(Prepared for inclusion in this Prospectus)

KPMG (Firm No. AF 0758)
Chartered Accountants
Wisma KPMG
Jalan Dungun, Damansara Heights
50490 Kuala Lumpur, Malaysia

P.O. Box 10047
50702 Kuala Lumpur
Malaysia

Tel + (603) 2095 3388
Fax + (603) 2095 0971

The Board of Directors
Duopharma Biotech Bhd
No. 10A, Lebuh Gopeng
41400 Klang
Selangor Darul Ehsan

10 June 2002

Dear Sirs

Accountants' Report

This report has been prepared by Messrs. KPMG, an approved company auditor for the inclusion in the Prospectus to be dated 18 June 2002 in connection with:

i) the Public Issue of 7,500,000 new ordinary shares of RM1.00 each in Duopharma Biotech Bhd ("DBB"or "the Company") comprising:

   a) 4,000,000 new ordinary shares of RM1.00 each available for application at an issue price of RM2.10 per new ordinary share payable in full on application; and

   b) 3,500,000 new ordinary shares of RM1.00 each by way of private placement to identified investors at an issue price of RM2.10 per new ordinary share payable in full on application;

and

ii) the Offer for Sale of 5,050,000 ordinary shares of RM1.00 each in DBB by existing shareholder to the Bumiputera investor nominated and approved by the Ministry of International Trade and Industry ("MITI") and to the eligible Directors of DBB and its subsidiary ("DBB Group" or "the Group") at an offer price of RM2.10 per ordinary share payable in full on application;

and

iii) the listing of and quotation for the entire issued and paid-up share capital of DBB on the Second Board of the Kuala Lumpur Stock Exchange ("KLSE").

1 General Information

1.1 Background

DBB was incorporated in Malaysia as a public company on 23 August 2000. The principal activity of the Company is that of investment holding.

1.2 Share Capital

The authorised and issued and paid-up share capital of DBB as at the date of this report are as follows:

	No. of Ordinary Shares of RM1.00 each '000	*Total RM'000*
Authorised	100,000	100,000
Issued and fully paid	42,500	42,500

The details of the changes in the issued and fully paid-up share capital of DBB since its incorporation are as follows:

Date of allotment	*No. of Ordinary Shares*	*Par Value RM*	*Purpose*	*Total RM*
23.8.2000	2	1.00	Subscribers' shares	2
8.5.2002	31,396,460	1.00	Issued as consideration for the acquisition of the entire issued and paid-up share capital of Duopharma (M) Sendirian Berhad ("DMSB")	31,396,462
28.5.2002	11,103,538	1.00	Rights Issue on the basis of approximately 100 new ordinary shares for every existing 283 ordinary shares of RM1.00 each	42,500,000

The issued and fully paid-up share capital of DBB after the public issue of 7,500,000 new ordinary shares would be RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each.

KPMG

1.3 Restructuring Scheme

In connection with and as an integral part of the listing of and quotation for the entire issued and paid-up share capital of DBB on the Second Board of the KLSE, DBB has undertaken the following restructuring scheme which was completed on 8 May 2002 and 28 May 2002 respectively:

- Acquisition of 1,700,000 ordinary shares of RM1.00 each in DMSB, representing 100% of the issued and paid-up share capital of DMSB, for a purchase consideration of RM40,187,469 to be satisfied by an issuance of 31,396,460 new ordinary shares of RM1.00 each in DBB at an issue price of approximately RM1.28 per ordinary share credited as fully paid-up;

- Rights Issue of 11,103,538 new ordinary shares of RM1.00 each in DBB at an issue price of RM1.00 per ordinary share on the basis of approximately 100 new ordinary shares for every 283 ordinary shares of RM1.00 each; and

Subsequent to the Rights Issue, DBB will undertake an Offer for Sale of 5,050,000 ordinary shares of RM1.00 each in DBB by existing shareholder representing 10.1% of the enlarged issued and fully paid-up share capital of DBB to the Bumiputera investor nominated and approved by the MITI and to the eligible Directors of DBB Group at an offer price of RM2.10 per ordinary share.

