It gives me great pleasure to present this Annual Report for Duopharma Biotech Berhad (“Duopharma Biotech” or “the Group”).

TAN SRI DATIN PADUKA SITI SA’DIAH BINTI SH BAKIR
NEW TECHNOLOGY

Science and technology are driving the development of better, more effective treatments. We combine the knowledge and skills of our multi-disciplinary R&D scientists with the expertise of leading biotech players to offer Malaysians the best health solutions.
It gives me great pleasure to present this Annual Report for Duopharma Biotech Berhad ("Duopharma Biotech" or "the Group")
DEAR SHAREHOLDERS

It gives me great pleasure to present this Annual Report for Duopharma Biotech Berhad ("Duopharma Biotech" or "the Company"), a new era since the completion of our demerger from Chemical Company of Malaysia Berhad ("CCMB") at end 2017.

There have been many changes in the Company, key among which is having Permodalan Nasional Berhad ("PNB") as our major shareholder. PNB holds 50.92% equity in Duopharma Biotech, inclusive of shareholdings of the trust funds managed by PNB.

This confers many benefits to the Duopharma Biotech group of companies ("Group"), not least of which is access to opportunities for leadership, capacity, innovation and CSR development enabled by PNB. Our move into Kenanga International, a PNB-owned building in the city centre, has also been beneficial. With more space than our previous rented offices, we are now able to host corporate and Board level meetings in our own ‘home’.

Another significant change is that of our name. The Group and most of our subsidiaries now carry the word ‘Duopharma’. This has been the result of a comprehensive rebranding exercise that also saw us adopt a new logo and revised Vision, Mission and Tagline - Smarter Solutions. Healthier Life. The latter are very much in line with Duopharma Biotech’s business focus, namely to move up the pharma value chain through diversification into high-value niche and specialty products.

At the Board level, our demerger has necessitated putting in place the required support structures of a robust governance framework. We adopted a new Company Constitution to replace the Memorandum & Articles of Association. We reviewed our Board Committees and revised their terms of reference ("TOR"). As Duopharma Biotech seeks to become the market and thought leader in the halal pharma industry, a new Halal Committee has been set up. Meanwhile, to guide the Group’s sustainability, the Risk Management Committee now has oversight of all sustainability matters and has been re-named our Risk Management and Sustainability Committee.
Ensuring we meet the requirements of the Malaysian Code on Corporate Governance 2017, we have revised our Board Effectiveness Evaluation Assessment and adopted a new Remuneration Policy and Procedures for Directors and Senior Management. We also have a new Policy on External Auditors and an updated Whistle-Blowing Policy.

At the Management level, we have seen the establishment of a new Legal & Secretarial Department, Group Internal Audit Department and Risk Management Department. In addition, we approved the establishment of a Medical Advisory Committee to advise the Board on medical related matters thus enhance our decision-making process. We have endorsed its TOR and identified candidates for appointment to the committee. We also reviewed Duopharma Biotech’s succession planning and talent development programmes as these are critical in an organisation that is expanding as rapidly as we are.

While these governance and policy changes took up much of the Board’s time, we fulfilled our training requirements and took the opportunity of holding one of our sessions at Duopharma Innovation in order to also tour our Research and Development arm, which will play an increasingly important role as we become a more innovative company.

Innovation at Duopharma Biotech is driven both in-house as well as through an expanding network of partnerships with leading biotech companies. In June 2018, we acquired CCMB’s shares in PanGen Biotech Inc (“PanGen”), a listed South Korean pharma company specialising in biosimilars. Together with PanGen, we have developed a biosimilar for erythropoietin (“EPO”), Erysaa, which will be launched in April 2019.

Yet another quantum leap in enhancing our technical capabilities was achieved through the acquisition of a 5.8% interest in South Korea-based SCM Lifescience which specialises in stem cell therapy. Through the acquisition, Duopharma Biotech is now one of the few companies in Malaysia with direct access to this highly innovative modality in which treatment is engineered for individual patients. Stem cell technology belongs to next-generation biotherapeutics that is set to change the dynamics of healthcare; and we are very excited to be part of this journey.

Financially, the Group has continued to perform very well, growing our revenue to RM498.7 million. Our profit before tax ("PBT") was even more encouraging, increasing 15.3% year-on-year to hit RM59.7 million. This has enabled us to propose a final dividend of 4 sen per share. Together with an interim dividend paid in November, we are offering our shareholders a total of 5.5 sen per share for the financial year, amounting to RM36.4 million. Our shareholders are very valuable to us, and we intend to share at least 50% of our profit after tax with them annually. This year, in addition to our dividend payout, we demonstrated our appreciation of our shareholders via an attractive bonus share issue.

