TRUST, AT THE CORE OF OUR DNA
Duopharma Biotech Group ("Duopharma Biotech" or "the Company") began with the establishment of Duopharma (M) Sendirian Berhad in 1979. Duopharma Biotech was incorporated in 2000 and is today one of Malaysia’s leading pharmaceutical companies listed on the Main Market of Bursa Malaysia Berhad.

Duopharma Biotech has core competencies in the pharmaceutical industry inclusive of Manufacturing, Research & Development and Commercialisation & Marketing of over 300 generic drugs such as Omesec and Prelca as well as Consumer Healthcare ("CHC") products including CHAMPS®, FLAVETTES®, PROVITON® and Uphamol, which are well-recognised and accepted by consumers in Malaysia, regionally and globally. The Company has also diversified into the biosimilars space with technology and commercialisation collaborations with credible and strong international partners.

Headquartered in Kuala Lumpur, Malaysia, Duopharma Biotech owns and operates three manufacturing plants in Klang, Bangi and Glenmarie, Selangor. Duopharma Biotech also has subsidiary companies in the Philippines and Singapore. A subsidiary of Duopharma Biotech Berhad has a representative office in Jakarta, Indonesia.
OUR BRAND

VISION
Providing Smarter Solutions For a Healthier Life

MISSION
Leading Healthcare Group Providing Quality and Innovative Solutions

TAGLINE
Smarter Solutions. Healthier Life.

OUR CORE VALUES
Duopharma Biotech Berhad Group of Companies conducts our business operations in accordance with our CORE VALUES

PASSION
We inspire and energise everyone to be the best

EXCELLENCE
We consistently deliver outstanding performance through innovative solutions

TEAMWORK
We succeed together because we work as one

INTEGRITY
We conduct ourselves with pride in being honest and ethical

RESPONSIBLE
We honour the trust given to us by being accountable for our actions

RESPECT
We value differences and sincere intentions as the basis for achieving shared aspirations
Duopharma Biotech Berhad

AT A GLANCE

NO.1 Pharmaceutical company in Malaysia in terms of volume

56 Operational Excellence projects completed resulting in savings of RM6.76 million

Obtained approval for Malaysia’s first fill and finish line for a biosimilar

Launched two biosimilar products – Erysaa, for renal anaemia; and Zuhera, for breast cancer

Malaysia’s first Highly potent Active Pharmaceutical Ingredients (“HAPI”) plant now producing a cancer treatment drug

Women make up roughly half of our workforce and 55% of mid-senior management

91% Employee Engagement Score
4 percentage points higher than our 2018 score and 9 percentage points higher than the global pharmaceutical norm

Reduced energy intensity by 17.6% yoy from 21,677.0 kwh/mil units produced to 17,867.2 kwh/mil units

REVENUE + 15.6% to RM576.46 million

PROFIT BEFORE TAX + 18.7% to RM70.81 million

女人占我们的工作队伍的约一半, 而且 55% 为中高级管理层。
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

COMPANY SECRETARY
Ibrahim Hussin Sallee
License No.: LS0009121
SSM Practicing Certificate No.: 201908001032

REGISTERED OFFICE
Suite 18.06, Level 18
Kenanga International
No. 26, Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia
Tel No. : 03-2162 0218
Fax No. : 03-2161 0507

BUSINESS ADDRESS
Lot 2599
Jalan Seruling 59, Kawasan 3
Taman Klang Jaya
41200 Klang
Selangor Darul Ehsan
Malaysia
Tel No. : 03-3323 2759
Fax No. : 03-3323 3923
Website : www.duopharmabiotech.com
E-mail : cs@duopharmabiotech.com

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
Section 9
43650 Bandar Baru Bangi
Selangor Darul Ehsan
Malaysia

HONG LEONG BANK
68, Lorong Batu Nilam 4A
Bandar Bukit Tinggi
41200 Klang
Selangor Darul Ehsan
Malaysia

RHB ISLAMIC BANK BERHAD
Level 7, Tower 2, RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur
Malaysia

OVERSEAS-CHINESE BANKING CORPORATION LIMITED
Labuan Branch
Level 8 (C), Main Office Tower
Financial Park Labuan
Jalan Merdeka
87000 Labuan
Sabah
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. : 03-2783 9299
Fax No. : 03-2783 9222
BOARD
STRUCTURE

BOARD OF
DIRECTORS

BOARD
COMMITTEES

Audit and Integrity Committee
Nomination and Remuneration Committee
Risk Management and Sustainability Committee
Halal Committee

CORNARATE
STRUCTURE

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

Duopharma
Innovation Sdn. Bhd.
Registration No: 200101029226
(564984-V)

Negeri Pharmacy
Sdn. Bhd.
Registration No: 1981010136600
(79732-D)

Duopharma
Marketing Sdn. Bhd.
Registration No: 197601001745
(27754-W)

Sentosa Pharmacy
Sdn. Bhd.
Registration No: 198101003844
(69958-V)

Unique Pharmacy
(Penang) Sdn. Bhd.
Registration No: 199401001368
(287346-P)

Duopharma
(formerly known as Unique Pharmacy (Ipoh) Sdn. Bhd.)
Registration No: 198501013249
(145705-T)

Duopharma (Singapore)
Pte. Ltd.
Registration No: 1982025656C

DB (Philippines), Inc.
Registration No: CS200719600

Duopharma (M) Sendirian Berhad
Registration No: 197801005475
(42491-M)

Duopharma
Manufacturing (Glenmarie)
Sdn. Bhd.
Registration No: 197901009382
(53667-M)

Duopharma HAPI
Sdn. Bhd.
Registration No: 198201009171
(88895-U)

Duopharma Marketing
Manufacturing (Bangi)
Sdn. Bhd.
Registration No: 197901009382
(53667-M)

Duopharma
Manufacturing (Panggig)
Sdn. Bhd.
Registration No: 199001001368
(53667-M)