In connection with the above, DBB will undertake a Public Issue of 7,500,000 new ordinary shares of RM1.00 each in DBB comprising:

i) 4,000,000 new ordinary shares of RM1.00 each available for application at an issue price of RM2.10 per new ordinary share payable in full on application; and

ii) 3,500,000 new ordinary shares of RM1.00 each by way of private placement to identified investors at an issue price of RM2.10 per new ordinary share payable in full on application.

The above scheme was approved by the Securities Commission ("SC") on 27 April 2001, 6 November 2001, 3 April 2002 and 30 April 2002.

1.4 Subsidiary

The subsidiary of DBB, which is incorporated in Malaysia, and its principal activities as at the date of this report are as follows:

		<-----*Share Capital*---->			
Name	*Date of Incorporation*	*Authorised RM*	*Paid-up RM*	*Interest %*	*Principal Activities*
DMSB	14.10.1978	4,000,000	1,700,000	100	Manufacturer, distributor, importer and exporter of pharmaceutical products and medicines

1.5 Financial Statements and Auditors

The financial year end of DBB and its subsidiary ("DBB Group" or "The Group") is 31 December. We have been the auditors of DBB since the date of its incorporation and acted as the auditors of DMSB since the financial year ended 31 December 1999. Prior to that, DMSB was audited by another firm of accountants.

DMSB has a subsidiary, Duopharma Limited ("DL"), a company incorporated in the Republic of Ireland with a IR£2 paid-up share capital equivalent to RM8. It was incorporated on 18 May 1993. The results of DL have not been consolidated with DMBS's financial statements as control of the said subsidiary was intended to be temporary. Hence, no consolidated financial statements were prepared. The name of the said subsidiary i.e. DL was not disclosed in DMSB's financial statements; neither was the investment in DL reflected in DMSB's balance sheet for the years 1995 to 2000.

For the purpose of preparation of the accountants' report, no adjustment has been made to consolidate the results of DL retrospectively as DL had filed for de-registration on 27 September 1999 and was formally de-registered on 16 June 2000. Had consolidation been effected, there would have been no impact on the results of the Group as:

i) the commission income received from DL for the year ended 1996 would have to be eliminated against the expenses in DL's financial statements; and

ii) the dividend received from DL for 1998 and the profit equal to the said dividend would have been consolidated and eliminated.

However, the revenue for 1998 for the combined group (if consolidated financial statements were prepared) would have increased by RM2.5 million.

The financial statements of DL for the year ended 31 December 1995 were audited by KPMG Ireland. As the company has been de-registered, there is no requirement to file subsequent financial statements.

The auditors' reports of the above companies for all relevant years are summarised as follows:

	Company	*Auditors' report*
(a)	DBB	The auditors' report was not subject to any qualification.
(b)	DMSB	The auditors' reports were not subject to any qualification.

KPMG

(c)	DL	The auditors' report for the period ended 31 December 1995 was qualified as there was a limitation of scope. The disclaimer arose as the auditors could not obtain independent confirmation that all transactions were recorded. This was because all the company's business activities were conducted and records maintained outside the Republic of Ireland and its financial control system is dependent on the close involvement of its foreign management (Malaysian). As the company has been de-registered, there is no requirement to file subsequent financial statements.

2 Financial Performance

We set out below the proforma consolidated results of DBB Group for the past five financial years ended 31 December 2001 after making such adjustments considered necessary assuming that the Group has been in existence throughout the years under review.

2.1 DBB Group – Proforma Consolidated Results

	<------------*Year ended 31 December*------------>				
	1997	*1998*	*1999*	*2000*	*2001*
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Revenue	24,119	32,791	48,300	52,139	56,157
Profit before depreciation and interest (as per audited financial statements)	5,173	10,203	14,022	17,814	18,402
Adjustment *	-	(2,552)	-	-	-
Profit before depreciation and interest (as restated)	5,173	7,651	14,022	17,814	18,402
Depreciation	(1,403)	(1,566)	(1,728)	(1,985)	(2,243)
Interest expense	(2,197)	(2,878)	(1,551)	(857)	(789)
Profit before taxation	1,573	3,207	10,743	14,972	15,370
Taxation **	(133)	(350)	-	(3,618)	(3,900)
Profit attributable to shareholders	1,440	2,857	10,743	11,354	11,470
No. of ordinary shares of RM1.00 each ('000)	31,396	31,396	31,396	31,396	31,396
Earnings per share (sen)					
- Gross	5.01	10.21	34.22	47.69	48.96
- Net	4.59	9.10	34.22	36.16	36.53

