liquid investments with financial institutions

The Directors regard the highly liquid investments as cash and cash equivalents in view of its high liquidity and insignificant changes in value.

## 12. CAPITAL AND RESERVES

	Note	Group and Company			
		Number of shares 2021	Amount 2021	Number of shares 2020	Amount 2020
		'000	RM'000	'000	RM'000
Issued and fully paid:					
Ordinary shares					
At 1 January		706,027	404,922	684,383	374,404
Issuance pursuant to dividend reinvestment plan	12.1.1	303	934	21,644	30,518
Issuance pursuant to bonus issue	12.1.2	235,435	-	-	-
At 31 December		<b>941,765</b>	<b>405,856</b>	<b>706,027</b>	<b>404,922</b>

### Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

#### 12.1.1 Dividend Reinvestment Plan

The Company had implemented the Dividend Reinvestment Plan for its 2020 Second Interim Dividend at a conversion price of RM3.08 per ordinary share and had issued and allotted 303,275 new shares on 24 May 2021.

#### 12.1.2 Bonus Issue

On 3 May 2021, the Board of Directors resolved on approval of proposed bonus issue by the Company of up to 239,926,896 new ordinary shares in the Company on the basis of one bonus share for every three existing shares held.

The proposed bonus issue was completed following the listing of and quotation for 235,435,495 new bonus shares on the Main Market of Bursa Malaysia Securities Berhad on 8 September 2021.

# NOTES TO THE FINANCIAL STATEMENTS

## 12. CAPITAL AND RESERVES (CONTINUED)

### 12.2 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the Group entities with functional currency other than RM.

### 12.3 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of equity designated at fair value through other comprehensive income until the assets are derecognised or impaired.

## 13. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's and the Company's interest-bearing loans and borrowings. For more information about the Group's and the Company's exposure to interest rate and foreign currency risk, see Note 24.

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Non-current</b>					
Term loan - unsecured	13.1	297,797	253,281	297,797	253,281
<b>Current</b>					
Term loan - unsecured	13.1	15,075	12,679	15,075	12,679
Revolving credit - unsecured	13.2	84,273	36,114	66,660	16,114
Banker's acceptance	13.3	3,577	-	-	-
		<b>102,925</b>	48,793	<b>81,735</b>	28,793
		<b>400,722</b>	302,074	<b>379,532</b>	282,074

### 13.1 Term loan – unsecured

- a) On 16 June 2017, the Company obtained a RM250 million term loan facility, payable over 10 years (including a grace period of 3 years) from the date of the first disbursement of the facility and is subject to interest at the rate of 3.53% - 4.89% per annum.

On 29 July 2019, the Company has renewed the term loan facility. The existing tenure of the term loan facility of up to a period of 10 years (including a grace period of 3 years) from the date of the first disbursement of the facility has been revised to be up to a period of 12 years (including a grace period of 5 years) from the date of the first disbursement of the facility. The term loan facility is subject to interest at the rate of 3.53% - 3.60% per annum.

On 17 February 2022, the Company has accepted a further revision to the terms and conditions of the term loan facility. The tenure of the term loan facility of up to a period of 12 years (including a grace period of 6 years) from the date of the first disbursement of the facility has been revised to be up to a period of 13 years (including a grace period of 6 years) from the date of the first disbursement of the facility.

## 13. LOANS AND BORROWINGS (CONTINUED)

### 13.1 Term loan – unsecured (continued)

The significant covenant for the unsecured term loan above are as follows:

- i) The Company shall maintain 100% shareholding interest in the subsidiaries of Duopharma (M) Sendirian Berhad, Duopharma Manufacturing (Bangi) Sdn. Bhd., Duopharma Marketing Sdn. Bhd. and Duopharma HAPI Sdn. Bhd.;
  - ii) PNB, its group of companies and funds managed by PNB shall remain as ultimate holding company of the Company throughout the tenure of the facility;
  - iii) Debt-to-equity ratio on consolidated level shall not exceed 1.5 times; and
  - iv) Debt service cover ratio on consolidated level not less than 2 times.
- b) On 8 July 2020, the Company obtained a RM150 million term loan facility, divided into two tranches, as follows:
- i) Term loan facility for Business Financing-i 1 of RM67 million.
  - ii) Term loan facility for Business Financing-i 2 of RM83 million.

The facility is payable quarterly over 9 years from the date of the first disbursement of the facility and is subject to interest at the rate of 3.25%.

The significant covenant for the term loan facility is Permodalan Nasional Berhad (“PNB”) is to remain as the Company’s major shareholders during the subsistence of the facility.

### 13.2 Revolving credit – unsecured

The Group’s and the Company’s revolving credit as at 31 December 2021 amounting to RM84,273,000 and RM66,660,000 (2020: RM36,114,000 and RM16,114,000), respectively, are revolving credits maturing between one to twelve months.

### 13.3 Banker’s acceptance

The Group’s banker’s acceptance as at 31 December 2021 amounting to RM3,577,000 (2020: Nil) are banker’s acceptance maturing between one to three months.

# NOTES TO THE FINANCIAL STATEMENTS

## 14. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Non-current</b>					
Lease liabilities		2,478	659	2,173	219
<b>Current</b>					
<b>Trade</b>					
Trade payables		23,119	22,933	-	-
Refund liabilities	14.1	8,204	5,217	-	-
		<b>31,323</b>	28,150	-	-
<b>Non-trade</b>					
Amount due to subsidiaries	14.2	-	-	2,570	2,552
Other payables		28,166	26,411	2,646	3,074
Accrued expenses		61,196	45,622	3,902	4,840
Lease liabilities		641	601	429	417
		<b>90,003</b>	72,634	<b>9,547</b>	10,883
		<b>121,326</b>	100,784	<b>9,547</b>	10,883
		<b>123,804</b>	101,443	<b>11,720</b>	11,102

14.1 As at the end of the financial year, the Group recorded refund liabilities amounting to RM8,204,000 (2020: RM5,217,000). The Group allows sales return for sales made during the year in exchange with new goods and cash refunds.

14.2 The non-trade amounts due to subsidiaries and related companies are unsecured, interest free and repayable on demand.

## 15. REVENUE

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Revenue from contracts with customers</b>	<b>639,175</b>	569,902	<b>25,421</b>	27,123
<b>Other revenue</b>				
Dividend income	-	-	41,534	36,233
	<b>639,175</b>	569,902	<b>66,955</b>	63,356

### 15.1 Disaggregation of revenue

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Primary geographical market</b>				
Malaysia	596,887	525,426	25,421	27,123
Other countries	42,288	44,476	-	-
	<b>639,175</b>	569,902	<b>25,421</b>	27,123
<b>Type of market</b>				
Public sector	277,777	266,422	-	-
Private sector	361,398	303,480	25,421	27,123
	<b>639,175</b>	569,902	<b>25,421</b>	27,123
<b>Timing and recognition</b>				
At a point in time	639,175	569,902	25,421	27,123
	<b>639,175</b>	569,902	<b>25,421</b>	27,123

### 15.2 Nature of goods and services

The following information reflects the typical transactions of the Group:

Type of market	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable element in consideration	Obligation for returns or refunds
Public sector	Revenue is recognised when the goods are delivered and accepted by the customers at their premises.	Credit period of 30 to 90 days from invoice date.	Sales rebates are given to customers based on the total invoice value.	The Group allows returns for exchange with new goods.
Private sector	Revenue is recognised when the goods are delivered and accepted by the customers at their premises.	Credit period of 30 to 90 days from invoice date.	Sales rebates are given to customers based on the total invoice value.	The Group allows returns for exchange with new goods and cash refunds.

# NOTES TO THE FINANCIAL STATEMENTS

## 15. REVENUE (CONTINUED)

### 15.3 Significant judgements and assumptions arising from revenue recognition

The Group applied judgements and assumptions that significantly affect the determination of the amount and timing of revenue recognised from contracts with customers. For public and private sectors contracts that permit the customer to return an item, revenue is adjusted for expected returns to the extent that it is highly probable that a significant reversal in revenue recognised will not occur. The Group estimated the returns based on the historical data.

## 16. RESULTS FROM OPERATING ACTIVITIES

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Operating profit is arrived at after charging/ (crediting):					
Auditors' remuneration:					
- Audit fees					
KPMG in Malaysia		279	268	58	55
- Other auditors		51	60	-	-
- Non-audit fees					
KPMG in Malaysia		264	56	264	25
Depreciation on property, plant and equipment	3	29,583	27,477	890	747
Write off on property, plant and equipment		46	39	-	-
Loss on disposal of property, plant and equipment		7	-	-	-
Amortisation of intangible assets	5	2,372	1,590	888	344
Gain from lease modifications		(25)	-	-	-
Write off on intangible assets	5	-	962	-	-
Provision for/(Reversal of) impairment on trade receivables		102	(820)	-	-
Net inventories (written back)/written down	10	(2,182)	5,551	-	-
Net inventories written off	10	9,686	8,736	-	-
Net realised foreign exchange loss/(gain)		629	2,540	(6)	2,042
Net unrealised foreign exchange loss/(gain)		365	(382)	507	(133)
Personnel expenses (including key management personnel):					
- Contributions to state plans		14,481	13,349	1,071	1,065
- Wages, salaries and others		108,024	97,815	11,048	9,775
Dividend income from:					
- A subsidiary in Malaysia (unquoted)		-	-	(40,798)	(35,450)
- A subsidiary in Singapore (unquoted)		-	-	(736)	(783)
Expenses arising from leases:					
- Expenses relating to leases of low-value assets	a	366	861	-	4
- Expenses relating to short-term leases	a	494	-	-	-
- Expenses relating to variable lease payments not included in the measurement of lease liabilities		1,757	1,995	-	-

### Note a

The Group leases office building, warehouses and office equipment with contract terms of one to three years. These leases are short term leases and/or leases low-value items. The Company has elected not to recognise right-of-use assets and lease liabilities for these leases.