Revenue (RM million)
RM498.7 million

Profit before tax (PBT)
↑15.3%
year-on-year to
RM59.7 million
Chairman’s Statement

Our demerger was undertaken for its value accretion, and I believe Duopharma Biotech’s performance during the year validates this long-term strategy. Going forward, we have some very clear plans for continued growth both within Malaysia and in the region. To enhance our exports, we are developing a healthy pipeline of products with international partners based on emerging needs.

Other than to grow financially, we recognise the need to create social and environmental value for our stakeholders to entrench our sustainability. Creation of the Risk Management and Sustainability Committee demonstrates the Board’s commitment towards this end. We fully support all efforts to integrate sustainability into our operations and are pleased that, this year, our Sustainability Management Council conducted a materiality analysis to identify matters that are important to our stakeholders and the company in order to guide our actions. It came as no surprise that Ethics & Integrity features among our High Priority material matters. Recognising this, and to reinforce a culture of integrity, the Group organised our first Integrity & Halal Week in December 2018, which I personally launched.

I would like to thank my colleagues on the Board for their astute counsel that has also been invaluable in guiding Duopharma Biotech, especially during the period of intense change that we have just been through. Every member on the Board has worked extremely hard, especially in developing new TORs for the new Board Committees. I would like to note my appreciation for the extra time that has gone into various Board matters during the year, and for the diligence showed by the Chairmen of each Committee in working closely with Management and their new teams to manage their revised duties. At the same time, we would like to express a special note of gratitude to Datuk Seri Rohani Parkash Binti Abdullah, who joined the Board as an Independent Non-Executive Director on 2 August 2016, and will be stepping down at the coming Annual General Meeting (“AGM”). We wish her the best in all future undertakings. With these Board changes, following our AGM we will have eight Directors, five of whom are men while three of whom are women.

Our ongoing success is also dependent on the continued support of all our stakeholders, whom I would like to acknowledge. I would like to thank the government and regulators for creating a conducive pharmaceutical ecosystem in the country. My gratitude also goes to our business partners and suppliers for enabling smooth production operations. We truly value the investments of our financiers and shareholders, which are vital to our ongoing expansion. As for our customers and healthcare practitioners, thank you for the trust placed in our products.

Most of all, I would like to say a heartfelt thank you to our very capable management team, led by our Group Managing Director Leonard Ariff Bin Abdul Shatar, for their sound leadership; and to all our employees across the Group, for their hard work and commitment towards the achievement of Duopharma Biotech’s goals. These are exciting times for the Group; and I have no doubt that if we continue to work together, we will achieve our ambitions as we bring Smarter Solutions for a Healthier Life to people in Malaysia, ASEAN and the rest of the world.

MOST OF ALL, I WOULD LIKE TO SAY A HEARTFELT THANK YOU TO OUR VERY CAPABLE MANAGEMENT TEAM, FOR THEIR SOUND LEADERSHIP; AND TO ALL OUR EMPLOYEES ACROSS THE GROUP.

TAN SRI DATIN PADUKA SITI SA’DIAH BINTI SH BAKIR
Chairman
The year 2018 was significant for Duopharma Biotech Berhad ("Duopharma Biotech") for a number of reasons, but perhaps most pertinently because it was our first year as an independent company.

LEONARD ARIFF BIN ABDUL SHATAR
Group Managing Director’s Management Discussion and Analysis

The year 2018 was significant for Duopharma Biotech Berhad (“Duopharma Biotech”) for a number of reasons, but perhaps most pertinently, because it was our first year as an independent company.

Following our demerger from Chemical Company of Malaysia Berhad (“CCMB”) at end 2017, no doubt the market’s eyes were trained on our performance. And it is with pleasure to share our outcomes, which have been more than encouraging.

Despite operating in a very regulated and competitive industry, Duopharma Biotech achieved some notable wins. We maintained our market leadership in terms of volume of sales, while moving up one spot to second position in terms of value, a position we held till the close of 2018. (IQVIA Report, December 2018)

Profit Before Tax

increased by a notable 15.3% year-on-year, from RM51.77 million to RM59.67 million, a historic high

LEONARD ARIFF BIN ABDUL SHATAR
Group Managing Director
We continued to pioneer firsts in the local pharmaceutical landscape. In 2014, we were the first in Malaysia to embark on a Phase 3 clinical trial – for an erythropoietin ("EPO") biosimilar with our South Korean partner, PanGen Biotech Inc. We completed the trial in 2018, installed Malaysia’s first biological pre-filled syringe line to manufacture the biosimilar, and obtained registration approval for the product called Erysaa from the National Pharmaceutical Regulatory Agency ("NPRA") on 31 January 2019. We also completed and commissioned Malaysia’s first Highly Active Pharmaceutical Ingredients ("HAPI") manufacturing facility, where we will soon begin commercial production of oncology and psychotropic drugs.