* *Adjustment to exclude the income from DL. Please refer to 2.2.3 for details.*

** *Taxation has been adjusted for under/(over) provision in the respective years. Please refer to 2.2.4 for details.*

KPMG

Commentary :

1. The Proforma Group revenue for the five financial years ended 31 December 2001 had been on an upward trend generally as a result of the continuous expansion programme undertaken by DMSB. Revenue had increased significantly for the financial years ended 31 December 1998 to 2000 mainly due to a sales contract with Remedi Pharmaceuticals (M) Sdn. Bhd. ("Remedi") for the supply of pharmaceutical products and medicines to Government hospitals via Remedi for three years from 1998. Remedi holds the exclusive rights to supply to the Ministry of Health ("MOH") via a concession agreement which was novated by United Engineers (Malaysia) Berhad ("UEM") to Remedi. Two new contracts with Remedi were drawn to supply for another three years from 2001.

2. The Proforma Group profit before taxation increased in line with the growth in revenue for the five financial years ended 31 December 2001. The increase from 1998 to 2000 was due to the sales contract as stated in (1) above. Furthermore, the upward price revision in the new contract contributed positively towards the gross margin. This was allowed as the MOH recognised that the increase in price will better reflect the actual cost of production in the private sector. Additionally, the cost of imported raw materials had increased due to the financial crisis in the region which resulted in adverse movements in foreign exchange during 1997 and 1998. The increase in operating cost was minimal compared to revenue as economies of scale were achieved.

3. Proforma Group profit after taxation for the financial year ended 31 December 1999 increased mainly due to the increase in profit from Remedi's contract as well as the tax waiver year in 1999. For the financial years ended 31 December 2000 and 31 December 2001, the effective taxation rate were approximately 24.2% and 25.4% respectively due to the availability of reinvestment allowances.

KPMG

2.2 Notes to the Proforma Consolidated Results

2.2.1 Basis of Accounting

The proforma consolidated results of DBB Group for the past five financial years ended 31 December 2001 have been prepared in compliance with applicable approved accounting standards in Malaysia.

2.2.2 Basis of Consolidation

The proforma consolidated results of DBB Group for the past five financial years ended 31 December 2001 have been prepared for illustrative purposes only and are based on the audited financial statements of DBB and its subsidiary after making such adjustments considered necessary and assuming that the Group has been in existence throughout the years under review.

2.2.3 Prior Year Restatement

In preparing the summarised Group consolidated results, the income from DMSB's subsidiary, DL has been excluded retrospectively so that the results of DBB Group are comparable as DL had filed for de-registration on 27 September 1999 and was formally de-registered on 16 June 2000.

Effect on the summarised Group consolidated results:

	<------------Year ended 31 December------------>				
	1997	*1998*	*1999*	*2000*	*2001*
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Profit before taxation					
Per audited financial statements	1,573	5,759	10,743	14,972	15,370
Adjustments	-	(2,552)	-	-	-
Restated	1,573	3,207	10,743	14,972	15,370

The adjustment for RM2,552,000 in 1998 refers to overseas dividend received from DL.

KPMG

2.2.4 Taxation

In preparing this report, it is necessary to adjust the under/over provision of taxation to the rightful year of incurrence so that the effective tax rates are comparable.

Effect on the summarised Group consolidated results:

	<-----------*Year ended 31 December*------------->				
	1997	*1998*	*1999*	*2000*	*2001*
Effect of taxation	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Income tax					
Per audited financial statements	133	250	-	4,180	3,650
Adjustments	-	100	-	(562)	-
	133	350	-	3,618	3,650
Deferred taxation					
Per audited financial statements	-	-	-	-	250
Adjustments	-	-	-	-	-
	-	-	-	-	250
Restated	133	350	-	3,618	3,900
Effective tax rate	8.5%	10.9%	-	24.2%	25.4%

2.2.5 Earnings per share

Gross earnings per share has been calculated based on profit before taxation and net earnings per share has been calculated based on profit attributable to shareholders of DBB, both over the number of shares in issue of 31,396,460 ordinary shares of RM1.00 each.