## 17. FINANCE INCOME

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Interest income of financial assets calculated using the effective interest method that are:				
- at amortised cost	603	831	9,272	6,616
- at fair value through profit or loss	593	679	593	679
	<b>1,196</b>	1,510	<b>9,865</b>	7,295

## 18. FINANCE COSTS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss	6,377	6,470	10,361	9,088
Interest expense on lease liabilities	62	55	57	44
Other finance costs	533	684	2	151
	<b>6,972</b>	7,209	<b>10,420</b>	9,283

## 19. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation is as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Directors</b>				
- Fees	789	625	789	625
- Remuneration	2,613	2,183	2,613	2,183
- Other short-term employee benefits	43	27	43	27
	<b>3,446</b>	2,835	<b>3,446</b>	2,835
<b>Other key management personnel</b>				
- Remuneration	9,005	8,104	4,079	4,472
Total short-term employee benefits	<b>12,451</b>	10,939	<b>7,526</b>	7,307

Other key management personnel comprise persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

# NOTES TO THE FINANCIAL STATEMENTS

## 20. TAX EXPENSE

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Recognised in profit or loss</b>				
<b>Current tax expense</b>				
- current year	23,829	17,576	1,207	423
- (over)/under provision in prior years	(1,559)	(985)	10	(517)
Total current tax recognised in profit or loss	22,270	16,591	1,217	(94)
<b>Deferred tax expense/(benefit)</b>				
Origination and reversal of temporary differences	(5,068)	3,688	-	-
Under/(Over) provision in prior years	102	(2,732)	-	-
Total deferred tax recognised in profit or loss	(4,970)	956	-	-
Total income tax expense	17,300	17,547	1,217	(94)
<b>Reconciliation of tax expense</b>				
Profit for the year	65,683	58,610	38,256	31,852
Total income tax expense	17,300	17,547	1,217	(94)
Profit excluding tax	82,983	76,157	39,473	31,758
Income tax calculated using Malaysian tax rate of 24%	19,916	18,278	9,474	7,622
Non-deductible expenses, net of non-taxable income	4,397	5,765	2,385	1,898
Tax exempt income	(151)	(130)	(10,557)	(8,696)
Tax incentives	(3,497)	(3,998)	-	-
Current year losses for which no deferred tax was recognised	-	(28)	-	(401)
Effect of deferred tax benefits not recognised	2,530	1,473	-	-
Recognition of previously unrecognised tax benefits	(4,381)	-	(95)	-
(Over)/Under provision in prior years	(1,457)	(3,717)	10	(517)
Effect of tax rates in foreign jurisdictions	(57)	(96)	-	-
	17,300	17,547	1,217	(94)

## 21. EARNINGS PER ORDINARY SHARE

### (a) Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2021 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2021 RM'000	2020 RM'000
Profit attributable to ordinary shareholders	65,683	58,610

	Group	
	2021 '000	2020 '000
Weighted average number of ordinary shares		
As at 1 January	692,721	684,383
Effect of dividend reinvestment plan	184	8,338
	692,905	692,721
Effect of bonus issue*	235,435	235,435
As at 31 December	928,340	928,156

	Group	
	2021 Sen	2020 Sen
Basic earnings per ordinary share	7.08	6.31

\* Pursuant to MFRS 133, *Earnings Per Share*, the earnings per ordinary share for the corresponding year ended 31 December 2020 had been retrospectively adjusted to reflect the effect of the bonus shares allotted on 7 September 2021.

### (b) Diluted earnings per ordinary share

Diluted earnings per ordinary share is not presented as the Group has no shares or other instruments with potential dilutive effects as at 31 December 2021.

## NOTES TO THE FINANCIAL STATEMENTS

### 22. DIVIDENDS

Dividends recognised by the Company:

	Note	Sen per share	Total amount RM'000	Date of payment
<b>2021</b>				
Second interim dividend 2020 ordinary	22.1	6.0	42,362	21 May 2021
Interim 2021 ordinary		0.5	3,531	15 September 2021
Total amount			45,893	
<b>2020</b>				
Final 2019 ordinary	22.1	5.0	34,219	12 August 2020
Interim 2020 ordinary		0.5	3,530	11 September 2020
Total amount			37,749	

22.1 Out of the total distribution of RM42,361,615 (2020: RM34,219,158), a total of RM934,087 (2020: RM30,517,693) was converted into 303,275 (2020: 21,643,754) new ordinary shares of the Company at the conversion price of RM3.08 (2020: RM1.41) per ordinary share under the Dividend Reinvestment Plan.

After the end of the reporting period, the following dividend was declared by the Directors. This dividend will be recognised in subsequent financial period upon payment of the dividend.

	Note	Sen per share	Total amount RM'000
Second interim 2021 ordinary	22.2	1.8	16,952

22.2 Subject to the Bursa Malaysia Securities Berhad's approval, the Company proposes to undertake a Dividend Reinvestment Plan ("Proposed DRP"). The Directors have resolved that the Proposed DRP will apply to the second interim dividend and shareholders of the Company will be given an option to elect to reinvest the entire second interim dividend in new ordinary shares at 1.8 sen per share in the Company in accordance with the Proposed DRP. As at date of this report, the issue price of the new shares to be issued pursuant to the Proposed DRP has yet to be determined by the Directors.

### 23. OPERATING SEGMENTS

The Group operates principally in Malaysia and its major business segment being manufacturing and distribution of pharmaceutical products categorised by geographical area as mentioned in geographical segment. The Group's Group Managing Director ("GMD"), who is the chief operating decision maker reviews internal management reports regularly.

Accordingly, no segment information is provided as the financial position and performance are as already shown in the Statement of Financial Position and the Statement of Profit or Loss and Other Comprehensive Income.

## 23. OPERATING SEGMENTS (CONTINUED)

### Geographical segments

Segment revenue is based on geographical location of customers, and are managed separately because they require different marketing strategies.

Segment assets are not used to measure the financial position of the respective segments and not included in the internal management reports that are reviewed by the GMD, as all assets within the Group, other than trade receivables, are attributed to the business activities in Malaysia.

	Group	
	2021 RM'000	2020 RM'000
Revenue from external customers:		
Local	596,887	525,426
Export	42,288	44,476
	<b>639,175</b>	<b>569,902</b>
Trade receivables from external customers:		
Local	116,434	108,482
Export	5,981	4,510
	<b>122,415</b>	<b>112,992</b>

### Major customers

Revenue from a major customer with revenue equal or more than 10% of the Group's total revenue amounts to approximately RM144,678,000 (2020: RM122,820,000), generated from local segment.

# NOTES TO THE FINANCIAL STATEMENTS

## 24. FINANCIAL INSTRUMENTS

### 24.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Amortised cost (“AC”);
- (b) Fair value through profit or loss (“FVTPL”); and
- (c) Fair value through other comprehensive income (“FVOCI”):
  - Equity instrument designated upon initial recognition (“EIDUIR”).

	Carrying amount RM'000	AC RM'000	FVTPL RM'000	FVOCI - EIDUIR RM'000
<b>2021</b>				
<b>Financial assets</b>				
<b>Group</b>				
Other investments	73,536	-	-	73,536
Trade and other receivables	129,798	129,798	-	-
Cash and bank balances	106,481	106,481	-	-
Highly liquid investments	31,499	-	31,499	-
	<b>341,314</b>	<b>236,279</b>	<b>31,499</b>	<b>73,536</b>
<b>Company</b>				
Other investments	73,536	-	-	73,536
Trade and other receivables	260,820	260,820	-	-
Cash and bank balances	59,531	59,531	-	-
Highly liquid investments	31,499	-	31,499	-
	<b>425,386</b>	<b>320,351</b>	<b>31,499</b>	<b>73,536</b>
<b>Financial liabilities</b>				
<b>Group</b>				
Loan and borrowings	(400,722)	(400,722)	-	-
Trade and other payables	(112,481)	(112,481)	-	-
	<b>(513,203)</b>	<b>(513,203)</b>	<b>-</b>	<b>-</b>
<b>Company</b>				
Loan and borrowings	(379,532)	(379,532)	-	-
Trade and other payables	(9,118)	(9,118)	-	-
	<b>(388,650)</b>	<b>(388,650)</b>	<b>-</b>	<b>-</b>

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

### 24.1 Categories of financial instruments (continued)

	Carrying amount RM'000	AC RM'000	FVTPL RM'000	FVOCI - EIDUIR RM'000
<b>2020</b>				
<b>Financial assets</b>				
<b>Group</b>				
Other investments	112,247	-	-	112,247
Trade and other receivables	141,513	141,513	-	-
Cash and bank balances	104,123	104,123	-	-
Highly liquid investments	53,906	-	53,906	-
	411,789	245,636	53,906	112,247
<b>Company</b>				
Other investments	112,247	-	-	112,247
Trade and other receivables	188,526	188,526	-	-
Cash and bank balances	21,773	21,773	-	-
Highly liquid investments	53,906	-	53,906	-
	376,452	210,299	53,906	112,247
<b>Financial liabilities</b>				
<b>Group</b>				
Loan and borrowings	(302,074)	(302,074)	-	-
Trade and other payables	(94,966)	(94,966)	-	-
	(397,040)	(397,040)	-	-
<b>Company</b>				
Loan and borrowings	(282,074)	(282,074)	-	-
Trade and other payables	(10,466)	(10,466)	-	-
	(292,540)	(292,540)	-	-

# NOTES TO THE FINANCIAL STATEMENTS

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

### 24.2 Net gains and losses arising from financial instruments

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Net gains/(losses) on:				
Equity instruments designated at fair value through other comprehensive income	(40,781)	63,088	(40,781)	63,088
Financial assets at amortised cost	542	1,013	9,311	6,632
Financial assets at fair value through profit or loss	593	679	593	679
Financial liabilities at amortised cost	(13,001)	(9,354)	(10,960)	(11,070)
	(52,647)	55,426	(41,837)	59,329

### 24.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

### 24.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries.

#### Trade receivables

*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on new customers who require credit facility during the financial year. Depending on the nature of the transactions and the customer's risk profile, the Group may require upfront deposits as collateral.

At each reporting date, the Group assesses whether any of the trade receivables are credit impaired.

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

### 24.4 Credit risk (continued)

#### Trade receivables (continued)

##### *Risk management objectives, policies and processes for managing the risk (continued)*

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

##### *Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. For receivables from public and private sectors, impairment loss will be generally provided for amounts aged more than 270 days based on historical payment trends and patterns unless there is objective evidence to show otherwise.

##### *Concentration of credit risk*

The exposure of credit risk for trade receivables as at the end of the reporting period by sector was:

	Group	
	2021 RM'000	2020 RM'000
Public sector	37,959	39,255
Private sector	84,456	73,737
	<b>122,415</b>	112,992

# NOTES TO THE FINANCIAL STATEMENTS

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

### 24.4 Credit risk (continued)

#### Trade receivables (continued)

##### *Recognition and measurement of impairment losses*

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 90 days.

The Group uses an allowance matrix to measure ECLs of trade receivables. Invoices which are past due 90 days will be considered as credit impaired.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to 90 days past due.

Loss rates are based on actual credit loss experience over the past three years. The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the year.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2021.

	2021		
	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Not past due	109,716	(253)	109,463
1-30 days past due	7,754	(204)	7,550
31-60 days past due	5,766	(1,160)	4,606
61-90 days past due	1,033	(237)	796
	124,269	(1,854)	122,415
<b>Credit impaired</b>			
More than 90 days past due	736	(736)	-
Individually impaired	616	(616)	-
	125,621	(3,206)	122,415

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

### 24.4 Credit risk (continued)

#### Trade receivables (continued)

*Recognition and measurement of impairment losses (continued)*

	2020		
	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Not past due	102,029	(583)	101,446
1-30 days past due	10,352	(229)	10,123
31-60 days past due	589	(219)	370
61-90 days past due	1,305	(252)	1,053
	114,275	(1,283)	112,992
<b>Credit impaired</b>			
More than 90 days past due	1,135	(1,135)	-
Individually impaired	714	(714)	-
	116,124	(3,132)	112,992

The movements in the allowance for impairment in respect of trade receivables during the year as shown below.

	Lifetime ECL RM'000	Credit impaired RM'000	Total RM'000
<b>Balance at 1 January 2020</b>	1,930	4,017	5,947
Amounts written off	-	(2,096)	(2,096)
Net remeasurement of loss allowance	(647)	(173)	(820)
Effect of foreign currency translation	-	101	101
<b>Balance at 31 December 2020</b>	1,283	1,849	3,132
Amounts written off	-	(28)	(28)
Net remeasurement of loss allowance	571	(469)	102
<b>Balance at 31 December 2021</b>	1,854	1,352	3,206

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

### 24.4 Credit risk (continued)

#### Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

These banks and financial institutions have low credit risks. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

#### Other receivables

Credit risks on other receivables are mainly arising from deposits paid for office buildings and fixtures rented. These deposits will be received at the end of each lease terms. The Group manages the credit risk together with the leasing arrangement.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

As at the end of the reporting period, the Group did not recognised any allowance for impairment losses.

#### Inter-company loans and advances

##### *Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

##### *Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by its carrying amount in the statement of financial position.