In addition, we launched a pre-filled format for an insulin glargine, Basalog One. We also expanded our Hepatitis C portfolio with products from our Indian partner, Natco Pharma Ltd ("Natco"), and won a contract from the government to supply Daclatasvir.

In the Consumer Healthcare ("CHC") business, Flavettes regained its leadership as the No. 1 supplement in the Adults Vitamin C market in Malaysia with the Effervescent range overtaking all other brands in terms of market share.

Internationally, we penetrated four new markets and overcame registration challenges to achieve all-time high sales.

Pushing ahead with our halal agenda, by end 2018 more than 95% of our products had been certified by JAKIM and LPPOM MUI. The Board of Duopharma Biotech also set up a Halal Committee on the Board for greater governance and oversight.

In line with our strategy to diversify into biotherapeutics and high-value niche products including regenerative therapy, the year also saw us acquire CCMB’s 8.39% equity in PanGen Biotech Inc ("PanGen") and, subsequently, 5.8% equity in SCM Lifescience ("SCM"), a South Korean biotech specialising in stem cell therapeutics. We had already been working closely with PanGen on Erysaa, and enjoyed the rights to market its biosimilars in Malaysia, Brunei and Singapore with the first right of refusal for other ASEAN countries. With SCM, we are set to venture into regenerative medicine, specifically in allogeneic stem cells. Completed on 23 November 2018, the acquisition gives us access to technical expertise in cell-based therapeutics and similar marketing rights as we have with PanGen.

It is especially heartening to have achieved all of this during a year in which much of our time and resources were channelled towards internal restructuring post demerger. Financially, we grew our revenue to RM499 million. This was achieved with revenue growth across all channels.

Our performance was very much the result of having a very clear plan to move up the value chain towards biosimilars and other specialty biotherapeutics. The end goal is to establish Duopharma Biotech as a leader, not only in Malaysia but also ASEAN and, eventually, further afield.

MACROENVIRONMENT

Along with an increasing – and ageing – population, the global pharmaceutical market continued to grow and is expected to come in at about USD1.2 trillion in 2018. With an anticipated compounded annual growth rate ("CAGR") of between 3% and 6% over the next five years, the market is likely to exceed USD1.5 trillion by 2023.1 Growth in pharmerging markets, including ASEAN, will be one of the highest, at 5%-8% CAGR, driven primarily by generics. As the patents for a substantial number of innovator drugs will be expiring in the next few years, an increasing volume of generics is expected to flood both developed and developing nations.

In the big molecule space, there has been a marked increase in the development of more complex biotherapeutic drugs which are more effective and also more difficult to reproduce. Yet, a number of manufacturers are proving their capability in biosimilars that are now offering patients the same quality treatments at much lower prices. By 2023, biosimilar competition in the biologics market will be nearly three times larger than it is today. This is becoming increasingly significant as more people around the world are in need of the efficacy of complex biotherapies to manage age-and-lifestyle-related diseases.

Within the ASEAN region, Vietnam, the Philippines and Malaysia are expected to see the highest growth in pharmaceutical spend.

In Malaysia, the pharmaceutical market in 2018 was valued at about RM8 billion, with an annual growth of 9%. As the sector is highly competitive, manufacturers faced pressure on pricing. This was further compounded by a strengthening US Dollar, causing an increase in manufacturing cost and squeezed margins.

Another challenge, especially for pharmaceutical companies that export, are ripple effects of the US-China trade war which is dampening trade between other countries – Malaysia and our export partners notwithstanding.

Finally, just as pharmaceuticals are becoming more sophisticated, the regulatory environment is becoming increasingly more stringent – both locally and in the international space – requiring manufacturers to spend more on additional compliance while also lengthening our time to market.

**INTERNAL RESTRUCTURING**

During the year, we underwent an internal restructuring to transfer pharmaceutical companies that were previously under our subsidiaries directly into the holding company fold. This saw us acquire Duopharma HAPI Sdn. Bhd. (*formerly known as CCM Biopharma Sdn. Bhd.*) and Negeri Pharmacy Sdn. Bhd. from Duopharma Marketing Sdn. Bhd. (*formerly known as CCM Pharmaceuticals Sdn. Bhd.)*; and Duopharma Manufacturing (Bangi) Sdn. Bhd. (*formerly known as Upha Pharmaceuticals Manufacturing (M) Sdn. Bhd.*) from Duopharma (M) Sendirian Berhad. In addition, we acquired CCMB’s 8.39% equity[^2] in PanGen. Transfer of the local companies was completed on 24 May, while that of our Korean associate was completed on 29 June.