2.2.6 Dividend

The subsidiary i.e. DMSB have declared and/or paid dividends for the financial years ended 1997, 1999, 2000 and 2001 as referred to in Note 4.2.

KPMG

3 Financial Performance

3.1 DBB

The following financial statements of DBB are based on the audited financial statements of DBB for the period ended 31 December 2001.

3.1.1 Summary of results

	Period ended 31 December 2001
	RM'000
Loss for the year *	66

** Since its date of incorporation on 23 August 2000.*

3.1.2 Summarised balance sheet

	As at 31 December 2001
	RM'000
Current assets	- **
Current liabilities	66
Net current liabilities	(66)
	(66)
Financed by:	
Share capital	- **
Accumulated loss	(66)
Deficit in shareholders' funds	(66)

*** Issued and paid-up share capital represents 2 ordinary shares of RM1.00 each and current assets consists of cash in hand of RM2.00.*

3.2 DMSB

The following information is based on the audited financial statements of DMSB for the past five financial years ended 31 December 2001.

3.2.1 Summary of Results

	<------------*Year ended 31 December*------------>				
	1997	*1998*	*1999*	*2000*	*2001*
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Revenue	24,119	32,791	48,300	52,139	56,157
Profit before depreciation and interest	5,173	7,651	14,022	17,814	18,468
Depreciation	(1,403)	(1,566)	(1,728)	(1,985)	(2,243)
Interest expense	(2,197)	(2,878)	(1,551)	(857)	(789)
Exceptional item	-	2,552	-	-	-
Profit before taxation	1,573	5,759	10,743	14,972	15,436
Taxation	(184)	55	(100)	(3,980)	(3,338)
Profit after taxation	1,389	5,814	10,643	10,992	12,098
No. of ordinary shares of RM1.00 each ('000)	1,700	1,700	1,700	1,700	1,700
Gross earnings per share (RM)	0.93	3.39	6.32	8.81	9.08
Net earnings per share (RM)	0.82	3.42	6.26	6.47	7.12

KPMG

Commentary :

1. There were no extraordinary items during the period under review.

2. In 1999, no provision for taxation was made in view of the tax waiver year pursuant to the Income Tax (Amendment) Act, 1999.

3. The increase in revenue and profit before taxation for the years ended 31 December 1998 to 2001 was primarily due to a sales contract with Remedi. Remedi holds the exclusive rights to supply to the MOH via a concession agreement which was novated by UEM to Remedi. The contract to supply to Government hospitals via Remedi amounted to RM54 million over 3 years from 1 January 1998 to 31 December 2000. Two new contracts with Remedi were drawn to supply for another 3 years from 2001 amounting to approximately RM90 million.

4. The net earnings per share (EPS) is calculated based on the profit after taxation over the number of shares issued of 1,700,000 ordinary shares of RM1.00 each.

5. The exceptional item in 1998 relates to dividend received from a subsidiary, DL, a company incorporated in Ireland. No adjustment has been made to consolidate the results retrospectively as DL has filed for de-registration on 27 September 1999 and was formally de-registered on 16 June 2000.

KPMG

3.2.2 Summarised Balance Sheets

	<---As at 31 December				--->
	1997	*1998*	*1999*	*2000*	*2001*
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Property, plant and equipment	19,206	19,729	25,953	26,056	29,960
Current assets	15,261	18,794	25,175	29,706	36,133
Current liabilities	20,198	18,581	21,131	16,632	12,833
Net current (liabilities) /assets	(4,937)	213	4,044	13,074	23,300
	14,269	19,942	29,997	39,130	53,260
Financed by:					
Share capital	1,700	1,700	1,700	1,700	1,700
Reserves	7,706	13,520	24,671	33,215	45,313
Shareholders' funds	9,406	15,220	26,371	34,915	47,013
Deferred & long term liabilities	4,863	4,722	3,626	4,215	6,247
	14,269	19,942	29,997	39,130	53,260
Net Tangible Assets ("NTA")* (RM'000)	9,406	15,220	26,371	34,898	46,988
NTA per ordinary share (RM)	5.53	8.95	15.51	20.53	27.64

** NTA for 2000 and 2001 have been adjusted to exclude development expenses capitalised of RM17,000 and RM25,000 respectively.*

KPMG

4 Dividends

4.1 DBB

DBB has not declared or paid any dividend since its incorporation on 23 August 2000.