Loans and advances are only provided to subsidiaries which are wholly owned by the Company.

##### *Recognition and measurement of impairment losses*

Generally, the Company considers loans and advances to subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loan or advance to be credit impaired when:

- The subsidiary is unlikely to repay its loan or advance to the Company in full; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to the subsidiaries.

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

### 24.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

#### *Maturity analysis*

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
<b>2021</b>							
<b>Group</b>							
Non-derivative financial liabilities							
Trade and other payables	112,481	-	112,481	112,481	-	-	-
Lease liabilities	3,119	3.60 - 5.00	3,443	893	1,052	1,498	-
Term loan – unsecured	312,872	3.25 - 3.60	356,369	25,687	103,752	171,957	54,973
Revolving credit – unsecured	84,273	1.52 - 3.24	85,357	85,837	-	-	-
Banker's acceptance	3,577	3.05	3,587	3,587	-	-	-
	<b>516,322</b>		<b>561,237</b>	<b>228,485</b>	<b>104,804</b>	<b>173,455</b>	<b>54,973</b>
<b>Company</b>							
Non-derivative financial liabilities							
Trade and other payables	9,118	-	9,118	9,118	-	-	-
Lease liabilities	2,603	3.60 - 5.00	2,875	452	1,093	1,330	-
Term loan – unsecured	312,872	3.25 - 3.60	356,369	25,687	103,752	171,957	54,973
Revolving credit – unsecured	66,660	1.52 - 2.77	67,539	67,539	-	-	-
	<b>391,253</b>		<b>435,901</b>	<b>102,796</b>	<b>104,845</b>	<b>173,287</b>	<b>54,973</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

### 24.5 Liquidity risk (continued)

*Maturity analysis (continued)*

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
<b>2020</b>							
<b>Group</b>							
Non-derivative financial liabilities							
Trade and other payables	94,966	-	94,966	94,966	-	-	-
Lease liabilities	1,260	5.00	1,442	837	556	49	-
Term loan – unsecured	265,960	3.25 - 4.89	310,717	21,118	72,314	116,874	100,411
Revolving credit – unsecured	36,114	1.33 - 3.77	36,600	36,600	-	-	-
	<u>398,300</u>		<u>443,725</u>	<u>153,521</u>	<u>72,870</u>	<u>116,923</u>	<u>100,411</u>
<b>Company</b>							
Non-derivative financial liabilities							
Trade and other payables	10,466	-	10,466	10,466	-	-	-
Lease liabilities	636	5.00	695	439	256	-	-
Term loan – unsecured	265,960	3.25 - 4.89	310,717	21,118	72,314	116,874	100,411
Revolving credit – unsecured	16,114	1.33 - 3.77	16,329	16,329	-	-	-
	<u>293,176</u>		<u>338,207</u>	<u>48,352</u>	<u>72,570</u>	<u>116,874</u>	<u>100,411</u>

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

### 24.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Group's financial position or cash flows.

#### 24.6.1 Currency risk

The Group is exposed to foreign currency risk on sales, purchases and bank balance that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar ("USD"), Euro ("EURO"), Singapore Dollar ("SGD"), Korean Won ("KRW") and Philippines Peso ("PESO").

*Risk management objectives, policies and processes for managing the risk*

The Group ensures that the net exposure on foreign currency risk arising from commercial transactions is kept to an acceptable level by buying and selling foreign currencies at spot rates where necessary to address short-term imbalances.

*Exposure to foreign currency risk*

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in USD	
	2021 RM'000	2020 RM'000
<b>Group</b>		
Trade and other receivables	4,647	2,760
Trade and other payables	(7,234)	(6,680)
Bank balances	4,672	4,552
Bank borrowings	(16,660)	(16,114)
Net exposure in the statement of financial position	(14,575)	(15,482)
	Denominated in EURO	
	2021 RM'000	2020 RM'000
Trade and other receivables	9,292	552
Trade and other payables	(176)	(1,761)
Net exposure in the statement of financial position	9,116	(1,209)

# NOTES TO THE FINANCIAL STATEMENTS

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

### 24.6 Market risk (continued)

#### 24.6.1 Currency risk (continued)

Exposure to foreign currency risk (continued)

	Denominated in SGD	
	2021 RM'000	2020 RM'000
Trade and other receivables	1,276	1,158
Trade and other payables	(899)	(52)
Bank balances	1,761	4,804
Net exposure in the statement of financial position	2,138	5,910

	Denominated in KRW	
	2021 RM'000	2020 RM'000
Trade and other payable	(78)	-

	Denominated in PESO	
	2021 RM'000	2020 RM'000
Trade and other receivables	1,466	2,226
Trade and other payables	(2,342)	-
Bank balances	1,844	-
Net exposure in the statement of financial position	968	2,226

#### Currency risk sensitivity analysis

A 10% (2020: 10%) strengthening of the Ringgit Malaysia against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Profit or loss	
	2021 RM'000	2020 RM'000
<b>Group</b>		
USD	1,108	1,777
EURO	(693)	92
SGD	(162)	(449)
KRW	(6)	-
PESO	(74)	(169)
	173	1,251

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

### 24.6 Market risk (continued)

#### 24.6.1 Currency risk (continued)

##### *Currency risk sensitivity analysis (continued)*

A 10% (2020: 10%) weakening of Ringgit Malaysia against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

#### 24.6.2 Interest rate risk or net asset value risk

The Group's and the Company's investments in debt securities and borrowings are exposed to a risk of change in their fair value due to changes in market rates. Investments in equity securities and short-term receivables and payables are not significantly exposed to interest rate risk.

##### *Risk management objectives, policies and processes for managing the risk*

The Group's and the Company's exposure to the risk of changes in market rates relates primarily to the highly liquid investments with floating net asset value and its floating interest rate unsecured term loans. Changes in the net asset value and interest rate may expose the Group to a risk of change in cash flows.

The excess fund placed with licensed banks and other financial institutions and corporations are for certain periods during which the interest rates are fixed. The management reviews the interest rates at regular intervals.

##### *Exposure to interest rate risk*

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Fixed rate instruments</b>				
Financial assets	8,846	1,462	61,848	29,917
Financial liabilities	(69,779)	(17,374)	(69,263)	(16,750)
	<b>(60,933)</b>	<b>(15,912)</b>	<b>(7,415)</b>	<b>13,167</b>
<b>Floating rate instruments</b>				
Financial assets	31,499	53,906	31,499	53,906
Financial liabilities	(334,062)	(285,960)	(312,872)	(265,960)
	<b>(302,563)</b>	<b>(232,054)</b>	<b>(281,373)</b>	<b>(212,054)</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

### 24.6 Market risk (continued)

#### 24.6.2 Interest rate risk or net asset value risk (continued)

*Interest rate risk sensitivity analysis*

*Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and financial liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

*Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/ (decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2021 Profit or (loss)		2020 Profit or (loss)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<b>Group</b>				
Floating rate instruments	(2,299)	2,299	(1,764)	1,764
<b>Company</b>				
Floating rate instruments	(2,138)	2,138	(1,612)	1,612

### 24.7 Fair value information

The carrying amounts of cash and bank balances, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

### 24.7 Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position, is as follows:

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
<b>Group</b>										
<b>2021</b>										
<b>Financial assets</b>										
Other investments	48,736	-	24,800	73,536	-	-	-	-	73,536	73,536
Highly liquid investments	31,499	-	-	31,499	-	-	-	-	31,499	31,499
	<b>80,235</b>	<b>-</b>	<b>24,800</b>	<b>105,035</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>105,035</b>	<b>105,035</b>
<b>Financial liabilities</b>										
Term loan	-	-	-	-	-	-	(318,731)	(318,731)	(318,731)	(312,872)
<b>2020</b>										
<b>Financial assets</b>										
Other investments	90,329	-	21,918	112,247	-	-	-	-	112,247	112,247
Highly liquid investments	53,906	-	-	53,906	-	-	-	-	53,906	53,906
	<b>144,235</b>	<b>-</b>	<b>21,918</b>	<b>166,153</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>166,153</b>	<b>166,153</b>
<b>Financial liabilities</b>										
Term loan	-	-	-	-	-	-	(271,544)	(271,544)	(271,544)	(265,960)

# NOTES TO THE FINANCIAL STATEMENTS

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

### 24.7 Fair value information (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
<b>Company</b>										
<b>2021</b>										
<b>Financial assets</b>										
Other investments	48,736	-	24,800	73,536	-	-	-	-	73,536	73,536
Highly liquid investments	31,499	-	-	31,499	-	-	-	-	31,499	31,499
	<b>80,235</b>	<b>-</b>	<b>24,800</b>	<b>105,035</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>105,035</b>	<b>105,035</b>
<b>Financial liabilities</b>										
Term loan	-	-	-	-	-	-	(318,731)	(318,731)	(318,731)	(312,872)
<b>2020</b>										
<b>Financial assets</b>										
Other investments	90,329	-	21,918	112,247	-	-	-	-	112,247	112,247
Highly liquid investments	53,906	-	-	53,906	-	-	-	-	53,906	53,906
	<b>144,235</b>	<b>-</b>	<b>21,918</b>	<b>166,153</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>166,153</b>	<b>166,153</b>
<b>Financial liabilities</b>										
Term loan	-	-	-	-	-	-	(271,544)	(271,544)	(271,544)	(265,960)

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

### 24.7 Fair value information (continued)

#### Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

#### Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2020: no transfer in either direction).

#### Level 3 fair value

The following table shows a reconciliation of Level 3 fair values:

	Group	
	2021 RM'000	2020 RM'000
<b>Unquoted shares</b>		
At 1 January	21,918	29,656
Purchases	2,070	21,918
Transfer out of Level 3	-	(29,656)
Gain recognised in other comprehensive income	812	-
At 31 December	<b>24,800</b>	21,918

#### Financial instruments carried at fair value

Level 3 items principally comprise minority shareholdings in unlisted businesses. Unlisted equity investments, initially measured at cost, are revalued where sufficient indicators are identified that a change in the fair value has occurred.

The inputs to any subsequent valuations are based on a combination of observable evidence from external transactions in the investee's equity.

There would be no material effect on the amounts stated from any reasonably possible change in such inputs at 31 December 2021.

#### Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Term loan	Discounted cash flows using a rate based on the current market rate of borrowing of the respective Group entities at the reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

### 24.7 Fair value information (continued)

#### Valuation processes applied by the Group for Level 3 fair value

The Group has an established control framework in respect to the measurement of fair values of financial instruments. This includes management that has overall responsibility for overseeing all significant fair value measurements.

#### Interest rate used to determine fair value

The interest rate used to discount estimated cash flows of term loan is 3.43% (2020: 3.45%).

## 25. CAPITAL MANAGEMENT

The Group's objective when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to safeguard shareholders' interest within the Group and to sustain future development of the business.

The debt-to-equity ratio at 31 December 2021 and at 31 December 2020 were as follows:

	Note	Group	
		2021 RM'000	2020 RM'000
Loans and borrowings	13	400,722	302,074
Lease liabilities	14	3,119	1,260
Total debts		403,841	303,334
Total equity		624,004	643,821
Debt-to-equity ratios		0.65:1	0.47:1

The Group is also required to maintain a maximum debt-to-equity ratio of 1.5 and minimum debt service cover ratio of 2 to comply with debt covenants, failing which, the bank may call an event of default. The Group has complied with the covenants.

## 26. CAPITAL AND OTHER COMMITMENTS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Capital expenditure commitments Plant and equipment</b>				
Contracted but not provided for	48,286	19,224	3,990	-

**27. RELATED PARTY TRANSACTIONS**

**Identity of related parties**

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel include all the Directors of the Group, and certain members of senior management of the Group. The Group has related party relationship with its holding company, subsidiaries, related companies and key management personnel.