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Group Managing Director’s Management Discussion and Analysis

FINANCIAL PERFORMANCE

The Group’s revenue increased 6.6% from RM467.99 million in 2017 to RM498.72 million in 2018, mainly as a result of higher demand from both the private and public health sectors. Despite various economic challenges, including a strengthening US Dollar, our profit before tax (“PBT”) also increased by a notable 15.3% year-on-year, from RM51.77 million to RM59.67 million, a historic high. This was driven by an increase in sales and improved margins.

One of our initiatives to manage operational cost is via a Continual Improvement (“CI”) programme encompassing Lean Six Sigma and Lean Manufacturing methodologies. A total of RM7.7 million in savings was accumulated over the year, exceeding our target of RM6.0 million. For more information on CI, please refer to page 23 in our Sustainability Report.

Segmental Performance

Among our four core businesses, the highest growth was seen in the Ethical Classic Business, and in particular sales to the public health sector. Our CHC Business also registered strong growth in the private sector, aided by the Flavettes Effervescent range. Sales in our Ethical Specialty Business, however, was slower than expected due to delays in new product approvals. Registration challenges were also evident in our International Business; yet, we achieved an all-time sales record.

Performance According to Market

In the past few years, as we have shifted our focus towards higher value therapeutics for which there is ever-increasing demand by the general public, sales to the Public sector has been growing. From representing 34% of our total revenue in 2016, it now represents 50%.

Dividend

For the financial year ended 31 December 2018, the Board of Directors has recommended a final dividend of 4 sen per share, subject to shareholders’ approval at the forthcoming Annual General Meeting (“AGM”). Together with an interim dividend of 1.5 sen amounting to approximately RM9.93 million paid on 23 November 2018, the total dividend for the financial year 2018 stands as 5.5 sen per share, amounting to approximately RM36.4 million.

As with the previous financial year, we will be proposing a dividend reinvestment plan (“DRP”) for the final dividend for 2018. Following the announcement of a DRP for the final dividend for the year 2017, a total of RM13.5 million was converted into 10,978,985 new ordinary shares. While benefitting our shareholders – who stand to increase their shareholding at a discount and without the additional cost of brokerage fees or other transaction costs – the exercise further strengthens our capital position, providing us with funds for further expansion.

Bonus Share Issue

On 20 June 2018, we completed the issuance of four bonus shares for every three existing shares. This was inspired by a desire to reward our shareholders for their support as well as increase the share base of Duopharma Biotech to be more reflective of our current scale of operations and asset base. Along with the DRP, the exercise encourages trading of Duopharma Biotech shares, potentially increasing our shareholder base.
BUSINESS REVIEW

CONSUMER HEALTHCARE (“CHC”) BUSINESS

The CHC business performed well in 2018, with particularly strong performance by Flavettes. Intense consumer engagement following the Flavettes Effervescent range launch in 2017 proved effective in driving brand awareness among consumers. This led to Flavettes Effervescent becoming the brand leader in the Adults’ Vitamin C market in Malaysia (Nielsen Retail Audit, September 2018).

At the same time, Champs further entrenched its leadership as the No. 1 Children’s Vitamin C (Nielsen’s Consumer Report, September 2018) with the Effervescent variant proving especially popular. Performance of the effervescent ranges for both Flavettes and Champs validate our decision to invest in an effervescent plant, which was completed in 2017.

Other than supplements, Eye Glo, our eye drop brand, maintained its No. 1 position in the Malaysian market.

ETHICAL CLASSIC BUSINESS

We are very pleased with our Ethical Classic Business, which grew significantly during the year. This was supported by the launch of a number of products including Prelica, the first locally produced pregabalin which is used to treat neuropathic pain; and V-Lief, a herbal cough mixture.

Sales of Prelica and V-Lief have been particularly healthy, with strong demand from general practitioners (“GPs”) and pharmacies. Prelica sales were further strengthened by securing a government tender.

The Ethical Classic Business also continued to derive revenue from government tenders signed in December 2017, under the Ministry of Health Malaysia (“MOH”)’s Approved Product Purchase List (“APPL”). This will continue through 2019. In 2018 itself, we won a contract for the supply of Daclatasvir, a medication used in the treatment of Hepatitis C.

ETHICAL SPECIALTY BUSINESS

Our Ethical Specialty business registered slower than expected sales due to delays in obtaining new product registration approvals. This affected the launches of Eryssa (erythropoietin alfa) and Zuhera (trastuzumab). Both products are now expected to be launched in early 2019. On a positive note, we launched Ranofer, the first locally produced iron sucrose injection indicated for treatment of iron deficiency anaemia. Ranofer is being supplied to hospitals and dialysis centres.

The business made notable progress in terms of its manufacturing and marketing capabilities. During the year, we completed and successfully commissioned a first-of-its-kind in Malaysia fill and finish line for Eryssa. We also completed the HAPI production line.