Duopharma (Singapore)
Pte. Ltd.
Registration No: 1982025656C

Research & Development
Manufacturing
Sales & Marketing
Depot
Dormant
Others

Pangen Biotech
Inc.
Registration No: 131110248194

SCM Lifescience
Co., Ltd.
Registration No: 120111-0715352

100%
100%
100%
100%
100%
## INTERIM DIVIDEND

**Date**
- Entitlement Date: 16 October 2019
- Payment: 14 November 2019

## QUARTERLY RESULT

**Date**
- Quarter 1: 21 May 2019
- Quarter 2: 30 August 2019
- Quarter 3: 29 November 2019
- Quarter 4: 13 February 2020

## CONSOLIDATED FINANCIAL POSITION

<table>
<thead>
<tr>
<th></th>
<th>2019 RM’000</th>
<th>2018 RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Current Asset</td>
<td>502,596</td>
<td>469,048</td>
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<td>Current Asset</td>
<td>417,205</td>
<td>367,330</td>
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<td>Total Asset</td>
<td>919,801</td>
<td>836,378</td>
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<tr>
<td>Current Liabilities</td>
<td>239,442</td>
<td>222,445</td>
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## FINANCED BY:

<table>
<thead>
<tr>
<th></th>
<th>2019 RM’000</th>
<th>2018 RM’000</th>
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<tbody>
<tr>
<td>Share Capital</td>
<td>374,404</td>
<td>347,188</td>
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<tr>
<td>Non-distributable Reserves</td>
<td>(27,600)</td>
<td>(27,222)</td>
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<tr>
<td>Retained Profits</td>
<td>182,946</td>
<td>161,075</td>
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<tr>
<td>Shareholders’ Fund</td>
<td>529,750</td>
<td>481,041</td>
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<td>Deferred Tax Liabilities and Other Payables</td>
<td>10,871</td>
<td>11,242</td>
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<tr>
<td>Loans and Borrowings</td>
<td>139,738</td>
<td>121,650</td>
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</table>

## CONSOLIDATED INCOME STATEMENT

<table>
<thead>
<tr>
<th></th>
<th>2019 RM’000</th>
<th>2018 RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>576,462</td>
<td>498,722</td>
</tr>
<tr>
<td>Profit Before Tax</td>
<td>70,809</td>
<td>59,666</td>
</tr>
<tr>
<td>Taxation</td>
<td>(15,536)</td>
<td>(12,025)</td>
</tr>
<tr>
<td>Profit After Taxation</td>
<td>55,273</td>
<td>47,641</td>
</tr>
<tr>
<td>Profit Attributable to Shareholders</td>
<td>55,273</td>
<td>47,641</td>
</tr>
<tr>
<td>Dividends</td>
<td>(33,276)</td>
<td>(26,666)</td>
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<tr>
<td>Transfer to Retained Profits</td>
<td>21,997</td>
<td>20,975</td>
</tr>
<tr>
<td>Year</td>
<td>Revenue (RM Mil)</td>
<td>Profit Before Tax (RM Mil)</td>
</tr>
<tr>
<td>------</td>
<td>------------------</td>
<td>---------------------------</td>
</tr>
<tr>
<td>2015</td>
<td>270</td>
<td>47.8</td>
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<td>2016</td>
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<td>2018</td>
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</tr>
<tr>
<td>2019</td>
<td>576</td>
<td>70.8</td>
</tr>
</tbody>
</table>
Dear Stakeholders

It gives me great pleasure to present this Annual Report showcasing the performance of Duopharma Biotech Berhad (“Duopharma Biotech” or “the Company”) for the year 2019. It was without doubt a very challenging year across the board due to the global economic slowdown. Even so, we did not just produce a stellar financial scorecard; we also achieved a couple of milestones. We became the first generics pharmaceutical company to launch a fill and finish biosimilar in Malaysia. Building our specialty portfolio, we were also the first in the country to produce a cancer drug at our Highly potent Active Pharmaceutical Ingredients (“HAPI”) plant. The drug, Letrozole, is to be launched soon.
As a result of our strong operational and financial performance, our share price increased by 49.5% over the course of the year.

More importantly, the quality and affordability of our products were recognised, as reflected in increased sales. This contributed to one of our best financial performances to date, with revenue crossing the half-billion Ringgit mark for the first time and net profit before tax (“PBT”) coming in at RM70.8 million, resulting in an all-time high profit after tax (“PAT”) of RM55.3 million.

Our performance validates the decision made to demerge from Chemical Company of Malaysia Berhad (“CCM Berhad”) in order to focus on building our pharmaceuticals business. The demerger itself necessitated a number of corporate changes, and I am proud to say most of these were completed in 2019. We successfully underwent a re-branding exercise that included a change in the company's name from CCM Duopharma Biotech Berhad to Duopharma Biotech Berhad. Accordingly, our stock name on Bursa Malaysia has also changed – from CCMDBIO to DPHARMA – and we are now categorised under the Healthcare sector. Our new Vision, Mission and Core Values introduced last year enabled us to be more recognised as a healthcare provider with smart solutions. In addition, we officially launched a new logo in December 2019. To enable sufficient time for the logo to be reflected on all our products, we obtained a year’s extension to use the CCM mark until end 2020.

GROWING OUR PRESENCE IN ASEAN

We are motivated to grow our business not only to assure Duopharma Biotech’s sustainability but also to create more value for our stakeholders; most importantly, patients across the markets we serve. Recognising a gap in access and affordability of advanced treatments for cancer, heart and kidney diseases in ASEAN, these are the areas we are venturing into via biosimilars and cutting-edge biotherapies. Our target is to become a Top 5 pharmaceutical company in ASEAN offering a comprehensive range of treatments for increasingly prevalent medical conditions. And our performance in 2019 indicates that we are making good progress as we expand our portfolio of products as well as our regional presence.