**Significant related party transactions**

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are shown below, except for key management personnel compensation which is shown in Note 19. The balances related to the below transactions are shown in Note 9 and 14.

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Immediate holding company</b>				
Dividend paid	(21,950)	(17,559)	(21,950)	(17,559)
<b>Subsidiaries</b>				
Management services fees and other services fees received	-	-	25,415	27,123
Dividend income received from subsidiaries	-	-	41,540	36,233
Interest income received from subsidiaries	-	-	9,220	6,616

There is no impairment loss recognised in respect of these outstanding balances at year end.

All the outstanding balances are unsecured and expected to be settled with cash.

# STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 116 to 183 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2021 and of their financial performance and cash flows for the financial year then ended.

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

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

Director

.....  
**Leonard Ariff Bin Abdul Shatar**

Director

Kuala Lumpur

15 March 2022

## STATUTORY DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Chek Wu Kong**, the officer primarily responsible for the financial management of Duopharma Biotech Berhad, do solemnly and sincerely declare that the financial statements set out on pages 116 to 183 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Chek Wu Kong, NRIC: 660124-08-6517, MIA CA 7644, at Kuala Lumpur in the Federal Territory on 15 March 2022.

.....  
**Chek Wu Kong**

Before me:

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Duopharma Biotech Berhad, which comprise the statements of financial position as at 31 December 2021 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 116 to 183.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence) Standards ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Inventory provisions

Refer to Note 2(h) - Significant accounting policy: Inventories and Note 10 – Inventories.

The key audit matter	How the matter was addressed in our audit
The Group manufactures and sells pharmaceutical products which carry shelf life, increasing the level of judgement involved in estimating inventory provisions. Judgement is required to assess the appropriate level of provisioning for short-dated pharmaceutical products. Such judgements include Directors' expectations for future sales and inventory liquidation plans.	<p>We performed the following audit procedures, among others:</p> <ul style="list-style-type: none"> <li>• Attended inventory counts to identify whether any inventory was obsolete;</li> <li>• Assessed the basis for the inventory provisions, the consistency of provisioning in line with policy and the rationale for the recording of specific provisions;</li> <li>• Tested the accuracy of the ageing of inventories based on system generated reports;</li> <li>• Tested the provision calculations and determined that they appropriately took into account the ageing profile of inventories; and</li> <li>• Assessed the appropriateness of management's inventory measurement under MFRS 102.</li> </ul>

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

# INDEPENDENT AUDITORS' REPORT

## To The Members Of Duopharma Biotech Berhad

(Registration No. 200001021664 (524271-W))

(Incorporated in Malaysia)

### Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Director's Report and Statement on Risk Management and Internal Control (but does not include the financial statements of the Group and of the Company and our auditors report thereon), which we obtained prior to the date of this auditor's report, and the remaining parts of the annual report, which are expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate actions in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

### Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

**Auditors' Responsibilities for the Audit of the Financial Statements (continued)**

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 6 to the financial statements.

**Other Matter**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**KPMG PLT**  
(LLP0010081-LCA & AF 0758)  
Chartered Accountants

Petaling Jaya, Selangor

15 March 2022

**Ameenuddin Bin Khali Kasman**  
Approval Number: 03470/11/2023 J  
Chartered Accountant



# SEC 05



**Duopharma Biotech contributed RM1.5 million to the CERDIK programme, a national initiative to provide students from low-income families with access to laptops with data connectivity in order to keep up with learning despite school closure during the pandemic**

## OTHER INFORMATION

Analysis of Shareholdings	190
List of Top 10 Properties	194

# ANALYSIS OF SHAREHOLDINGS

As at 31 March 2022

**Total Number of Issued Shares** : 941,765,688  
**Class of Shares** : Ordinary Shares  
**No. of Shareholders** : 21,467  
**Voting Rights** : One Vote per Ordinary Share

Date of Allotment	No. of Shares Allotted	Consideration	Total Number of Issued Shares
21 May 2021	303,275	Implementation of Dividend Reinvestment Plan for 2021 Second Interim Dividend	706,330,193
7 September 2021	235,435,495	Issuance of Bonus Shares	941,765,688

## ANALYSIS BY SIZE OF HOLDINGS

as at 31 March 2022

Size of Holdings	No. of Shareholders	%	No. of Shares Held	%
Less than 100	1,723	8.026	66,174	0.007
100 - 1,000	3,452	16.080	1,530,844	0.162
1,001 - 10,000	12,200	56.831	45,005,428	4.778
10,001 - 100,000	3,716	17.310	92,953,712	9.870
100,001 to less than 5% of issued ordinary shares	374	1.742	327,163,201	34.739
5% and above of issued ordinary shares	2	0.009	475,046,329	50.442
<b>Total</b>	<b>21,467</b>	<b>100.000</b>	<b>941,765,688</b>	<b>100.000</b>

## DIRECTORS SHAREHOLDINGS AS PER REGISTER OF DIRECTORS

as at 31 March 2022

Name	No. of Shares Held			
	Direct	%	Indirect	%
Tan Sri Datin Paduka Siti Sa'diah Binti Sh Bakir	-	-	-	-
Leonard Ariff Bin Abdul Shatar	-	-	-	-
Dato' Mohamad Kamarudin Bin Hassan	-	-	-	-
Razalee Bin Amin	-	-	-	-
Zaiton Binti Jamaluddin	-	-	-	-
Dato' Eisah Binti A. Rahman	-	-	-	-
Datuk Nik Moustpha Bin Haji Nik Hassan	-	-	-	-
Datuk Mohd Radzif Bin Mohd Yunus	25,293	0.003	-	-
Dato' Dr. Zaki Morad Bin Mohamad Zaher	-	-	-	-
Amizar Binti Mizuar	-	-	-	-
<b>Total</b>	<b>25,293</b>	<b>0.003</b>	<b>-</b>	<b>-</b>

As at 31 March 2022

**DIRECTORS OF SUBSIDIARY COMPANIES' SHAREHOLDINGS AS PER REGISTER OF DIRECTORS**

as at 31 March 2022

Name	No. of Shares Held			
	Direct	%	Indirect	%
Feizril Nor Bin Nurbi	-	-	-	-
Mohd Fairuz Khan Bin Pret Khan*	-	-	533	0.000
Mohd Idzwan Bin Mohd Malik	-	-	-	-
Mohamed Shazman Merican	-	-	-	-
Noor Aida Binti Jaafar	-	-	-	-
Roziah Hanim Binti Abd Karim	-	-	-	-
Sabrina Binti Haron	-	-	-	-
Suhaizar Bin Mansor	-	-	-	-
Teo Cheng Peow	-	-	-	-
Zaini Bin Said	4,000	0.000	-	-
<b>Total</b>	<b>4,000</b>	<b>0.000</b>	<b>533</b>	<b>0.000</b>

\* Held via Kenanga Nominees (Tempatan) Sdn Bhd - Rakuten Trade Sdn Bhd

**SENIOR MANAGEMENT'S SHAREHOLDINGS**

as at 31 March 2022

Name	No. of Shares Held			
	Direct	%	Indirect	%
Wan Amir-Jeffery Bin Wan Abdul Majid*	-	-	-	-
Chek Wu Kong*	124	0.000	-	-
Ng Su Yee*	64,158	0.007	-	-
Krisnakumara-Reddi A/L Kesava-Reddi*	2,802	0.000	-	-
Ibrahim Hussin Salleh	-	-	-	-
Shamsul Idham Bin A.lahad*	-	-	-	-
<b>Total</b>	<b>67,084</b>	<b>0.007</b>	<b>-</b>	<b>-</b>

Note:

\* Also holds directorship in subsidiary companies of Duopharma Biotech

# ANALYSIS OF SHAREHOLDINGS

As at 31 March 2022

## SUBSTANTIAL SHAREHOLDERS' AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

as at 31 March 2022

Name	No. of Shares Held			
	Direct	%	Indirect	%
Permodalan Nasional Berhad	398,247,804	42.287	-	-
Yayasan Pelaburan Bumiputra	-	-	398,247,804	42.287
Employees Provident Fund Board*	-	-	76,798,525	8.154

\* Held via Citigroup Nominees (Tempatan) Sdn Bhd

## TOP 30 SECURITIES ACCOUNT HOLDERS AS PER REGISTER OF DEPOSITORS

as at 31 March 2022

No.	Name	Holdings	%
1.	PERMODALAN NASIONAL BERHAD	398,247,804	42.287
2.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD Employees Provident Fund Board	76,798,525	8.154
3.	AMANAHRAYA TRUSTEES BERHAD Amanah Saham Malaysia	46,000,000	4.884
4.	AMANAHRAYA TRUSTEES BERHAD Amanah Saham Bumiputera	33,671,069	3.575
5.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB Bank Berhad (EDP 2)	27,037,666	2.870
6.	PUBLIC NOMINEES (ASING) SDN BHD Pledged Securities Account For Billion Victory Sdn Bhd (KLC)	14,861,430	1.578
7.	MAYBANK NOMINEES (TEMPATAN) SDN BHD MTrustee Berhad for Principal Dali Equity Growth Fund (UT-CIMB-DALI) (419455)	14,084,566	1.495
8.	AMANAHRAYA TRUSTEES BERHAD Public Islamic Treasures Growth Fund	9,953,156	1.056
9.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) Trustee Bhd for Manulife Investment Shariah Progress Fund	8,550,233	0.907
10.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) Trustee Bhd for Manulife Investment Progress Fund (4082)	5,455,520	0.579
11.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) Trustee Bhd for Manulife Investment Al-Fauzan (5170)	5,332,266	0.566
12.	MAYBANK NOMINEES (TEMPATAN) SDN BHD National Trust Fund (IFM EASTSPRING) (410140)	4,554,900	0.483
13.	CARTABAN NOMINEES (TEMPATAN) SDN BHD PAMB for Prulink Equity Fund	4,301,900	0.456
14.	AMANAHRAYA TRUSTEES BERHAD Amanah Saham Malaysia 3	4,299,460	0.456
15.	CARTABAN NOMINEES (TEMPATAN) SDN BHD PAMB for Participating Fund	3,697,866	0.392
16.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD Great Eastern Life Assurance (Malaysia) Berhad (DR)	3,445,733	0.365

As at 31 March 2022

**TOP 30 SECURITIES ACCOUNT HOLDERS AS PER REGISTER OF DEPOSITORS**

as at 31 March 2022

No.	Name	Holdings	%
17.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD Manulife Insurance Berhad (OL PAR)	3,370,333	0.357
18.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD Employees Provident Fund Board (AM INV)	3,200,000	0.339
19.	MAYBANK NOMINEES (TEMPATAN) SDN BHD National Trust Fund (IFM AFFINHWANG)(410195)	3,075,066	0.326
20.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD Deutsche Trustees Malaysia Berhad for Eastspring Investments Small-Cap Fund	3,047,800	0.323
21.	HONG LEONG ASSURANCE BERHAD As Beneficial Owner (UNITLINKED OP)	2,568,109	0.272
22.	OOI KENG TAN	2,552,000	0.270
23.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB Commerce Trustee Berhad for Kenanga Shariah Growth Opportunities Fund (50156 TR01)	2,427,181	0.257
24.	HSBC NOMINEES (ASING) SDN BHD HSBC-FS I for ASEAN Growth Fund (MANUFACTURERS L)	2,273,300	0.241
25.	CARTABAN NOMINEES (ASING) SDN BHD SSBT Fund WTAU for Wisdomtree Emerging Markets Smallcap Dividend Fund	2,270,333	0.241
26.	UOBM NOMINEES (TEMPATAN) SDN BHD UOB Asset Management (Malaysia) Berhad for Gibraltar BSN Aggressive Fund	2,259,558	0.239
27.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD Employees Provident Fund Board (CPIAM EQ)	1,849,600	0.196
28.	HONG LEONG MSIG TAKAFUL BERHAD As Beneficial Owner (FAMILY FUND)	1,739,073	0.184
29.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD Employees Provident Fund Board (NIAM EQ)	1,716,133	0.182
30.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB for Abu Bakar Bin Suleiman (PB)	1,670,921	0.177
	<b>Total</b>	<b>694,311,501</b>	<b>73.724</b>