In terms of marketing, a key highlight was setting up of the Renal Care Franchise comprising a team of product specialists for the dialysis market. The team’s effectiveness was reflected in a 41% year-on-year sales growth of existing products in the renal care business. With the Renal Care Franchise, we now have a specialist team in each of our four Ethical Specialty focal areas, namely renal care, cancer, diabetes and cardiovascular diseases.

The Diabetes Care Franchise launched Basalog One in mid-December. Duopharma Biotech is the exclusive marketing agent in Malaysia, Singapore and Brunei for the long-acting insulin glargine manufactured by Biocon Ltd. The team also continued to supply Insugen (human insulin) to all government hospitals and clinics under a three-year tripartite contract between MOH, Biocon and Duopharma Biotech which ends in December 2019.
INTERNATIONAL BUSINESS

Our International business achieved an all-time sales record despite registration challenges. Our operations in the Philippines experienced a turnaround profit in 2018, after three years of consecutive losses, while our base in Singapore continued to remain profitable. Export sales to all other ASEAN countries grew 23% year-on-year. This was contributed in part by a contract secured during the year for the supply of various prescription drugs to the Singapore Ministry of Health and Brunei Ministry of Health, which will continue into 2019.

To fast-track our ASEAN expansion, we seek to collaborate with other pharmaceutical companies in the region. We have been scouring the market in the last few years and will continue to keep a keen eye on strategic potential acquisitions. Further afield, we penetrated four new export markets - Ghana, South Africa, Oman and Qatar.

As the regulatory environment in the international market becomes more stringent, we have embarked on a project to upgrade the dossier quality of Duopharma Biotech’s existing and new products.

HALAL

As a leading pharmaceutical company in a predominantly Muslim country, we recognise the importance of ensuring our products are halal. Continued efforts to certify our products resulted in more than 95% of the entire portfolio of CHC and ethical products manufactured in our halal-compliant facilities securing the halal certification by Jabatan Kemajuan Islam Malaysia (“JAKIM”) and Lembaga Pengkajian Pangan, Obat-obatan, dan Kosmetika Majelis Ulama Indonesia (“LPPOM MUI”). The remaining products are in the process of being similarly certified.

To increase general awareness of halal pharmaceuticals, and of our products more specifically, we ran a six-month digital campaign starting in June 2018 to engage customers and direct them to an information portal powered by Duopharma Biotech, halal4pharma.com. The portal provides accurate and relevant information on halal pharmaceuticals, answering any question consumers may have regarding these niche products.

To further strengthen our halal governance, this year the Board set up a Halal Committee.

Externally, we continued with Batch 2 of the CCM Halal Pharmapreneur programme, run in collaboration with Malaysia Productivity Corporation (“MPC”) and Centre of Entrepreneur Development and Research (“CEDAR”). The objective is to support community pharmacists by providing them with entrepreneurial skills as well as halal pharma knowledge. In 2018, 10 pharmacists signed up for the programme conducted by CEDAR from July to December 2018.

Our efforts were rewarded by being named Halal Pharmaceutical Company of the Year 2018 at the Frost & Sullivan Malaysia Excellence Awards.

WAREHOUSE MANAGEMENT

As we increase our production capacity, we have also expanded our warehouse space. In Bangi, we built a second warehouse, Bangi 3, in 2017. This became operational in January 2018, adding 7,938m² of storage capacity. Meanwhile, another new 15,042m² warehouse is being built in Klang and is expected to be fully operational in Q4 2019. Enhancing our warehouse efficiencies, we implemented a Warehouse Management System (“WMS”) which went live in January 2018. With the new system and despite an increase of about 20% in number of invoices in 2018, we managed to achieve better on time in full (“OTIF”) performance for 2018.
Group Managing Director’s Management Discussion and Analysis

BUMIPUTERA EMPOWERMENT AGENDA

As a Government-Linked Company (“GLC”), we participate in the Bumiputera Empowerment Agenda (“BEA”) through which we enhance Bumiputera graduates’ skills and employability via the PROTÉGÉ programme, and develop entrepreneurs via the Bumiputera Vendor Development Programme (“BVDP”), carve-out initiatives, procurement spend, and the supply chain.