STRENGTHENING OUR HALAL DELIVERY

While growing our conventional portfolio of products, we continue to expand our halal platform which, today, distinguishes us from our peers. We are motivated to grow the halal pharmaceutical segment both because of the huge business potential it presents, and because we believe in offering Muslims, indeed all discerning consumers, peace of mind knowing they can avail of the best medical treatments that are halal certified under MS2424:2019. This strengthens our position as the halal pharmaceutical industry leader. I am pleased to share that no less than 94.8% of all Duopharma Biotech manufactured products are halal certified. Going a step further, we are seeking to obtain the first halal certification from JAKIM for a biosimilar, namely our erythropoietin (“EPO”), Erysaa. The same product has already been halal certified by the Korean Muslim Federation (“KMF”), which is recognised as a halal certification body by JAKIM.

CREATING STAKEHOLDER VALUE

As a result of our strong operational and financial performance, our share price increased by 49.5% over the course of the year. Adding to enhanced shareholder value, in November we paid a single tier interim dividend of 1.0 sen per share, and are now proposing a final dividend of 5.0 sen per share. If approved, this would amount to a total payout of RM41.02 million, equivalent to 74.2% of our PAT, meeting our internal target of sharing at least 50% of our PAT annually. Our shareholder returns have been acknowledged as one of the best in the
procedures, and made enhancements as needed. Among others, we revised the Terms of Reference for our Risk Management and Sustainability Committee.

In accordance with good governance practices, all our Board members and Group Management Committee were present at our Meeting of Members (“MOM”) and Annual General Meeting (“AGM”) held on 20 February and 31 May 2019, respectively. At these two meetings, shareholders and representatives of the Minority Shareholders Watch Group (“MSWG”) were given the opportunity to ask questions. These, and the responses given, were recorded.

We also adhered to best disclosure practices by uploading the press releases on our MOM, AGM and external rebranding launch, as well as all presentations prepared for analyst briefings, onto our corporate website after the events.

Our efforts to maintain the highest level of governance have not gone unnoticed. Duopharma Biotech was named by Securities Commission Malaysia as one of only 12 listed companies that had adopted at least three Step Up practices of the Malaysian Code on Corporate Governance (“MCCG”) in 2018. In terms of investor relations, our Group Managing Director was nominated for the Best CEO award at the 9th IR Awards Ceremony organised by the Malaysian Investor Relations Association (“MIRA”) while our Chief Financial Officer (“CFO”) was nominated for Best CFO for Investor Relations and the Best Investor Relations Professional.

In addition, we were presented with the 4 Petals Gold Ethics Award by Business Ethics Institute of Malaysia.

COVID-19 PANDEMIC

As we were finalising this annual report, Covid-19 began its rapid spread across the world leading to massive shutdowns and lockdowns. It is a challenging period for Malaysians and others in affected nations. Many have lost loved ones while still more people live in fear. Yet we should not lose hope. We have seen how individual responsibility has worked in countries like China, where life is slowly returning to normalcy. All Malaysians can, and should, emulate such positive actions to break the chain of infection, supporting efforts being undertaken by the government and especially the Ministry of Health (“MoH”) to curb the virus.
CHAIRMAN’S STATEMENT

In response to the Movement Control Order (“MCO”) imposed in Malaysia, all businesses other than those providing essential services have stopped operations. The services of pharmaceuticals, however, are even more critical now than ever; as such, Duopharma Biotech continues to operate our manufacturing sites, but with extra precautions in place, whilst adhering to the requirements as directed by the various Government agencies.

As a company, we feel fortunate to be able to play our part in serving the nation at a time of great need. However, we are also very concerned about the health and well-being of our people and are ensuring all precautions are in place at our manufacturing sites to keep them safe. We are constantly communicating safety messages to our manufacturing staff while also reminding all other employees who now work digitally from home of hygiene and social distancing measures that they must adhere to, to ensure their own well-being and that of others.

Our operations rely on sustainable supply, hence we are also working closely with all our vendors to ensure they maintain steady deliveries during these difficult times while adhering to all health and safety precautions.

Business-wise, pharmaceutical companies are in a stronger position than other segments of industry. However, there are many uncertainties in the operating landscape which we need to navigate to safeguard our financial position. This is something we are conscious of and will manage in order to secure our business sustainability. In response to Covid-19 being declared a pandemic by the World Health Organization (“WHO”) on 11 March 2020, we have triggered our Pandemic Response Plan which details actions to be taken to safeguard our personnel and resources.

We are also in the midst of instituting a Business Continuity Management (“BCM”) programme. Once this is completed and implemented in 2020, we will be in a much stronger position to protect our operations in times of crisis such as the present.

ACKNOWLEDGEMENTS

In the current climate of great uncertainty, it is apt to acknowledge that all Duopharma Biotech’s successes are the result of the contributions of our various stakeholders. I cannot emphasise enough how much we value our shareholders, customers, business partners, suppliers, employees and the community. We also fully appreciate efforts by the Government and regulators to nurture and support a healthy pharmaceutical ecosystem. The best way we can demonstrate our appreciation of our stakeholders is to continue to operate efficiently; and this is what we stand committed to do.

I personally would like to acknowledge my colleagues on the Board for their time and wise counsel, which is even more critical in these times. To the chairmen and members of our Board Committees, thank you for your dedication and commitment to the Company. A special note of thanks goes to Datuk Seri Rohani Parkash Binti Abdullah for her contributions as an Independent Non-Executive Director before retiring on 31 May 2019. At the same time, I would like to welcome Dato’ Dr. Zaki Morad Bin Mohamad Zaher, a medical doctor who joined us as an Independent Non-Executive Director as of 6 September 2019. We look forward to his contributions and fresh perspectives especially in the clinical domain.

I am also immensely grateful to the Management for their able and astute leadership, under the guidance of Encik Leonard Ariff Bin Abdul Shatar. Since the viral outbreak, our top management have demonstrated true leadership through their compassion for all our employees, something I believe will go a long way towards our being able to emerge from Covid-19 stronger and more united as an organisation.