# LIST OF TOP 10 PROPERTIES

As at 31 December 2021

No.	Location	Tenure	Lease Period	Area (sq-meter)	Description	Existing Use	Approximate Age of Building	Net Book Value (RM million)	Date of Valuation
1.	Duopharma (M) Sendirian Berhad  Lot 2599, Jalan Seruling 59, Kawasan 3, Taman Klang Jaya, 41200 Klang, Selangor Darul Ehsan, Malaysia.	Freehold	-	24,261	a. Industrial land built upon with a 2-storey factory building, a 1-storey pump house cum boiler house and a guard house, b. 4-storey factory and office building c. 2-storey warehouse building with two (2) mezzanine office levels of high specifications for specific pharmaceutical use and water tank. d. Construction of 7-storey office and 5-storey manufacturing block e. Construction of 5-storey manufacturing block	Factory, Warehouse and Office	29 years	171.02	December 2015
2.	Duopharma (M) Sendirian Berhad  Lot No. 2707, Jalan Seruling 59, Kawasan 3, Taman Klang Jaya, 41200 Klang, Selangor Darul Ehsan, Malaysia.	Freehold	-	4.38 acres	Industrial land built upon with a warehouse block with lift service, a rooftop car park, a mezzanine floor office and a technical block with motorcycle parking.	Warehouse with rooftop car park and office	2 years	66.09	December 2015
3.	Duopharma Manufacturing (Bangi) Sdn. Bhd.  Lot No. 2, 4, 6, 8 & 10, Jalan P/7, Seksyen 13, Kawasan Perusahaan Bandar Baru Bangi, 43650 Bandar Baru Bangi, Selangor Darul Ehsan, Malaysia.	Leasehold	99 years (1987 - 2086)	21,359	Industrial land built upon with 3-storey office cum factory building with lift service, a 3-storey store, canteen and laboratory building, a 2-storey warehouse block, a new 2½-storey office, factory cum warehouse building with lift services, a pump block and two (2) guardhouse buildings.	Industrial Land, Factory and Office	34 years	49.05	November 2014
4.	Duopharma Marketing Sdn. Bhd.  Lot No. 2, 4, 6, 8 & 10, Jalan P/7, Seksyen 13, Kawasan Perusahaan Bandar Baru Bangi, 43650 Bandar Baru Bangi, Selangor Darul Ehsan, Malaysia.	Leasehold	99 years (1987 - 2086)	12,140	Leasehold land built upon with 2-storey office cum warehouse building	Warehouse and office	34 years	29.53	November 2014

As at 31 December 2021

No.	Location	Tenure	Lease Period	Area (sq-meter)	Description	Existing Use	Approximate Age of Building	Net Book Value (RM million)	Date of Valuation
5.	Duopharma Manufacturing (Glenmarie) Sdn. Bhd.  No. 2, Jalan Saudagar U1/16, Zon Perindustrian Hicom Glenmarie, Seksyen U1, 40150 Shah Alam, Selangor Darul Ehsan, Malaysia.	Freehold	-	5,904	Industrial land, factory and offices	Factory and Offices	24 years	26.50	December 2021
6.	Duopharma Manufacturing (Glenmarie) Sdn. Bhd.  Lot No. 1, Technology Park Malaysia, Phase 1, Bukit Jalil, 57000 Kuala Lumpur, Malaysia.	Sub-lease of 30 years	30 years (2001 - 2031)	1.85 acres	A plot of vacant industrial building land	Vacant	-	2.40	December 2021
7.	Duopharma Marketing Sdn. Bhd.  No. 1, Jalan 4/3 Seksyen 4, Bandar Baru Bangi, 43650 Bangi, Selangor Darul Ehsan, Malaysia.	Leasehold	99 years (1987 - 2086)	1,565	A plot of vacant residential detached building land	Vacant	-	1.05	December 2021
8.	Duopharma Marketing Sdn. Bhd.  No. 64, Jalan Pemas 9/13, Bandar Baru Pemas Jaya, Masai, 81750 Johor Bahru, Johor Darul Takzim, Malaysia.	Freehold	-	362	An intermediate 1 ½-storey terraced factory building	Warehouse	30 years	0.85	December 2021
9.	Duopharma (M) Sendirian Berhad  No. 51 & 53, Jalan Rebana 3, Off Jalan Seruling 59, Kawasan 3, Taman Klang Jaya, 41200 Klang, Selangor Darul Ehsan, Malaysia.	Freehold	-	835	Two (2) units of 2-storey terrace light industrial building	Warehouse	25 years	0.70	December 2015
10.	Duopharma Marketing Sdn. Bhd.  No. 309, 310, 411 and 412, Block 4, Jalan 1/9, Seksyen 1, Bandar Baru Bangi, 43650 Bangi, Selangor Darul Ehsan, Malaysia.	Leasehold	99 years (1996 - 2095)	228	Four (4) units of 2-bedroom walk-up low-cost flat unit	Hostel	25 years	0.12	November 2014



# SEC 06

Shareholders approved a 1-for-3 bonus share issue which entailed the issuance of 235,435,495 bonus shares in Duopharma Biotech

## AGM INFORMATION

Notice of the 21 <sup>st</sup> Annual General Meeting	198
Statement Accompanying Notice of the 21 <sup>st</sup> Annual General Meeting	205
Proxy Form	

# NOTICE OF THE 21<sup>ST</sup> ANNUAL GENERAL MEETING OF DUOPHARMA BIOTECH BERHAD

[Registration No. 200001021664 (524271-W)]

(Incorporated in Malaysia)



**NOTICE IS HEREBY GIVEN** that the Twenty-First (21<sup>st</sup>) Annual General Meeting (“AGM”) of Duopharma Biotech Berhad (“Duopharma Biotech” or the “Company”) will be held entirely through live streaming from the broadcast venue at the **Meeting Rooms 403 & 404, Level 4, Kuala Lumpur Convention Centre, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia** (the “Broadcast Venue”) and **via the TIIH Online website** at <https://tiih.online> on **Tuesday, 21 June 2022 at 9.00 a.m.** for the following purposes:-

## AGENDA

### As Ordinary Business

- |    |   |                              |
|----|---|------------------------------|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 December 2021 and the Reports of the Directors and Auditors thereon.  |                              |
| 2. | To re-elect the following Directors who retire in accordance with Article 100 of the Company's Constitution and who, being eligible, offer themselves for re-election:-   |                              |
|    | i. Encik Razalee Bin Amin   | <b>Ordinary Resolution 1</b> |
|    | ii. Dato' Eisah Binti A. Rahman   | <b>Ordinary Resolution 2</b> |
|    | iii. Dato' Dr. Zaki Morad Bin Mohamad Zaher   | <b>Ordinary Resolution 3</b> |
| 3. | To re-elect Puan Amizar Binti Mizuar who was appointed as a Director after the 20 <sup>th</sup> AGM and retires in accordance with Article 106 of the Company's Constitution and who, being eligible, offers herself for re-election.   | <b>Ordinary Resolution 4</b> |
| 4. | To approve the payment of the proposed total Directors' fees amounting to RM1,270,000 for the period commencing 22 June 2022 until the conclusion of the next Annual General Meeting of the Company, and further, to authorise the Directors to divide the remuneration among them in such proportions and manner as the Directors may determine. | <b>Ordinary Resolution 5</b> |
| 5. | To approve the payment of the proposed total Directors' Remuneration (other than Directors' Fees) up to an amount of RM646,000 for the period from 22 June 2022 until the conclusion of the next AGM of the Company.  | <b>Ordinary Resolution 6</b> |
| 6. | To re-appoint Messrs. KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.   | <b>Ordinary Resolution 7</b> |

### AS SPECIAL BUSINESS

- |    |  |                              |
|----|--|------------------------------|
| 7. | To consider and, if thought fit, to pass the following Ordinary Resolution:- | <b>Ordinary Resolution 8</b> |
|----|--|------------------------------|

**ISSUANCE OF NEW DUOPHARMA BIOTECH SHARES PURSUANT TO THE DIVIDEND REINVESTMENT PLAN THAT PROVIDES THE SHAREHOLDERS OF THE COMPANY WITH THE OPTION TO ELECT TO REINVEST THEIR DIVIDEND IN NEW DUOPHARMA BIOTECH SHARES (“DIVIDEND REINVESTMENT PLAN”)**

# NOTICE OF THE 21<sup>ST</sup> ANNUAL GENERAL MEETING OF DUOPHARMA BIOTECH BERHAD

(Incorporated in Malaysia)

[Registration No. 200001021664 (524271-W)]



199

ABOUT US

STRATEGIC REPORT

GOVERNANCE

FINANCIAL REPORT

OTHER INFORMATION

AGM INFORMATION

“**THAT** pursuant to the Dividend Reinvestment Plan as approved by the Shareholders at the Extraordinary General Meeting of the Company held on 31 May 2018, and subject to the approvals of all relevant regulatory authorities or parties being obtained, where required, approval be and is hereby given to the Board of Directors of Duopharma Biotech (“Board”) to allot and issue such number of new Duopharma Biotech Shares from time to time as may be required to be allotted and issued pursuant to the Dividend Reinvestment Plan until the conclusion of the Company’s next annual general meeting, upon terms and conditions and to such persons as the Board may, at its absolute discretion, deem fit and in the best interest of the Company;

**THAT** the issue price of the said new Duopharma Biotech Shares, which will be determined and fixed by the Board on the price-fixing date to be determined, shall not be more than ten percent (10%) discount to the 5-day volume weighted average market price (“VWAMP”) of Duopharma Biotech Shares immediately preceding the price-fixing date, of which the VWAMP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the issue price at the material time;

**AND THAT** the Board be and is hereby authorised to do all such acts and enter into all such transactions, arrangements, deeds and undertakings and to execute, sign and deliver for and on behalf of the Company, all such documents and impose such terms and conditions or delegate all or any part of its powers as may be necessary or expedient in order to implement, finalise and give full effect to the issuance of New Duopharma Biotech Shares pursuant to the Dividend Reinvestment Plan, with full power to assent to any conditions, variations, modifications and/or amendments in any manner, including amendments, modifications, suspension and termination of the Dividend Reinvestment Plan, as the Board may, in its absolute discretion, deem fit and in the best interest of the Company and/or as may be required or permitted by any relevant authorities and to deal with all matters relating thereto.”