4.2 Subsidiary

Details of dividends declared by the subsidiary i.e. DMSB during the financial years under review are as follows:

Year ended 31 December		*Issued and fully paid-up share capital RM'000*	*Gross dividend rate %*	*Tax rate %*	*Net dividend RM'000*
1997	- final	1,700	36.00	Tax exempt	612
1999	- interim	1,700	100.00	Tax exempt	1,700
	- final	1,700	235.30	Tax exempt	4,000
2000	- interim	1,700	100.00	28	1,224
	- final	1,700	100.00	28	1,224
2001	- final	1,700	400.00	Tax exempt	6,800

KPMG

5 Statement of Assets and Liabilities

The statement of assets and liabilities of DBB and the Proforma Group are based on the audited financial statements of DBB and DMSB as at 31 December 2001 and on the assumption that the restructuring scheme of DBB Group as stated in Section 1.3 had been effected on 31 December 2001 and are prepared for illustration purposes and should be read in conjunction with the notes thereon.

		As at 31 December 2001	
	Note	*Company Balance Sheet RM'000*	*Proforma Group Balance Sheet RM'000*
Property, plant and equipment	5.2	-	38,360
Current assets			
Inventories	5.3	-	11,420
Trade and other receivables	5.4	-	17,746
Cash and cash equivalents	5.5	-*	9,646
		-*	38,812
Current liabilities			
Trade and other payables	5.6	66	2,056
Borrowings	5.7	-	3
Taxation		-	2,818
Proposed dividends	5.8	-	6,800
		66	11,677
Net current (liabilities)/assets		(66)	27,135
		(66)	65,495
Financed by:			
Capital and reserves			
Share capital	5.9	- *	50,000
Accumulated loss		(66)	(66)
Share premium	5.10	-	15,041
(Deficit)/Surplus in Shareholders' funds		(66)	64,975
Deferred liability			
Deferred taxation	5.11	-	520
		(66)	65,495

* *Issued and paid-up share capital represents 2 ordinary shares of RM1.00 each and current assets of cash in hand amounting to RM2.00.*

KPMG

5.1 Notes to the Statement of Assets and Liabilities

5.1.1 Summary of Significant Accounting Policies

The following accounting policies are adopted by the Group and the Company and are consistent with those adopted in previous years.

5.1.2 Basis of Accounting

The financial statements of the Group and of the Company are prepared in compliance with applicable approved accounting standards in Malaysia.

5.1.3 Basis of Consolidation

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

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

5.1.4 Property, Plant and Equipment

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

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an item of property, plant and equipment exceeds its recoverable amount. In determining the recoverable amount of property, plant and equipment, expected future cash flows are discounted to their present values. The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to equity. Any subsequent increase in recoverable amount is reduced by the amount that would have been recognised as depreciation had the write-down or write-off not occurred. Such subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset, in which case it is taken to equity.

KPMG

5.1.5 *Depreciation*

Freehold land and building under construction are stated at cost and not depreciated. Other property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation is provided on a straight line basis so as to write off the cost of the assets over their estimated useful lives at the following principal annual rates:

Buildings	2%
Plant and machinery	10% - 20%
Office equipment	10%
Furniture and fittings	5% - 10%
Motor vehicles	25%
Renovations	10%

5.1.6 *Trade Receivables*

Known bad debts are written off and allowances are made for debts considered doubtful based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

5.1.7 *Inventories*

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

5.1.8 *Cash and Cash Equivalents*

Cash and cash equivalents consist of cash on hand and bank balances. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts.