Our employees have been pillars of strength at Duopharma Biotech all this while. My fervent wish is for all of you to stay strong and healthy until normalcy returns. To those who are keeping our production going, accept my heartfelt ‘thank you’ for your dedication not just to the Company, but to the nation. You embody the spirit of Duopharma Biotech, that of serving our stakeholders to the best of our ability and of creating value for the millions of lives that we touch. We look forward to welcoming everyone back once the threat of Covid-19 is over and we resume operations as the leading pharmaceutical company in Malaysia.

Finally, I would like to note my especial gratitude to the MoH, and especially all frontline staff who are working tirelessly to manage Covid-19. Duopharma Biotech will do everything that we can to support the Ministry’s efforts to get the country back on our feet again. Meanwhile, to all Malaysians, stay safe and healthy.

TAN SRI DATIN PADUKA SITI SA’DIAH BINTI SH BAKIR

Chairman
2019 was a year of very promising and dynamic growth for Duopharma Biotech during which we built our key brands while expanding our portfolio of generics and higher value biotherapies. Despite a slowdown in the global and local economies, and a depreciation of the Ringgit against the US Dollar, we attained a record profit before tax (“PBT”) of RM70.8 million, 18.7% higher than in 2018.¹ In terms of revenue, we breached the half-billion Ringgit mark for the first time ever.

LEONARD ARIFF
BIN ABDUL SHATAR
Group Managing Director

GROUP MANAGING DIRECTOR’S MANAGEMENT DISCUSSION AND ANALYSIS
GROUP MANAGING DIRECTOR’S MANAGEMENT DISCUSSION AND ANALYSIS

According to The Business Research Company, the global generics market was worth an estimated USD340 billion in 2018 and is expected to balloon by about 40% to hit USD475 billion in 2024, growing at a six-year compounded annual growth rate (“CAGR”) of 5.3%.

The year saw us maintain our position as the leading pharmaceutical company in Malaysia in terms of sales volume and No.2 in terms of value. This was aided by strong performance by our Consumer Healthcare (“CHC”) business, and particularly that of Flavettes Effervescent (vitamin C) which has rapidly become the best-seller in its category. We also launched two biosimilars – Zuhera for breast cancer, and Erysaa to treat anaemia.

In addition, we provided the necessary support to enable our Korean partner, SCM Lifescience Co., Ltd (“SCM Lifescience”) to successfully complete their technical evaluation for purposes of listing on Korean Securities Dealers Automated Quotations (“KOSDAQ”).

Buttressing sales, we continued to ramp up our manufacturing capabilities, and were excited when our Highly potent Active Pharmaceutical Ingredients (“HAPI”) plant, the first of its kind in Malaysia, was commissioned in July 2019. On 21 August 2019, it received the Good Manufacturing Practice (“GMP”) certification from the National Pharmaceutical Regulatory Agency (“NPRA”). It is now ready for commercial production once we receive the product registration approval.

Meanwhile, we continued to reinforce our thought leadership in the halal market with more initiatives to increase awareness and knowledge of halal practices in relation to medical treatment and therapy. We are also working towards pioneering the country’s first halal-certified biosimilar.

Our performance testifies not only to the resilience of the pharmaceutical industry but also to Duopharma Biotech’s strong business fundamentals. Since our demerger from CCM Berhad at end 2017, we have maintained steady growth as we adhere to our strategy of product portfolio expansion and diversification, manufacturing upgrades and an extended geographic reach. In the process, we have established more partnerships in new markets and reinforced high levels of trust in our wide network of stakeholder relationships.

MACROECONOMIC ENVIRONMENT

The global economy in 2019 continued to be dragged down by geopolitical uncertainties which dampened trade and investment. Although ending on a more upbeat note with easing of trade tensions between the US and China, gross domestic product (“GDP”) growth for 2019 is expected to dip to 2.5% from 3.0% in 2018. As an active participant in international trade, Malaysia has been impacted by the slowdown. The country’s GDP also dropped, from 4.7% in 2018 to 4.3% in 2019.

The pharmaceutical industry is heterogenous, and the global recession impacts different players in different ways. While large innovator companies may experience lower demand for their high-cost drugs, the recession is generally positive for producers of generics and biosimilars as governments try to keep prices affordable. According to The Business Research Company, the global generics market was worth an estimated USD340 billion in 2018 and is expected to balloon by about 40% to hit USD475 billion in 2024, growing at a six-year compounded annual growth rate (“CAGR”) of 5.3%.

In Malaysia, the Government has announced various initiatives to promote more affordable healthcare. In January, it launched two schemes for Malaysians in the B40 (or bottom 40% income) bracket – MySalam and PeKa B40 – which was followed by an announcement in May of a move to control the pricing of drugs.

While striving to maintain affordable prices, pharmaceutical companies are having to contend with higher manufacturing costs as a result of the strengthening US Dollar. This is further compounded by increasingly stringent regulations necessitating machinery upgrades and investment in new technologies. Exporters, moreover, need to comply with a range of regulations as these differ from region to region.

A significant regulatory change for Duopharma Biotech was the revision of the MS2424:2012 halal certification which now encompasses biological drugs. As we are investing more into this class of therapeutics, and making a name for ourselves as a halal-compliant pharmaceutical company, we will have to ensure our products meet the new MS2424:2019 criteria.

1 Duopharma Biotech Berhad’s 4th Quarter Results as at 31 December 2019 announced to Bursa Securities Malaysia Berhad on 13 February 2020.
2 World Bank East Asia and Pacific Economic Update, October 2019
STRATEGY REVIEW

Following our demerger from CCM Berhad, we took the opportunity to forge a new identity as a pharmaceutical company seeking to provide smarter solutions for healthier lives. Taking short, medium and megatrends into consideration, we also outlined a new four-pronged strategy to support our refreshed vision.