8. To transact any other business of which due notice shall have been received.

By Order of the Board

**IBRAHIM HUSSIN SALLEH**

License No. : LS 0009121  
SSM Practising Certificate No. : 201908001032  
Company Secretary

Kuala Lumpur

Date: 28 April 2022

NOTES:

1. As part of the initiatives to curb the spread of Coronavirus Disease 2019 (“COVID-19”), the 21<sup>st</sup> AGM will be conducted as a virtual meeting with online remote voting via Remote Participation and Voting facilities (“RPV”) provided by Tricor Investor & Issuing House Services Sdn Bhd via its TIIH Online website at <https://tiih.online>. Please follow the procedures provided in the Administrative Guide for the 21<sup>st</sup> AGM which is available on the Company’s website at <https://duopharmabiotech.com/notice-of-annual-general-meeting/> in order to register, participate and vote remotely via the RPV facilities.
2. The Broadcast Venue of the 21<sup>st</sup> AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be at the main venue. No member or proxy from the public will be physically present at the Broadcast Venue.

# NOTICE OF THE 21<sup>ST</sup> ANNUAL GENERAL MEETING OF DUOPHARMA BIOTECH BERHAD

[Registration No. 200001021664 (524271-W)]

(Incorporated in Malaysia)



## NOTES:

3. All Resolutions in the Notice of AGM are to be conducted by poll voting as per Paragraph 8.29A(1) of the Main Market Listing Requirements issued by Bursa Malaysia Securities Berhad. Poll Administrator and Independent Scrutineers will be appointed to conduct the polling/e-polling process and verify the results of the poll respectively.
4. A member who is entitled to attend, speak (including posing questions to the Company via real time submission of typed text) and vote (collectively, “participate”) remotely at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote instead of him/ her. A proxy may but need not be a member of the Company. In the case of a corporation, the corporation may appoint a duly authorised representative to participate in the Meeting on behalf of that corporation.
5. Where a member of the Company appoints two (2) proxies, the appointments shall be invalid unless the member specifies the proportion of his / her shareholdings to be represented by each proxy.
6. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
7. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 (“SICDA”) which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
8. A member who has appointed a proxy or authorised representative (as the case may be) to participate at this 21<sup>st</sup> AGM of the Company via RPV must instruct his/her proxy or authorised representative (as the case may be) to register himself/herself for RPV via **TIIH Online** website at <https://tiih.online>. The proxy or authorised representative (as the case may be) must register at **TIIH Online** website in order to participate in the Meeting via RPV. **Please follow the Procedures for RPV in the Administrative Guide issued by the Company for the 21<sup>st</sup> AGM of the Company.**
9. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal, or under the hand of two (2) authorised officers, one of whom shall be a director or of its attorney duly authorised in writing.

10. The instrument appointing a proxy(ies) may be made in a hardcopy form or by electronic means as follows:-

- a. In Hardcopy Form

The Form of Proxy or the Power of Attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company’s Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

- b. By Tricor Online System (“TIIH Online”)

The Form of Proxy can be electronically lodged with the Company’s Share Registrar via TIIH Online. Kindly refer to the Administrative Guide on the procedures for electronic lodgement of proxy form via TIIH Online.

All proxy forms (whether submitted in hardcopy form or by TIIH Online) must be received by the Company’s Share Registrar not less than twenty-four (24) hours before the time appointed for taking of the poll as per Section 334(3) of the Companies Act, 2016.

11. Only depositors whose names appear in the Record of Depositors as at 14 June 2022 shall be regarded as members and entitled to attend and vote at the meeting.

## Explanatory Notes on Ordinary Business

### Audited Financial Statements for financial year ended 31 December 2021 and the Reports of the Directors and the Auditors thereon

The Audited Financial Statements for financial year ended 31 December 2021 and the Reports of the Directors and the Auditors thereon are set out on pages 110 to 187 of the Company’s Annual Report 2021.

The Annual Report 2021 is available at <https://duopharmabiotech.com/investor-relations/annual-report/>.

# NOTICE OF THE 21<sup>ST</sup> ANNUAL GENERAL MEETING OF DUOPHARMA BIOTECH BERHAD

(Incorporated in Malaysia)

[Registration No. 200001021664 (524271-W)]



201

ABOUT US

STRATEGIC REPORT

GOVERNANCE

FINANCIAL REPORT

OTHER INFORMATION

AGM INFORMATION

The audited financial statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 and Article 57 of the Company's Constitution for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put for voting.

## Ordinary Resolutions 1, 2, 3 and 4 – Approval for the re-election of the Directors who retire in accordance with Articles 100 and 106 of the Company's Constitution

Article 100 of the Company's Constitution provides that at each AGM of the Company, one-third (1/3) of the Directors for the time being, or if their number is not a multiple of three (3), the number nearest to one-third (1/3), shall retire from office at the conclusion of the meeting and that each Director so retiring from office shall be eligible for re-election. Hence, three (3) Directors will be retiring in accordance with Article 100 of the Constitution.

Puan Amizar Binti Mizuar was appointed as Non-Independent Non-Executive Director of the Company on 9 July 2021 and will retire pursuant to Article 106 of the Constitution. Article 106 of the Constitution provides that any Director appointed to fill a casual vacancy or as an additional Director shall hold office only until the next AGM and shall then be eligible for re-election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

For the purpose of determining the eligibility of the Directors to stand for re-election at the 21<sup>st</sup> AGM, the Nomination and Remuneration Committee ("NRC") had assessed each of the retiring Directors, and considered, among others, the following:-

- (a) the Director's performance and contribution based on the Self and Peer Assessment ("SPA") results of the Board Effectiveness Evaluation for financial year ended 31 December 2021 ("BEE 2021") (other than Puan Amizar who was excluded from BEE 2021 as she had at the material time just been appointed as a Director);
- (b) the application of the fit and proper criteria set out in the Fit and Proper Policy for Directors and Senior Management of the Company ("Fit & Proper Policy") that was adopted by the Board of Directors (the "Board") in January 2022; and
- (c) the Diversity Policy for Directors and Senior Management of the Company that was adopted by the Board in December 2021.

Based on the said assessment, the NRC had recommended that the four (4) Directors who retire in accordance with Articles 100 and 106 of the Company's Constitution were eligible to stand for re-election. The Board had approved the NRC's assessment and recommendation that the Directors who retire in accordance with Articles 100 and 106 of the Company's Constitution are eligible

to stand for re-election. Among the reasons for the Board's recommendation for re-election of the aforesaid Directors are as follows:-

- (a) the recommendation for re-election were based on objective criteria and merit, namely all the said Directors have met the following fit and proper criteria under the Fit & Proper Policy–
  - (i) character and integrity (encompassing the qualities of probity, personal integrity, financial integrity and reputation);
  - (ii) experience and competence (encompassing qualifications, training and skills; and relevant past performance or track record); and
  - (iii) time and commitment (encompassing ability to discharge role having regard to other commitments, and participation and contribution in the Board);
- (b) the overall high score recorded for each of the said Directors (other than Puan Amizar who was excluded from the BEE 2021 as she had just been appointed) showed that they had performed well in terms of their respective contribution and performance as well as in terms of their calibre and personality. Puan Amizar was assessed by the NRC and the Board in accordance with the aforesaid fit and proper criteria under the Fit & Proper Policy;
- (c) based on the Independent Directors' self-assessment under the BEE 2021, each of the Independent Non-Executive Directors seeking re-election had declared their independence; and
- (d) the tenure of service of each of them calculated until the date of the 21<sup>st</sup> AGM does not exceed a cumulative term of nine (9) years in a consecutive service nor cumulative service of nine (9) years with interval as prescribed in the Company's Board Charter.

All these retiring Directors had abstained from deliberations and decisions on their own eligibility to stand for re-election at the relevant NRC and Board meetings.

The details of the four (4) Directors of the Company seeking re-election are set out in their respective profiles which appear in the Directors' Profiles on pages 37, 39, 42 and 43 of the Company's Annual Report 2021, as well as in the Statement Accompanying Notice of 21<sup>st</sup> AGM. The details of their interest in the securities of the Company are set out in their respective profiles as well as the Analysis of Shareholdings on page 190 of the Company's Annual Report 2021.

Any of the Directors that is seeking re-election and who is a shareholder of the Company will abstain from voting on the resolution in respect of his/her re-election.

# NOTICE OF THE 21<sup>ST</sup> ANNUAL GENERAL MEETING OF DUOPHARMA BIOTECH BERHAD

[Registration No. 200001021664 (524271-W)]

(Incorporated in Malaysia)



## Ordinary Resolution 5 – Approval for the proposed payment of Total Directors' Fees for the period commencing from 22 June 2022 until the conclusion of the next AGM of the Company

Pursuant to Section 230(1) of the Companies Act 2016, the fees of the directors and any benefits payable to directors shall be approved at a general meeting. Pursuant to Paragraph 7.24 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the fees of directors, and any benefits payable to directors shall be subject to annual shareholders' approval at a general meeting.

The Company had at the 20<sup>th</sup> AGM of the Company held on 28 May 2021 obtained the shareholders' approval for the revision of the Directors' Fees payable to the Directors entitled to receive the Directors' Fees with effect from 29 May 2021 to as follows and in such proportions and manner as the Directors may determine:

### Directors' Fees

Chairman of the Board	RM125,000 per annum
Member of the Board (other than Foreign Director)	RM100,000 per annum
Foreign Director	the amount in United States Dollars equivalent to RM100,000 per annum

### Board Committee Fees

Chairman of the Board Committee	RM10,000 per annum
Member of the Board Committee (including where member is a Foreign Director)	RM8,000 per annum

The shareholders also resolved that the amount of the Directors' Fees that was revised as aforesaid shall continue to be in force until varied by resolution passed by the shareholders in a general meeting.

The shareholders had at the 20<sup>th</sup> AGM of the Company also approved the payment of total Directors' Fees amounting to RM1,195,000 for the period commencing 29 May 2021 until the conclusion of the next AGM of the Company on 21 June 2022. The total Directors Fees incurred were as follows:-

Approved at last AGM (from 29 May 2021 until conclusion of 21 <sup>st</sup> AGM)	Actual (from 29 May 2021 until 31 March 2022)	Forecasted (from 29 May 2021 until conclusion of 21 <sup>st</sup> AGM)
RM1,195,000	RM839,742	RM1,140,000

With respect to the proposed total Directors' Fees for the period commencing from 22 June 2022 until the conclusion of the next AGM of the Company in 2023, assuming that (a) one (1) additional director is added to the Board; (b) the number of Board Committees remain the same; (c) that each of the existing Board Committees other than the Medical Advisory Committee ("MAC") comprises four (4) members; and (d) the MAC comprises not more than seven (7) members, the amount is estimated to be approximately RM1,270,000. This resolution, if passed, will facilitate the payment of directors' fees on current financial year basis until the conclusion of the next AGM in 2023.

Any Non-Executive Director who is a shareholder of the Company will abstain from voting on Ordinary Resolution 5 in respect of the proposed payment of Directors' Fees.

*Note: The Group Managing Director does not receive any Directors' Fees other than those specified in his service contract.*

**Ordinary Resolution 6 – Approval for the proposed payment of Total Directors’ Remuneration (other than Directors’ Fees) for the period commencing from 22 June 2022 until the conclusion of the next AGM of the Company**

The Remuneration Policy and Procedures for the Board of Directors and Senior Management includes the payment of Meeting Allowances for meetings of the Board and Board Committees as well as other benefits comprising business travel and lodging, medical coverage, directors’ training and other claimable benefits.