5.1.9 *Taxation*

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

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

5.1.10 Foreign Currency Transactions

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

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

1USD	RM3.800
1EURO	RM3.400
1SGD	RM2.100

5.1.11 Revenue Recognition

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

5.1.12 Financing Costs

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

5.1.13 Research and Development Expenditure

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

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

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

KPMG

5.2 Property, Plant and Equipment

	Proforma Group			
	At 1.1.01 RM'000	*Addition RM'000*	*Disposal RM'000*	*At 31.12.01 RM'000*
Cost/Valuation				
Freehold land	9,395	-	(620)	8,775
Buildings	8,210	-	(315)	7,895
Plant and machinery	15,111	1,933	(60)	16,984
Office equipment	502	33	-	535
Furniture and fittings	490	5	-	495
Motor vehicles	1,489	130	(22)	1,597
Renovations	257	-	-	257
Buildings under construction	431	4,968	-	5,399
	35,885	7,069	(1,017)	41,937
Accumulated Depreciation				
Freehold land	-	-	-	-
Buildings	154	164	(13)	305
Plant and machinery	7,990	1,711	(60)	9,641
Office equipment	331	39	-	370
Furniture and fittings	294	30	-	324
Motor vehicles	925	274	(22)	1,177
Renovations	135	25	-	160
Buildings under construction	-	-	-	-
	9,829	2,243	(95)	11,977

	Net book value *31.12.01 RM'000*
Freehold land	8,775
Buildings	7,590
Plant and machinery	7,343
Office equipment	165
Furniture and fittings	171
Motor vehicles	420
Renovations	97
Buildings under construction	5,399
	29,960
Proposed construction of 4 storey factory	2,200
Proposed acquisition of plant and machinery	6,200
	38,360

Revaluation

Freehold land and buildings at net book value of RM11,396,623 was revalued by the Directors in May 2000 based on a valuation carried out by an independent professional valuer using the open market basis. The revaluation was carried out as part of the Group's corporate exercise and was not intended to effect a change in the accounting policy to one of revaluation of properties. Surpluses from the revaluation were credited to the revaluation reserve.

During the year, the subsidiary disposed of a parcel of freehold land and building. The revaluation surplus in respect of the parcel is realised and transferred to retained profits.

Deferred taxation on revaluation of freehold land and building of RM265,000 is not provided for in the financial statements as it is not the intention of the Directors to dispose these properties.

Had the land and building been carried at historical cost less accumulated depreciation, the carrying amount of the revalued assets that would have been included in the financial statements at the end of the year is as follows:

	Proforma Group RM'000
Freehold land	4,606
Buildings	6,484
	11,090

Security

All freehold land and buildings are charged to banks as security for borrowings.

5.3 Inventories

	Proforma Group RM'000
Raw materials	6,902
Work-in-progress	162
Packaging	537
Manufactured inventories	3,819
	11,420

5.4 Trade and Other Receivables

	Proforma Group RM'000
Trade receivables	16,608
Less: Allowance for doubtful debts	(1,986)
	14,622
Other receivables, deposits and prepayments	3,124
	17,746

i) Included in trade receivables is an amount of RM1,482,742 due from a company in which a Director has interest.

ii) Included in other receivables, deposits and prepayments is an amount of RM2,662,140 being deposits paid for the purchase of plant and machinery and building under construction amounting to RM2,034,000 and RM628,140 respectively.

5.5 Cash and Cash Equivalents

	Company	*Proforma Group*	
	RM'000	*RM'000*	*RM'000*
Deposits placed with licensed banks	-		4,000
Cash and bank balances	-*		2,179
	-*		6,179
Proceeds from Right Issue	-		11,104
Proceeds from Public Issue	-		15,750
	-*		33,033
Utilisation of proceeds:			
Construction of 4 storey factory**	-	(2,200)	
Purchase of plant and machinery**	-	(6,200)	
Repayment of bank borrowings	-	(13,750)	
Estimated listing expenses	-	(1,237)	(23,387)
	-*		9,646

* This represents cash and bank balances of RM2.00.