We have been making steady progress in each area since our listing, with a number of successes achieved in 2019. These are outlined below.

<table>
<thead>
<tr>
<th>Focus Area</th>
<th>Achievements in 2019</th>
</tr>
</thead>
</table>
| Expand Ethical and Consumer Healthcare (“CHC”) product portfolios | • Launched Flonoxin 400mg (Moxifloxacin) and Zynomax 250mg (Azithromycin) tablets.  
• Launched Uphamol 1000mg Cold Honey Lemon dissolvable powder. |
| Diversify into high-value biologicals and niche products | • Launched new biologicals: Zuhera & Erysaa.  
• SCM Lifescience embarked on Phase 1 clinical trial for stem cell treatment for atopic dermatitis. |
| Upgrade manufacturing facilities into world-class assets | • HAPI was commissioned with GMP certification and is now ready for commercial production of Letrozole tablets.  
• Malaysia’s first biological pre-filled syringe line was commissioned, producing Erysaa.  
• New warehouse in Klang obtained Certificate of Fitness and Certificate of Completion and Compliance (CCC), and commenced full operations in March 2020.  
• Bangi Master Plan (BMP) was finalised; softgel and liquid manufacturing line have been upgraded; and an Oral Solid Packing line is expected to be upgraded in 2021. |
| Enhance presence in ASEAN | • Engaged a new distributor for Vietnam.  
• Identified and evaluating potential partners in Laos.  
• Business in Myanmar exceeded its target while that in Brunei achieved 99% of its target. |

At our 2019 Business Strategy Review, Management and the Board agreed that our current focus areas continue to be relevant. However, we made a decision to place greater emphasis on ‘Enhancing our presence in ASEAN’ specifically and in the international market more generally in order to build our International Business. The objective is for each of our domestic public, domestic private and international businesses to contribute optimally to our total revenue.

FINANCIAL PERFORMANCE

Higher demand from both the private and public healthcare sectors contributed to increased sales, leading to 15.6% growth in revenue from RM498.72 million in 2018 to RM576.46 million. Along with enhanced sales, and lower provision for inventories, our profit also increased with PBT expanding 18.7% to RM70.8 million from RM59.7 million in 2018; and profit after tax (“PAT”) growing by 16.2% from RM47.6 million to RM55.3 million.

Our performance was reflected in our earnings per share which came in at 8.25 sen, 13.6% higher than the 7.26 sen posted in 2018.

Segmental Performance

For the year, our domestic business continued to account for a significant part of our revenue and profit. Of our total sales of RM576.46 million, RM530.56 million (or 92.0%) was from the domestic segment. It also contributed RM214.41 million (or 92.4%) to total gross profit of RM232.07 million.

Capital Expenditure

During the year, we completed our HAPI Plant and K6 Warehouse while construction of K3 and K5 plants are ongoing, pursuant to our Manufacturing Optimisation Strategy. Up to end of 2019, the Group had invested RM88.18 million in these assets, which are being financed by a term loan granted by Ambank, from which we have drawn down RM87.94 million thus far.

Dividend

Based on our performance, I am pleased to share that the Board is recommending a higher final dividend of 5.0 sen per share, compared with 4.0 sen per share in 2018, which would translate to RM34.22 million. Together with an interim dividend of 1.0 sen per share paid in November 2019, our total dividend for the year will amount to 6.0 sen per share, or RM41.02 million. Out of the total distribution of RM6.8 million for the interim dividend, RM5.3 million was converted into 4,276,658 new ordinary shares of the Company at the conversion price of RM1.25 per ordinary share under our Dividend Reinvestment Plan.

Encouraging take up of the Dividend Reinvestment Plan, of close to 80%, has contributed to conserving the Group’s cashflow, enhancing our cash position to RM120.7 million.

Financial Outlook

In Budget 2020, the Government has increased its allocation for the healthcare sector by 6.6% to RM30.6 billion, the highest allocation to date. In addition, the contract period of Supply Agreements for pharmaceutical and non-pharmaceutical products to government hospitals and clinics has been extended for 25 months until 31 December 2021. This augurs well for Duopharma Biotech as it stabilises a significant portion of our revenue enabling us to mobilise our resources to intensify our foray into specialty products in line with our strategy.
BUSINESS REVIEW

Consumer Healthcare (“CHC”)

Our CHC business continued to perform well, recording 29% growth in sales compared to 2018. This was mainly due to investment into strategic commercial activities in driving consumer awareness and brand visibility. Flavettes continues to be the preferred adult vitamin C brand, based on Nielsen’s Retail Audit report. Flavettes Glow received the Gold Award for Dragons of Malaysia, and Bronze Award for Dragons of Asia in the New Product Launch category. Uphamol also recorded strong growth aided by the launch of Uphamol 1,000mg Honey Lemon, an effervescent powder which provides relief for fever and pain related to cold and flu.

Champs continues to be the “Mothers’ Choice for Champions”, recording strong growth driven by performance of Champs Effervescent and a general relaunch of the brand. Eye Glo also continued to perform well despite the competitive nature of the eye care category. Based on Nielsen’s Retail Audit report, Champs and Eye Glo continued to dominate the children’s vitamin C and eye care markets in Malaysia respectively.

Given that the CHC business operates in a different manner from the Ethical business, we plan to create a separate entity for CHC to enable more focused marketing and brand building efforts to drive greater revenue.

Ethical Classic

Despite strong competition from innovators as well as local and international generics players, we grew our Ethical Classic business in terms of value by about 7% in the private sector and 17% in the public sector, maintaining our leadership with 37% and 39% market share of similar molecules in the two sectors respectively. This was aided by the launch of Flonoxin 400mg (Moxifloxacin) and Zynamax 250mg (Azithromycin), both anti-infective therapeutics. At the same time, V-Lief and Prelica continued to experience double-digit growth since being launched in 2018, exceeding targets that had been set.