*Note: The Group Managing Director does not receive any Directors’ Remuneration other than those specified in his service contract.*

The Company had in 2018 obtained the shareholders’ approval to increase the Directors’ Meeting Allowances payable to the Directors entitled to receive the Directors’ Meeting Allowances with effect from 1 January 2018 to as follows and in such manner as the Directors may determine:

**For Meetings of the Board of Directors**

Chairman of the Board	RM1,300 per meeting
Member of the Board (including where member is a Foreign Director)	RM1,000 per meeting

**For Meetings of the Board Committees**

Chairman of the Board Committee	RM1,200 per meeting
Member of the Board Committee (including where member is a Foreign Director)	RM1,000 per meeting

The shareholders also resolved that the amount of the Directors’ Meeting Allowances that was increased as aforesaid shall continue to be in force until varied by resolution passed by the shareholders in a general meeting. Although revision of Directors’ Fees was proposed and approved by the shareholders at the 20<sup>th</sup> AGM of the Company held on 28 May 2021, there was no change to the Directors’ Meeting Allowances.

The shareholders had at the 20<sup>th</sup> AGM of the Company approved the payment of total Directors’ Remuneration (other than Directors’ Fees) up to an amount of RM646,000 for the period commencing 29 May 2021 until the conclusion of the next AGM of the Company on 21 June 2022. The total Directors Remuneration (other than Directors’ Fees) incurred were as follows:-

Approved at last AGM (from 29 May 2021 until conclusion of 21 <sup>st</sup> AGM)	Actual (from 29 May 2021 until 31 March 2022)	Forecasted (from 29 May 2021 until conclusion of 21 <sup>st</sup> AGM)
RM646,000	RM238,000	RM315,000

In determining the estimated total amount of remuneration (other than Directors’ Fees) for the Directors of the Company, the Board considered various factors including the potential increase in the number of directors on the Board, the number of scheduled meetings for the Board and Board Committees, potential additional unscheduled meetings, and the number of Directors involved in these meetings. The number of Board and Board Committee meetings are determined based on the strategy, plans and operational requirements of the Duopharma Biotech Group.

With respect to the proposed Total Directors’ Remuneration (other than Directors’ Fees) for the period commencing from 22 June 2022 until the date of the next AGM of the Company in 2023 (the “Relevant Period”), the amount is estimated to be approximately RM646,000. In the event that the Directors’ Remuneration (other than Directors’ Fees) proposed is insufficient (e.g. due to more meetings or enlarged board size etc.), approval will be sought at the next AGM for the additional remuneration to meet the shortfall.

Ordinary Resolution 6, if passed, will be made by the Company on a monthly basis and/or as and when incurred. The Board is of the view that it is fair and equitable for the Directors to be paid the Directors’ Remuneration (other than Directors’ Fees) on a monthly basis and/or as and when incurred particularly after they have discharged their responsibilities and rendered their services to the Company throughout the Relevant Period.

Any Non-Executive Director who is a shareholder of the Company will abstain from voting on Ordinary Resolution 6 in respect of the proposed payment of Directors’ Remuneration (other than Directors’ Fees).

**Ordinary Resolution 7 – Approval for the re-appointment of Messrs. KPMG PLT as Auditors of the Company**

The Audit and Integrity Committee (“AIC”) has undertaken a formal and objective annual evaluation to determine the suitability of re-appointment of the external auditors, KPMG PLT, in accordance with the Company’s Policy on External Auditors. In its assessment, the AIC considered several factors which include the following:

- (a) quality of performance and level of engagement with the AIC;
- (b) ability to provide effective recommendations in addressing weaknesses observed during audits,
- (c) particularly on internal controls relevant to financial reporting process; independence of the external auditors and the level of non-audit services rendered by the external auditors; and
- (d) the external auditors’ governance and leadership structure as well as measures taken by the external auditors to uphold audit quality and manage risks, as set out in KPMG PLT’s Audit Transparency Report.

Private sessions without the presence of the Management were also held in 2021 between the AIC and KPMG PLT to allow the AIC to ask questions on matters that might not have been specifically addressed in the formal part of the audit committee meeting and allows the lead audit engagement partner to provide his review to the AIC.

The AIC had at its meeting held on 8 March 2022 reviewed the outcome of the evaluation results and was satisfied with the suitability of KPMG PLT for the audit services provided to the Group.

The Board had at its meeting held on 15 March 2022 approved the AIC’s recommendation for the shareholders’ approval to be sought at the 21<sup>st</sup> AGM on the re-appointment of KPMG PLT as the external auditors of the Company for the financial year ending 31 December 2022.

**Explanatory Notes on Special Business**

**Ordinary Resolution 8 – Approval for the issuance of new Duopharma Biotech Shares pursuant to the Dividend Reinvestment Plan that provides the shareholders of the Company with the option to elect to reinvest their dividend in new Duopharma Biotech Shares (“Dividend Reinvestment Plan”)**

The Dividend Reinvestment Plan had been approved by the shareholders at the Extraordinary General Meeting of the Company held on 31 May 2018. Details on the Dividend Reinvestment Plan, including the Dividend Reinvestment Plan Statement, were set out in the Circular to Shareholders in relation to the Proposed Bonus Issue and the Proposed Establishment of the Dividend Reinvestment Plan dated 30 April 2018.

This proposed Ordinary Resolution 8, if passed, will give authority to the Board to allot and issue Duopharma Biotech Shares pursuant to the Dividend Reinvestment Plan in respect of dividends declared by the Board from time to time, and such authority shall expire at the conclusion of the next annual general meeting of the Company.

# STATEMENT ACCOMPANYING NOTICE OF 21<sup>ST</sup> ANNUAL GENERAL MEETING

205

(Pursuant to Paragraph 8.27(2) of Bursa Malaysia Securities Berhad Main Market Listing Requirements)

The profiles of the Directors who are standing for re-election as per Agenda 2 and 3 of the Notice of 21<sup>st</sup> AGM are as follows:-

Description	Ordinary Resolution 1
Name	Encik Razalee Bin Amin
Nationality/Age/Gender	Malaysian / 68 / Male
Date of Appointment	1 June 2016
Length of Service	5 years 9 months
Number of Board meetings attended in 2021	17/17
Date of last Re-election	31 May 2019
Qualification(s)	<ul style="list-style-type: none"><li>• Bachelor of Economics (Hons) in Accounting, University of Malaya, Malaysia</li><li>• Postgraduate Diploma in Accounting, University of Malaya, Malaysia</li><li>• Chartered Accountant, Malaysian Institute of Accountants</li><li>• Certified Public Accountant, Malaysian Institute of Certified Public Accountants</li><li>• Certified Financial Planner, Financial Planning Association of Malaysia</li></ul>
Directorship(s) of Other Public Companies/Listed Issuers	<ul style="list-style-type: none"><li>• Velesto Energy Berhad</li><li>• UMW Holdings Berhad</li><li>• Heitech Padu Berhad</li></ul>
Working Experience and Occupation	<p>Encik Razalee is a licenced auditor and an approved liquidator, who has more than 44 years' experience in various management positions and directorships in public listed companies with areas of expertise in audit, corporate recovery, finance, banking and investment acquisition. He started his career at Messrs. Hanafiah Raslan &amp; Mohamad, a Chartered Accountants firm. In 1983, he joined Sateras Resources (Malaysia) Berhad as a Group Financial Controller before being appointed as the Senior Vice President of the Investment and Acquisition Division at MBF Finance Berhad in 1987. He subsequently served Damansara Realty Berhad as its Senior General Manager from 1994 until 1996, when he set up his own Chartered Accountants firm, Razalee &amp; Co., where he is presently the Managing Partner.</p> <p>Encik Razalee is a Fellow member of the Institute of Corporate Directors Malaysia (ICDM).</p>

Encik Razalee Bin Amin does not hold any shares in Duopharma Biotech and its subsidiaries, has no family relationship with any Director and/or major shareholder of Duopharma Biotech, has no conflict of interest with Duopharma Biotech and has not been convicted of any offence within the past five years and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2021.

# STATEMENT ACCOMPANYING NOTICE OF 21<sup>ST</sup> ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of Bursa Malaysia Securities Berhad Main Market Listing Requirements)

Description	Ordinary Resolution 2
Name	Dato' Eisah Binti A. Rahman
Nationality/Age/Gender	Malaysian / 66 / Female
Date of Appointment	16 November 2016
Length of Service	5 years 4 months
Number of Board meetings attended in 2021	17/17
Date of last Re-election	31 May 2019
Qualification(s)	<ul style="list-style-type: none"> <li>• Master of Science in Pharmaceutical Analysis, University of Manchester, United Kingdom</li> <li>• Bachelor of Pharmacy, Curtin University of Technology, Western Australia, Australia</li> <li>• Postgraduate Diploma in Medical Microbiology, Institute for Medical Research, Kuala Lumpur, Malaysia</li> </ul>
Directorship(s) of Other Public Companies/Listed Issuers	None
Working Experience and Occupation	<p>Dato' Eisah has been a key figure in the development of the pharmacy and pharmaceutical sectors in Malaysia, having served the Ministry of Health for more than 35 years. Her career in the Ministry began in 1979 as a pharmacist, unfolding as she went on to hold key positions that included heading the Pharmaceutical Microbiology Lab and GMP and Licensing Section, being Deputy Director of the Centre for Product Registration and, eventually, Director of the National Pharmaceutical Control Bureau ("NPCB"), now known as the National Pharmaceutical Regulatory Agency (NPRA). In 2007, she was made Director of Pharmacy Enforcement and was promoted to Senior Director of Pharmaceutical Services in 2008, taking charge of the entire pharmacy programme in Malaysia. Since 2008, she has also served as Registrar of the Pharmacy Board of Malaysia. Dato' Eisah has been involved in various high-level national committees such as the Ministry of Health's Steering Committee for National Medicines Policy. She has also contributed to international policymaking in her capacity as an advisor in the areas of regulations and pharmaceutical quality assurance, and through sharing her expertise on regulatory matters at healthcare related conferences.</p> <p>She was involved in the ASEAN harmonisation initiatives for pharmaceuticals, medical devices, cosmetics, traditional medicines and health supplements. As Chair of the Pharmaceutical Product Working Group of the ASEAN Consultative Committee for Standards and Quality (ACCSQ), she was instrumental in the implementation of the ASEAN Common Technical Dossier and the ASEAN Technical Guidelines. Under her leadership, NPCB was accepted as a member of the Pharmaceutical Inspection Co-operation Scheme (PIC/S) in 2002, and designated a Non-OECD Member Adhering to the OECD Mutual Acceptance Data (OECD-MAD) System effective March 2013. Also, under her helm, the Pharmaceutical Services Division received the Global Anti-Counterfeiting Award 2013 and the Special Innovation Award 2013 for initiatives to combat counterfeit medicines.</p> <p>Dato' Eisah is a member of the Institute of Corporate Directors Malaysia (ICDM) and a Patron/ Adviser to ISPE Malaysia Affiliate.</p>

Dato' Eisah Binti A. Rahman does not hold any shares in Duopharma Biotech and its subsidiaries, has no family relationship with any Director and/or major shareholder of Duopharma Biotech, has no conflict of interest with Duopharma Biotech and has not been convicted of any offence within the past five years and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2021.