<table>
<thead>
<tr>
<th>BEA MANDATE</th>
<th>ACHIEVEMENT IN 2018</th>
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<tbody>
<tr>
<td>PROTÉGÉ programme</td>
<td>Took in 64 graduates, of whom 20 were offered full-time employment</td>
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<tr>
<td>Carve-out initiatives</td>
<td>All civil works for interior decoration and KL office were awarded to a Bumiputera vendor</td>
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<tr>
<td>Procurement spend</td>
<td>More than RM10 million worth of contracts were awarded to Bumiputera vendors</td>
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<tr>
<td>Supply chain</td>
<td>We have identified three companies to be nurtured to become industry champions</td>
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HOW WE MANAGE OUR RISKS

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<tr>
<th>RISK</th>
<th>MITIGATION ACTIONS</th>
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<tbody>
<tr>
<td>Financial</td>
<td>► Difficulty in obtaining funds for the development of high-value plants/facilities&lt;br&gt;► Weakening Ringgit against USD increases our production and other operational costs&lt;br&gt;Launch of the Dividend Reinvestment Plan&lt;br&gt;Continual Improvement programme to increase efficiencies and reduce costs</td>
</tr>
<tr>
<td>Regulatory</td>
<td>► Increasingly stringent regulations &amp; implementation delays for generic/biosimilar registration&lt;br&gt;► Increasing compliance requirements to ensure relevance and commitment to quality&lt;br&gt;Pro-actively implement new approaches in development of new products to overcome regulatory hurdles&lt;br&gt;Set up Manufacturing Compliance Team to drive coordinated efforts to bridge compliance gaps. Manufacturing and technical teams meet quarterly to discuss the latest developments in global pharmaceuticals&lt;br&gt;Continuous dialogue and engagement with the relevant authorities</td>
</tr>
<tr>
<td>Skills</td>
<td>► Lack of local technical experts&lt;br&gt;Recruitment of talent with the required skills</td>
</tr>
<tr>
<td>Halal</td>
<td>► Lack of awareness of halal pharmaceuticals in general&lt;br&gt;Launch of information portal halal4pharma.com&lt;br&gt; ► Regulatory restrictions, for example on printing of halal logo on labels of ethical products in Malaysia</td>
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AWARDS & RECOGNITION

Duopharma Biotech was recognised with the following awards in 2018:

- Frost & Sullivan Pharmaceutical Company of the Year – Generics Market, for the third time
- Frost & Sullivan Halal Pharmaceutical Company of the Year, for the second time
- HR Asia’s Best Companies to Work For in Asia, for the third consecutive year
- Watsons Malaysia’s ‘Most Wanted Chewable Vitamin C’ for Flavettes; ‘Most Wanted Garlic Supplement’ for Naturalle; and ‘Best Exclusive Campaign’ for Champs

CORPORATE REBRANDING

The name Duopharma Biotech was adopted for the Group post demerger, to reflect our independence from CCMB. Along with the new name, we also have a new logo as well as refreshed Vision and Mission statements and Tagline. These were developed over the year, and launched in January 2019.

MISSION
Leading healthcare group providing quality and innovative solutions

VISION
Providing smarter solutions for a healthier life

TAGLINE
Smarter Solutions. Healthier Life.

Our Vision, Mission and Tagline reflect our strategic direction into higher-value therapeutics that are more effective and efficient, providing enhanced patient outcomes. The bright red of our logo denotes confidence in achieving our ambition, while the lettering points to the right, indicating our focus on the future.

PROSPECTS

In a report published in January 2019, the World Bank predicts a decline in global growth to 2.9% from 3.0% in 2018 as a result of moderating international trade and investment, as well as tightening financing conditions. Malaysia’s economy, too, is projected to experience a slowdown to register 4.7% growth, from 4.9% in 2018.

While lower disposable income may affect sales of CHC products, performance of ethical products tends not to correlate with economic factors as they are seen as necessary in the treatment of disease.

We are therefore quite confident of Duopharma Biotech’s outlook for 2019, especially as we have enhanced our manufacturing capabilities, entered into various strategic partnerships that provide a steady flow of specialty therapies, and are in a better position to expand into as yet untapped segments of the Malaysian market while making advances into ASEAN and the wider international space.

Several contracts with the Malaysian and foreign governments (Singapore and Brunei) extend until end 2019, and our team will be focusing to win more tenders to ensure steady and reliable income. In its Budget 2019, the Malaysian Government has allocated RM29 billion towards healthcare, of which RM10.8 billion is for the restoration of clinics and hospitals as well as the purchase of medicine and medical equipment. Although it is still too early to say, this budget could mean additional spend on pharmaceuticals, and Duopharma Biotech intends to capture our fair share of the pie.
We will certainly present an exciting portfolio, with the addition of a number of biosimilars and other innovative products. We are especially excited about commercialising the HAPI plant, through which we will be able to offer locally made, hence more affordable, oncology treatments. The government has indicated a very strong desire to cut unnecessary expenditure, which will translate into greater demand for generics and biosimilars – modalities that cater to our current strengths.