We fulfilled our contract to supply Daclatasvir 60mg (Natdac 60) to government hospitals from April to August 2019, and are further expanding our treatment options for Hepatitis C with the registration of two new molecules including a combination modality. Meanwhile, the Ministry of Health (“MoH”)’s two-year extension until December 2021 for the supply of drugs under the Approved Product Purchase List (“APPL”) includes 53 of our Ethical products.

Ethical Specialty

Our Specialty business performed extremely well in the private sector with triple-digit growth versus 2018. This was contributed mainly by the Cancer Care and Renal Care Franchises which grew by 269% and 103% respectively.

Under the Cancer Franchise, we launched Zuhera and Kytron tablets (anti-nausea for patients undergoing chemotherapy or radiation). Zuhera captured 54% of the intravenous trastuzumab private sector market within 10 months.

Our Renal Care Franchise introduced Erysaa, an erythropoietin (“EPO”) that treats anaemia due to kidney failure, and Haemosol C, used in dialysis. MoH is reviewing the specifications of its EPO tender which is expected to be issued in the second quarter of 2020. At the same time, government hospitals and clinics
are issuing local purchase orders for Erysaa, contributing to its gaining 18% market share. To fully leverage the market potential of Erysaa, we are working on its halal certification, which we hope to obtain in 2020. Once certified, Erysaa will be the first halal biosimilar in the world. On 10 January 2020, we obtained second-source registration approval from NPRA for the pre-filled Erysaa syringe to be manufactured in the fill and finish line in Klang.

The Diabetes Care Franchise also performed relatively well. Since the launch of Basalog One in December 2018, we have won a two-year tender up to September 2021 from MoH for the long-acting insulin glargine used in the management of Type I and Type II diabetes. During the year itself, sales of Basalog One exceeded targets. Meanwhile, the Off-Take Agreement with MoH for Insugen (human insulin) was extended a year from December 2019 to December 2020.

Our Cardiovascular Franchise grew by 14% versus 2018, far exceeding the market’s growth. This was driven by strong performances in both the private and public sectors. In the former, performance was boosted by the launch of Acetan HCT 100mg/25mg, the main generic for high blood pressure, as well as strong growth of Perinace and Atorvas. In the public sector, we were awarded a two-year Cardiamed tender.

Updates on our Partnerships
Through our equity in PanGen and SCM Lifescience, we are participating in the development of cutting-edge biotherapies including biosimilars and regenerative modalities. Both Korean partners are contributing to breakthroughs at the frontiers of life sciences.

PanGen:
- PanGen obtained product registration approval for Panpoetin, the EPO biosimilar co-developed with Duopharma Biotech, from the Korean Food and Drug Administration (KFDA) on 28 November 2019.
- Discussions are ongoing on the possibility of setting up a joint biological manufacturing facility in Klang.

SCM Lifescience:
- On track with Phase II clinical study for chronic graft-versus-host disease (GVHD) and Phase I clinical study for acute pancreatitis.
- Filed for Investigational New Drug (IND) status for atopic dermatitis (eczema), and awaiting clinical trial initiation.
- Plans for initial public offering (IPO), originally targeted for March or April 2020, have been postponed due to the Covid-19 pandemic.

International

The ASEAN market contributed the most to our International Business in 2019, charting 21% growth. Within the region, Brunei experienced the highest year-on-year increase in sales, at 44%. Despite regulatory challenges, we performed fairly well in Myanmar too, recording 4% growth. As part of efforts to strengthen our presence in ASEAN, we are regaining our foothold in Vietnam and Laos. We are identifying new potential partners in both markets and product registration is ongoing.

Further afield, we entered into new distributor engagements in Lesotho and Namibia, paving our way into the African continent.

Halal

Demand for halal pharmaceuticals is set to increase along with enhanced awareness and regulation, and Duopharma Biotech aims to capture as much of this growth as possible. Currently, 94.8% of Duopharma Biotech’s products are halal certified, and we are looking to increase this by also certifying our biosimilars following the halal standard revision to include biologics. We have already submitted Erysaa for certification; once approved, it will be the first biosimilar in the world to carry the halal stamp of approval.

Further enhancing the knowledge of our sales and marketing personnel, we provide training on relevant halal matters. We are also collaborating with Universiti Kebangsaan Malaysia (“UKM”) on halal-related projects including one to develop guidelines for the intake of medication during Ramadhan, and another to be able to identify halal/non-halal excipients (or inactive substances) in medications.

In addition, we continued to build traffic to our Halal4pharma.com portal by organising a second six-month awareness campaign from April to September 2019. Our objective is to enable patients to make informed choices in relation to their treatment modalities.

BUILDING OUR RESOURCES

Manufacturing

We are making good progress in our Manufacturing Optimisation Strategy via automation and the adoption of cutting-edge technologies to increase operational efficiencies as well as to meet international GMP requirements. During the year, we replaced the softgel encapsulation machine at our manufacturing plant in Bangi with a new system that provides improved efficiency, fill volume accuracy and sustainability of supply to our customers.
A number of other upgrades are still ongoing.

In Bangi:
• A new liquid production and filling line was commissioned and is expected to commence commercial operations in Q1 2021. This line will increase our production capacity by 50% once operating at full capacity.
• Automation of compression lines in the oral solid dosage (“OSD”) plant is expected to be completed in Q4 2020 with the installation of new tablet press machines, followed by automation of the packing lines by late 2021.

In Klang:
• Installation of tablet inspection systems is expected to be completed in Q2 2020.
• A new OSD facility with state-of the art GMP design and seven-storey office block is expected to be commissioned in 2022.
• Detailed design study for a new biologics plant is expected to be completed by Q3 2020.

At the same time, we are adopting Lean practices for enhanced cost savings. To better manage our working capital, as of the fourth quarter of 2019 we are reducing our safety stocks for major products from an average of three months to two months. This enables more nimble stocks management and minimises potential write-offs. Together with other cost saving measures, we exceeded our targeted operations excellence savings of RM6 million by achieving RM6.75 million.