# STATEMENT ACCOMPANYING NOTICE OF 21<sup>ST</sup> ANNUAL GENERAL MEETING

207

(Pursuant to Paragraph 8.27(2) of Bursa Malaysia Securities Berhad Main Market Listing Requirements)

Description	Ordinary Resolution 3
Name	Dato' Dr. Zaki Morad Bin Mohamad Zaher
Nationality/Age/Gender	Malaysian / 71 / Male
Date of Appointment	6 September 2019
Length of Service	2 years 6 months
Number of Board meetings attended in 2021	16/17
Date of last Re-election	17 June 2020
Qualification(s)	<ul style="list-style-type: none"> <li>• Bachelor of Medicine and Bachelor of Surgery (MBBS), University of Malaya, Malaysia</li> <li>• Postgraduate training in Nephrology - Royal Hallamshire Hospital, Sheffield, United Kingdom – Guys Hospital, London, United Kingdom - General Hospital Kuala Lumpur, Malaysia</li> <li>• Member of the Royal College of Physicians, United Kingdom</li> <li>• Fellow of the Royal College of Physicians of Edinburgh</li> <li>• Fellow of the Academy of Medicine of Malaysia</li> </ul>
Directorship(s) of Other Public Companies/Listed Issuers	None
Working Experience and Occupation	<p>Dato' Dr. Zaki Morad graduated from the University of Malaya in 1975 and, after obtaining Membership of the Royal College of Physicians (MRCP) from the Royal College of Physicians, United Kingdom ("UK"), trained in Nephrology in both the UK and Malaysia. He joined the Department of Nephrology, Hospital Kuala Lumpur as a consultant in 1982 and became its head in 1987 until his retirement from government service in 2006. He was appointed as the National Advisor and Head of Service for Nephrology, MOH Malaysia, for the same period. In addition, he served as Director of the Clinical Research Unit of MOH from 2000 to 2006. Dato' Dr. Zaki Morad was President of the Malaysian Society of Nephrology from 1990 to 1992. During his tenure, he initiated and developed the Malaysian Dialysis and Transplant Registry and the Malaysian Registry of Renal Biopsy, which later became National Renal Registry of which he was Chair for the years 2008 to 2010. He was one of the editors of the first two editions of Renal Replacement Therapy: Clinical Practise Guidelines, MOH. He ensured all general hospitals and district hospitals in the country were equipped with haemodialysis and peritoneal dialysis facilities prior to his retirement.</p> <p>Dato' Dr. Zaki Morad lent his expertise in organising many prestigious conferences such as the 12<sup>th</sup> Asian Colloquium in Nephrology 1998, 8th Congress of Asian Society of Nephrology 2003, 11<sup>th</sup> Asia Pacific Congress of Nephrology 2008 and 14<sup>th</sup> Congress of the International Society for Peritoneal Dialysis (ISPD) 2012. Following his retirement, he maintains his interest in nephrology through work with the National Kidney Foundation where he is Chairman of the Board of Directors. Concurrently, he practices as a Resident Consultant Nephrologist at KPJ Ampang Puteri Specialist Hospital, Selangor. He was an Independent Non-Executive Director of KPJ Healthcare Berhad from 3 July 2017 until 7 May 2020.</p> <p>He is also a member of the Institute of Corporate Directors Malaysia (ICDM).</p>

Dato' Dr Zaki Morad Bin Mohamad Zaher does not hold any shares in Duopharma Biotech and its subsidiaries, has no family relationship with any Director and/or major shareholder of Duopharma Biotech, has no conflict of interest with Duopharma Biotech and has not been convicted of any offence within the past five years and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2021.

# STATEMENT ACCOMPANYING NOTICE OF 21<sup>ST</sup> ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of Bursa Malaysia Securities Berhad Main Market Listing Requirements)

Description	Ordinary Resolution 4
Name	Puan Amizar Binti Mizuar
Nationality/Age/Gender	Malaysian / 52 / Female
Date of Appointment	9 July 2021
Length of Service	8 months
Number of Board meetings attended in 2021	8/8
Date of last Re-election	Not Applicable
Qualification(s)	<ul style="list-style-type: none"> <li>• Master of Business Administration (Applied Finance &amp; Investment), Universiti Kebangsaan Malaysia</li> <li>• Bachelor of Business Administration (Hons), Universiti Utara Malaysia</li> <li>• Graduate Diploma in Applied Finance &amp; Investment, Securities Institute of Australia</li> <li>• Executive Diploma in Investment Analysis, Institut Teknologi MARA</li> <li>• Diploma in Banking Studies, Institut Teknologi MARA</li> <li>• Capital Markets Services Representative's Licence, Securities Commission Malaysia</li> <li>• Leadership Transition Programme, INSEAD, Fontainebleau, France</li> </ul>
Directorship(s) of Other Public Companies/Listed Issuers	None
Working Experience and Occupation	<p>Puan Amizar is presently the Head of the Financial Institution sector in the Strategic Investments Division of Permodalan Nasional Berhad ("PNB"). Since joining PNB in 1995, she has served in various positions in PNB, including Assistant Vice President of Corporate and International, Vice President of Corporate Services and Corporate Finance, and Senior Vice President of Public Equity. With more than 20 years of experience in the corporate finance sector, she has been involved in various aspects of investment management and corporate finance including mergers and acquisitions, corporate restructuring and investment analysis. She previously served as a Director on the Board of HeiTech Padu Berhad from 2018 to 2019 and Chemical Company of Malaysia Berhad from 2018 to 2020.</p> <p>She is also a member of the Institute of Corporate Directors Malaysia (ICDM).</p>

Puan Amizar Binti Mizuar does not hold any shares in Duopharma Biotech and its subsidiaries, has no family relationship with any Director and/or major shareholder of Duopharma Biotech, has no conflict of interest with Duopharma Biotech and has not been convicted of any offence within the past five years and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2021.

# PROXY FORM

DUOPHARMA BIOTECH BERHAD

[Registration No.: 200001021664 (524271-W)]

(Incorporated in Malaysia)

I/We \_\_\_\_\_ NRIC No./Passport No./Company No. \_\_\_\_\_  
of \_\_\_\_\_

being \*a shareholder/shareholders of DUOPHARMA BIOTECH BERHAD (“the Company”) hereby appoint:

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
Address		No. of shares	%

and

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
Address		No. of shares	%

or failing him/her, the Chairman of the Meeting \*my/our proxy to vote for \*me/our behalf at the Twenty- First (21<sup>st</sup>) Annual General Meeting (“AGM”) of the Company to be held at the **Meeting Rooms 403 & 404, Level 4, Kuala Lumpur Convention Centre, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia (the “Broadcast Venue”)** and via the TIIH Online website at <https://tiih.online> on Tuesday, 21 June 2022 at 9.00 a.m. and at any adjournment thereof.

My/Our Proxy is to vote as indicated below:

(Please indicate with an “X” how you wish to cast your vote)

NO.	ORDINARY BUSINESS	RESOLUTION NO.	FOR	AGAINST
1.	To re-elect Encik Razalee Bin Amin who retires in accordance with Article 100 of the Company’s Constitution.	Ordinary Resolution 1		
2.	To re-elect Dato’ Eisah Binti A.Rahman who retires in accordance with Article 100 of the Company’s Constitution.	Ordinary Resolution 2		
3.	To re-elect Dato’ Dr. Zaki Morad Bin Mohamad Zaher who retires in accordance with Article 100 of the Company’s Constitution.	Ordinary Resolution 3		
4.	To re-elect Puan Amizar Binti Mizuar who retires in accordance with Article 106 of the Company’s Constitution.	Ordinary Resolution 4		
5.	To approve the payment of the proposed total Directors’ Fees amounting to RM1,270,000 for the period commencing 22 June 2022 until the conclusion of the next AGM of the Company, and further, to authorise the Directors to divide the remuneration among them in such proportions and manner as the Directors may determine.	Ordinary Resolution 5		
6.	To approve the payment of the proposed total Directors’ Remuneration (other than Directors’ Fees) up to an amount of RM646,000 for the period from 22 June 2022 until the conclusion of the next AGM of the Company.	Ordinary Resolution 6		
7.	To re-appoint Messrs. KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.	Ordinary Resolution 7		
<b>SPECIAL BUSINESS</b>				
8.	To approve the Issuance of New Duopharma Biotech Shares Pursuant to the Dividend Reinvestment Plan That Provides the Shareholders of the Company with the Option to Elect to Reinvest their Dividend in New Duopharma Biotech Shares	Ordinary Resolution 8		

\* delete if not applicable.

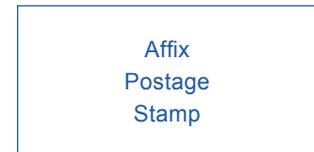
Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2022.

CDS Account No.	
No. of ordinary shares	

\_\_\_\_\_  
Signature/Seal

- NOTES:
1. As part of the initiatives to curb the spread of Coronavirus Disease 2021 ("COVID-19"), the 21<sup>st</sup> AGM will be conducted as a virtual meeting with online remote voting via Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn Bhd via its TIH Online website at <https://tih.online>. **Please follow the procedures provided in the Administrative Guide for the 21<sup>st</sup> AGM which is available on the Company's website at <https://duopharmabiotech.com/notice-of-annual-general-meeting/> in order to register, participate and vote remotely via the RPV.**
  2. The Broadcast Venue of the 21<sup>st</sup> AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be at the main venue. No member or proxy from the public will be physically present at the Broadcast Venue on the day of the meeting.
  3. All Resolutions in the Notice of AGM are to be conducted by poll voting as per Paragraph 8.29A(1) of the Main Market Listing Requirements issued by Bursa Malaysia Securities Berhad. Poll Administrator and Independent Scrutineers will be appointed to conduct the polling/ e-polling process and verify the results of the poll respectively.
  4. A member who is entitled to attend, speak (including posing questions to the Company via real time submission of typed text) and vote (collectively, "participate") remotely at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote instead of him/ her. A proxy may but need not be a member of the Company. In the case of a corporation, the corporation may appoint a duly authorised representative to participate in the Meeting on behalf of that corporation.
  5. Where a member of the Company appoints two (2) proxies, the appointments shall be invalid unless the member specifies the proportion of his shareholdings to be represented by each proxy.
  6. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
  7. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
  8. A member who has appointed a proxy or authorised representative or attorney (as the case may be) to participate at this 21<sup>st</sup> AGM of the Company via RPV must instruct his/her proxy or authorised representative or attorney (as the case may be) to register himself/ herself for RPV at **TIH Online** website at <https://tih.online>. The proxy or authorised representative (as the case may be) must register at **TIH Online** website in order to participate in the Meeting via RPV. **Please follow the Procedures for RPV in the Administrative Guide issued by the Company for the 21<sup>st</sup> AGM of the Company.**
  9. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal, or under the hand of two (2) authorised officers, one of whom shall be a director or of its attorney duly authorised in writing.
  10. The instrument appointing a proxy(ies) may be made in a hardcopy form or by electronic means as follows:-
    - a. In Hardcopy Form  
The Form of Proxy or the Power of Attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.
    - b. By Tricor Online System ("TIH Online")  
The Form of Proxy can be electronically lodged with the Company's Share Registrar via TIH Online. Kindly refer to the Administrative Guide on the procedures for electronic lodgement of proxy from via TIH Online.
  11. All proxy forms (whether submitted in hardcopy form or by TIH Online) must be received by the Company's Share Registrar not less than twenty-four (24) hours before the time appointed for taking of the poll as per Section 334(3) of the Companies Act, 2016.
  11. Only depositors whose names appear in the Record of Depositors as at 14 June 2022 shall be regarded as members and entitled to attend and vote at the meeting.

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THE REGISTRAR  
**DUOPHARMA BIOTECH BERHAD**  
 [Registration No.: 200001021664 (524271-W)]  
 Unit 32-01, Level 32, Tower A  
 Vertical Business Suite, Avenue 3  
 Bangsar South  
 No. 8, Jalan Kerinchi  
 59200 Kuala Lumpur  
 Wilayah Persekutuan Kuala Lumpur  
 Malaysia

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**DUOPHARMA**

*Smarter Solutions. Healthier Life.*

**DUOPHARMA BIOTECH BERHAD** [Registration No.: 200001021664 (524271-W)]

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

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