Overall, our plan is to continue to build our expertise in niche and specialty products, particularly in emerging technologies such as regenerative, precision and personalised medicine; and strengthen our base in Malaysia while looking for opportunities to expand regionally. Remaining faithful to our strategy, we are optimistic to become a leading ASEAN pharmaceutical company.

**2018 HAS BEEN A REMARKABLE SUCCESS, AND IT ALL BOILS DOWN TO THE REMARKABLE TEAM THAT WE HAVE. TO EVERYONE, THANK YOU.**

**ACKNOWLEDGEMENTS**

Duopharma Biotech has made an excellent start in our first year as an independent organisation. For that, there are many parties to thank. I would like to acknowledge the government, and particularly the Ministry of Health, for its continued support of the pharmaceutical industry and its players; our strategic partners for their faith in our ability to create synergies with them; healthcare practitioners and our customers for giving us their vote of confidence in the efficacy of our products; our suppliers for enabling smooth production operations; and our shareholders for their invaluable support and trust in our ability to deliver.

Most of all, I would like to acknowledge the entire Duopharma Biotech family – from our Board of Directors to all our staff in our facilities and offices. We’ve taken a huge step in going independent, but with your collective contributions, we are proving extremely able in managing the challenges that come with the terrain. 2018 has been a remarkable success, and it all boils down to the remarkable team that we have. To everyone, thank you.

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

WHERE WE ARE TODAY
The top local generic drugs manufacturer in Malaysia, ranked number one pharma company in terms of volume

WHERE WE WANT TO BE

- Reach RM1 billion revenue and become a top 5 pharma company in ASEAN by 2023
- Further grow our market presence within the region
- Challenge our capabilities to go beyond generic pharma and into high-value niche areas within the healthcare sector
- Provide more accessible and affordable treatment options to our customers, improve healthcare management and compliance

HOW WE’RE GOING TO GET THERE

Grow our 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 product range for both Ethical and Consumer Healthcare products and to continue to produce quality products
- Our R&D strategy beyond 2018 is to build a stronger pipeline of innovative, first-in-market products through synergistic efforts from in-house and externally developed projects

Strategic investments in new niche areas within pharma and healthcare sector

- Duopharma Biotech will continue to look into strategic investment in high-technology dependent areas to foster growth

Explore M&A opportunities in Malaysia and around ASEAN

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

Expand our Biotherapeutics portfolio in areas such as biosimilars, regenerative medicine, 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

Digitalisation at operational level to increase production efficiencies and productivity

- Digital adaptation in the Quality Management System is integrating all data in a centralised system which will allow Duopharma Biotech to gain efficiencies and improve our compliance processes

Halal Pharma remains a key strategic focus 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

Strengthen our 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
Sustainability Statement

Duopharma Biotech is aware that stakeholders today are concerned not only with a company’s financial performance but also the manner in which the company carries out its business, and its contributions to social and environmental imperatives. These concerns mirror Duopharma Biotech’s own values, especially those of Integrity, Responsibility and Respect, which ensure our profits are generated through actions that also create value for the many lives that we touch.

We recognise the inherent value of operating in a sustainable manner, and believe that maintaining social and environmental integrity is as critical to our long-term sustainability as keeping an eye on our financial performance. The importance we place on sustainability is reflected in the extension of scope of our Board Risk Management Committee to include sustainability matters. The committee is now effectively known as our Risk Management and Sustainability Committee.

Underlining our commitment to social and environmental integrity, we engage with our stakeholders to understand their needs and expectations of Duopharma Biotech. Such engagement takes place in the natural course of running our business. However, in 2018, we made a conscious effort to undertake a materiality assessment to formalise the identification of issues that are important to Duopharma Biotech as well as to our internal and external stakeholders.

Through the assessment, a total of 20 material matters surfaced, which were prioritised based on their potential impact on our business success and their relevance to our stakeholders. These matters now serve to guide our sustainability programmes. For each matter, we will continually assess our performance, set targets where possible and monitor achievements made towards the attainment of our goals.

The 20 material matters are presented in the matrix below:

DUOPHARMA BIOTECH’S MATERIALITY MATRIX

For ease of reporting, we have categorised these 20 material matters into three broad areas that correspond to our economic, environmental and social (“EES”) commitments. These three categories are: Sustainability-Led Business Commitment, Planet Performance, and Our Workforce and Community.
SUSTAINABILITY-LED BUSINESS COMMITMENT

Initiatives under this category serve to enhance our business performance, and include focus areas such as ethics, compliance, business innovation, our product portfolio, manufacturing & supply chain management, procurement, our halal commitment, clinical studies & pharmacovigilance, and research & development (“R&D”).

During the year, we strengthened the culture of integrity at Duopharma Biotech by revising our Whistle-Blowing Policy and launching five new “Speak-Up-Pharma” channels through which stakeholders can report unethical behavior. On 27 March, our leadership and senior management also signed the Corruption Free Pledge introduced by the Malaysian Anti-Corruption Commission underlining zero tolerance for bribery or corruption.