Digitalisation
While automating our manufacturing processes, we are leveraging digital technologies to enhance our internal and external communication. This includes use of the Consus Global system for internal procurement e-bidding auction.

During the year, we launched an app for internal use which makes available relevant data to everyone, including our sales teams who spend a large amount of time away from the office. Next, we plan to extend the app to stakeholders for improved engagement and a better customer experience. Customers will be able to place orders, keep track of their consignments, and send enquiries via the app. At the same time, consumers will be able to access product information easily and conveniently.

We are also planning to introduce an app targeted specifically at patients with diabetes, to help them better manage their treatment. We hope to launch this app, called Duopharma Digital Diabetes Management, tentatively in 2020.

The process of digitalisation at Duopharma Biotech is enabled by migration of our Systems, Applications and Products (“SAP”) onto the cloud. We have signed a tripartite agreement with SAP Malaysia and CCM Berhad to transition the system we shared with our former parent company onto a new SAP IT Enterprise Architecture which we have identified high-potential talents who will now be prepared for future leadership roles within the Group.

Investments into our people have been well placed, as indicated by our Employee Engagement Survey results. In 2019, we achieved an engagement score of 91%, which is four percentage points higher than our score in 2018 and nine percentage points higher than the Malaysian and global pharmaceutical norm.

Another area in our talent management I am particularly proud of is our gender equity. We have always been a meritocratic organisation and hired talent on the basis of...
their qualifications and/or experience as opposed to gender. As a measure of our gender-neutral approach to hiring, for the first time, in 2018, the number of women in mid-senior management exceeded men. In 2019, the proportion of women in this band increased even further, to 55%, which indicates we are doing certain things right in advancing and retaining our female talent.

**OPERATING SUSTAINABLY**

**Bumiputra Empowerment**

We support the Government’s Bumiputra Empowerment Agenda (BEA) and participate in a number of initiatives to promote Bumiputra entrepreneurs. Key among these are the Bumiputra Vendor Development Programme (“BVDP”) and PROTÉGÉ (Professional Training and Education for Growing Entrepreneurs (PROTÉGÉ) (formerly Skim Latihan 1Malaysia (“SL1M”)).

Under the BVDP, we are currently mentoring six Bumiputera small and medium-sized enterprises (SMEs). Meanwhile, two companies under our wings have become national champions under Phase 3 of the programme. We also awarded the full construction, testing and commissioning of the new OSD facility and the biologics plant in Klang to Bumiputera vendors. In total, RM16.8million worth of contracts were given to Bumiputera vendors this year, mainly for the provision of logistics and other services.

As part of PROTÉGÉ, we trained 50 graduates and subsequently offered full-time employment to 25 of them.

**Building Trust-Based Relationships**

Given the nature of our business, it is imperative that Duopharma Biotech builds and maintains a high level of trust among our stakeholders. To achieve this, we engage with our key stakeholders to understand their expectations and respond through appropriate initiatives. We also maintain the highest level of integrity in all our dealings and have put in place various policies that serve to guide everyone within the Group on what we mean by ethical conduct. Our values are communicated regularly via intranet and further reinforced via targeted activities during the Halal, Integrity and Sustainability (HIS) month.

**MANAGING OUR RISKS**

We face a multitude of risks which are discussed at length in our Statement on Risk Management and Internal Control (“SORMIC”). In the current operating environment, however, some risks are more urgent than others and are potentially more damaging to the attainment of our business goals. These risks, and our mitigation actions, are summarised in the table below:

<table>
<thead>
<tr>
<th>Risk</th>
<th>Description</th>
<th>Mitigation Actions</th>
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<tbody>
<tr>
<td><strong>Financial</strong></td>
<td>Depreciation of Ringgit against USD increases the cost of raw materials and other operational costs.</td>
<td>• Continuous efforts to secure competitive pricing from suppliers and improve operational efficiencies to preserve profit margins.</td>
</tr>
</tbody>
</table>
| **Regulatory** | Tighter compliance regulations to ensure commitment to quality | • Manufacturing Compliance team conducts periodic reviews and continuous training, and engages with regulatory bodies for updates on new regulations.  
• Infrastructure upgrades in anticipation of future regulatory demands. |
| **Halal** | Manufacturing complexity imposes challenges in obtaining halal certification for biosimilars. | • Identify and collaborate with partners that have capabilities to meet halal requirements. |

To further strengthen our risk management framework, in 2019 we launched an initiative to develop a Business Continuity Plan (BCP) to safeguard our operations. Recognising the importance of having structured systems to manage crises, we engaged a consultant to conduct a thorough review of our operations and the external as well as internal risks we face, for the purpose of recommending the most appropriate Business Continuity Management (“BCM”) platform for the Group. The process of data gathering is still ongoing, and we expect the BCM to be implemented in full towards end-2020.

**AWARDS & RECOGNITION**

As Duopharma Biotech grows from strength to strength, we continue to be recognised for the quality of our products, our halal leadership and HR policies. We value these awards as they validate our efforts to maintain quality in everything that we do.

Among the more prominent awards received in 2019 were:

• Malaysia Pharmaceutical Company of the Year by Frost & Sullivan
• Malaysia Halal Pharmaceutical Company of the Year by Frost & Sullivan, for the fourth consecutive year
• Halal Brand Excellence Award by the Halal Industry Development Corporation
• Best Companies to work for in Asia by HR Asia, for the fourth consecutive year
• Top Most Attractive Employee Brands by Graduates’ Choice Award
Since the Covid-19 pandemic, businesses around the world have been severely impacted by the restrictions in movement of people, products and services as well as containment measures that have put a stop to manufacturing. There is no certainty as to when the world will be able to overcome the virus, hence its economic impact remains largely unknown. While China has managed to contain the contagion and is gradually re-building its economy, a starkly converse scenario is unfolding in the US and much of Europe, which are now in recession. The ramifications will necessarily be felt globally.