Separately, we are making good progress in our halal journey. No less than 95.2% of our active products now carry halal certifications issued by Jabatan Kemajuan Islam Malaysia (“JAKIM”) and Lembaga Pengkajian Pangan, Obat-obatan, dan Kosmetika Majelis Ulama Indonesia (“LPPOM MUI”), while the remaining 4.8% are expected to be certified soon. Underlining our focus to become a halal pharmaceuticals market and thought leader, we instituted a Halal Committee on the Board to provide oversight and ensure proper governance as we collaborate with relevant agencies including JAKIM, SIRIM and the Halal Industry Development Corporation (“HDC”) to serve a wide spectrum of stakeholders in the halal value chain. We recognise that the public still have many questions regarding halal pharmaceuticals, hence we set up the halal4pharma.com portal containing comprehensive and comprehensible information on this increasingly important segment.

Our workforce and community

Duopharma Biotech’s social citizenry is defined by the way in which we seek to create a positive impact on our employees and the community at large.

Within the workplace, we nurture a supportive as well as stimulating environment in which our people are driven to high performance. We maintain a high level of employee satisfaction via a combination of engagement, training and development. Training is important, both for employees’ professional advancement as well as to ensure our organisational needs are met. In 2018, the total number of training hours as well as average hours of training per employee increased by 59.5% and 47.5% respectively compared to 2017.

We also achieved significant improvement in our safety performance in most parameters such as lost time injury (“LTI”), need for first aid or medical treatment, and near misses. We use total recordable case frequency (“TRCF”) as our main occupational health and safety (“OHS”) Indicator. In this parameter, too, we recorded an improvement with our TRCF falling from 1.85 cases per million man-hours in 2017 to 1.14, while the total recordable incidents dropped from seven to five. Better performance in 2018 was due to a review of all high-risk operations; the installation of controls to prevent injuries; and increased awareness via training and audits.

Our investment in employees and the care demonstrated in their safety and well-being, together with attractive remuneration packages and other efforts that demonstrate how much we value our employees, have contributed to Duopharma Biotech being one of the most preferred employers not just in Malaysia but Asia. We have won HR Asia’s Award for the Best Company to Work For in Asia for three consecutive years.
Sustainability Statement

In the community, we are most concerned about elevating overall levels of health and healthcare. We believe much can be done to educate the public about the importance of leading healthy lifestyles, and play our part through various initiatives. This year, we launched a new corporate social responsibility ("CSR") programme to raise medical students’ awareness of non-communicable diseases such as diabetes, cancer, heart and kidney disease, adding to their knowledge of the risk factors and inspiring them to adopt healthier lifestyles and serve as role models for other Malaysians.

PLANET PERFORMANCE

As a manufacturer, we have a duty to ensure our operations are minimally wasteful and leave as small a footprint on the environment as possible. Towards this end, we undertake various initiatives to manage our water and energy consumption as well as to dispose of our waste properly.

In 2018, we reduced our water consumption by 30% year-on-year via the installation of more efficient equipment, improved cleaning techniques and generally heightened awareness of the need to conserve water among our employees. Meanwhile, the chemical oxygen demand ("COD") of our effluent decreased substantially, by 85.1% year-on-year, following upgrades to our Industrial Effluent Treatment System ("IETS") and reinforced compliance capabilities.

We abide by all regulations regarding the disposal of scheduled waste and promote the 3Rs of recycling, reducing and re-using for the disposal of recyclable materials such as paper, metal, glass and plastic. Despite our initiatives, the volume of paper used during the year increased, but this was due to growth in production. Energy consumption also increased during the year, in line with expanded production, leading to higher GHG emissions.

In 2019, we aim to reduce our atmospheric CO2 equivalent emissions by 5% via reinforced initiatives and greater awareness among employees of the importance of better managing our energy efficiency.

GOING FORWARD

As a newly independent company, our sustainability journey is still relatively new, hence there is still much scope for improvement. Recognising this, we aim to keep improving our sustainability performance through the implementation of more systems and processes both to create greater efficiencies as well as to monitor various parameters. Our aim, eventually, is to fully embed our Sustainability Policy into our business strategy for truly integrated and enhanced performance.

Further details of our sustainability initiatives can be found in our standalone Duopharma Biotech Sustainability Report 2018 which is available on the Company’s website at http://duopharmabiotech.com/sustainability-report/

"OUR AIM, EVENTUALLY, IS TO FULLY EMBED OUR SUSTAINABILITY POLICY INTO OUR BUSINESS STRATEGY FOR TRULY INTEGRATED AND ENHANCED PERFORMANCE."