In Malaysia, although pharmaceutical manufacturing is ongoing, there are concerns over the security of supply of active pharmaceutical ingredients (APIs) as a large number of these are imported. Exports, meanwhile, may be jeopardised by cash-strapped importing nations as well as restricted trade.

These are certainly extraordinary times that require extraordinary measures to ensure business sustainability.

In line with the Movement Control Order (MCO), since 18 March 2020 we have stopped operating from our headquarters and research centre, and requested non-production employees to work digitally from home. We have also advised our sales representatives to refrain from their regular visits to hospitals, clinics, etc. until movement restrictions are lifted. While our plants continue to operate, at 50% of the normal workforce as per Government's directive, we are ensuring the safety of our employees by providing them masks and hand sanitisers as well as adopting all precautionary measures such as social distancing, temperature checking prior to work, and disinfecting the workplace twice a day.

All actions taken by Duopharma Biotech in response to Covid-19 have been communicated to our stakeholders via notices on the landing page of our website, emails to staff, as well as messages on Facebook and Linked-In.

As only half of our production workforce is currently reporting for duty, our revenue is likely to be impacted. In mitigation, we have adopted measures to safeguard our cash flow as we contain our expenses and meet our commitments to our suppliers, business partners, customers and end consumers.

We believe, in the ensuing months, it is more important than ever that Malaysians have access to critical prescription and over-the-counter products. We will therefore continue to build our portfolio of CHC products, biologics and innovative therapies while pushing ahead with our asset improvement programme as well as international expansion. We have a pipeline of new products under the Flavettes, Proviton and Uphamil brands, and are hopeful of being able to supply government hospitals with Erysaa and Insugen while also growing Zuhera and Basalog One. In addition, we plan to launch a new cancer product, and to register one or two more oncology treatments for production at our HAPI plant.

Our Manufacturing Optimisation Strategy is progressing well, and we look forward to enhancing our production volume of Erysaa once our new fill and finish line is operational in the first quarter of 2020.

Although the situation for international trade is uncertain, we will continue to make our products available to the ASEAN market while creating inroads into the Middle East and North Africa ("MENA") region to leverage our halal strengths. To support our international expansion, we seek to attain the required regulatory and statutory certifications such as the EU GMP. We expect our HAPI plant to be certified by 2021 and B2 plant in Bangi by 2022. Other plants will follow suit.

Along with upgraded dossiers and assets to meet international accreditations, we will be upskilling our people to meet our business expansion needs. Our people are truly one of our strongest assets. They have stepped up to the challenge of successfully transitioning Duopharma Biotech into a full-fledged independent pharmaceutical company, and are now giving their all as we navigate through this period of uncertainty.

I feel especially proud of our manufacturing staff who are continuing to go to work every day in the midst of the pandemic, in order that we can continue to supply medical and healthcare products for those who need them. On behalf of the management, thank you for helping us serve the nation. I feel privileged to work with such a fantastic team and would like to take this opportunity to thank all our employees for their commitment and hard work, whether at our plants or from home.

At the same time, I speak for the management when I say how much we value the wisdom and guidance of our Board of Directors.

As for our external stakeholders, I would like to acknowledge the frontliners from MoH who are continuing to do their best in battling the pandemic.

To all our other stakeholders, thank you for your contributions; and rest assured we at Duopharma Biotech will do our utmost to deliver on our commitments to you. There is much that we, at Duopharma Biotech, can do for Malaysians and the other markets we serve by continuing to make available our treatments and other products. This is something we will prioritise. With your continued support, I have every faith in our ability to deliver smarter solutions for healthier lives, thus entrench the Duopharma Biotech brand more firmly not just within Malaysia, but also in ASEAN and beyond.

Working together and supporting each other, we can overcome these hard times and emerge in a strong position to provide smarter solutions for a healthier life.

LEONARD ARIFF BIN ABDUL SHATAR
Group Managing Director

In 2019, a seven-year 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 pharma company in terms of volume.

**BY 2025**

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

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**OUR ROAD MAP**

Our strategy focuses on seven key areas.

### 1. Growth of current core business with a focus on key specialty areas such as diabetes, oncology, cardiovascular, renal and consumer healthcare

- We are committed to expanding our generic range in the Ethical and Consumer Healthcare segments with quality, affordable products.
- We will build a stronger pipeline of innovative, first-in-market products through synergistic efforts of in-house R&D and externally developed projects.

### 2. Expansion of Biotherapeutics portfolio in areas such as biosimilars, regenerative medicine and vaccines

- We will continue to expand our portfolio of biosimilars through the Ethical Specialty business, making drugs that are in demand, accessible and affordable to patients.

### 3. Strategic investments in new niche areas within pharma and healthcare sector

- Duopharma Biotech will continue to consider and pursue strategic investments in high-technology areas and emerging markets to foster growth.

### 4. M&A opportunities in Malaysia and ASEAN

- We seek business ventures which not only add value to the Group by expanding our manufacturing capabilities but also enhance economic growth and development of the industry both locally and regionally.

### 5. Digitalisation of operations and provision of healthcare solutions

- Through digitalisation of our Quality Management System, we are integrating all data in a centralised system which will allow Duopharma Biotech to gain efficiencies and improve our compliance processes.
- We will offer digital solutions to support our specialty businesses and provide value added services to end users.

### 6. Strengthened International business

- Our priority is to expand our regional presence to take advantage of growing markets.
- Specific market access plans have been put together and are being implemented.

### 7. Focus on Halal Pharma as a key strategic area alongside the other markets

- We will continue to ensure all our products and manufacturing processes are Syariah-compliant.
- Our dedicated team will strengthen Duopharma Biotech’s position as the leader in the halal pharma market through outreach programmes and roadshows to enhance awareness of halal pharma initiatives in Malaysia and the region.