**As at 5 June 2002, bank borrowings of RM3,000,000 have been further drawndown to pay for construction of 4 storey factory and purchase of plant and machinery amounting to RM600,000 and RM2,400,000 respectively. Part of the proceeds from the share issue will be utilised to repay the additional bank borrowings which have been drawndown after 31 December 2001. (Please refer to note 5.7)

KPMG

5.6 Trade and Other Payables

	Company *RM'000*	*Proforma Group* *RM'000*
Trade payables	-	9
Other payables and accruals	66	2,047
	66	2,056

Included in other payables and accruals is an amount of RM146,214 due to Directors. The amount is unsecured, interest free and has no fixed term of repayment.

5.7 Borrowings

	Proforma Group *RM'000*
Bank overdraft – secured	376
Bills payable – secured	4,510
Term loans – secured	8,867
	13,753
Repayment of borrowings from proceeds of Rights Issue and Public Issue	(13,750)
	3

As at 5 June 2002, bank borrowings of RM3,000,000 have been further drawndown to pay for construction of 4 storey factory and purchase of plant and machinery. Part of the proceeds from the share issue will be utilised to repay the additional bank borrowings which had been drawndown after 31 December 2001. (Please refer to note 5.5)

Financing rate

The bills payable bear interest at rates ranging from 3.4% to 3.8% per annum. The overdrafts and term loans of the subsidiary are subject to interest at rates ranging from 1.0% to 1.5% per annum above the prevailing lender's base lending rates.

Security

The bank borrowings are secured by:

i) Registered charges on properties belonging to the subsidiary, certain Directors of the Company and a company in which certain Directors have controlling interest;

ii) Debentures incorporating first, second, third and fourth fixed and floating charges over all the assets of the subsidiary, both present and future; and

iii) Joint and several guarantees of certain Directors of the Company.

KPMG

5.8 Proposed Dividends

The final dividends recommended by the Directors of the subsidiary, DMSB to the existing shareholders of DMSB in respect of the year ended 31 December 2001 is 400% tax exempt totaling RM6,800,000.

5.9 Share Capital

	Company RM'000	*Proforma Group RM'000*
Ordinary shares of RM1.00 each:		
Authorised	100,000	100,000
Issued and Paid-up		
• Balance as at 31 December 2001	***	***
• 31,396,460 new ordinary shares at an issue price of approximately RM1.28 per ordinary share issued for the acquisition of DMSB's entire issued and paid-up share capital	-	31,396
• Rights Issue of 11,103,538 new ordinary shares at an issue price of RM1.00 per ordinary share	-	11,104
• Public Issue of 7,500,000 new ordinary shares at an issue price of RM2.10 per ordinary share	-	7,500
	***	50,000

*** *This represents 2 ordinary shares of RM1.00 each.*

5.10 Share Premium

	Proforma Group RM'000
• 31,396,460 new ordinary shares at an issue price of approximately RM1.28 per ordinary share issued for the acquisition of DMSB's entire issued and paid-up share capital	8,791
• Rights Issue of 11,103,538 new ordinary shares at an issue price of RM1.00 per ordinary share	-
• Public Issue of 7,500,000 new ordinary shares at an issue price of RM2.10 per ordinary share	8,250
	17,041
Less: Estimated listing expenses	(2,000)
	15,041

KPMG

5.11 Deferred Taxation

	Proforma Group RM'000
Balance as at 1 January 2001	270
Transfer from income statement	250
Balance as at 31 December 2001	520

5.12 Capital Commitment

	Proforma Group RM'000
Approved and contracted for	8,268
Approved and not contracted for	1,206

KPMG

5.13 Consolidated Cash Flow Statement

The proforma consolidated cash flow statements of DBB Group, prepared for illustration purposes is based on the audited financial statements of DBB and DMSB for the year ended 31 December 2001 and on the assumption that the Group has been in existence throughout the year.

	Group *RM'000*	*Company* *RM'000*
Cash flows from operating activities		
Profit before taxation	15,370	(66)
Adjustments for:		
Depreciation	2,243	-
Interest expense	789	-
Gain on disposal of property, plant and equipment	(104)	-
Operating profit before working capital changes	18,298	(66)
Changes in working capital:		
Inventories	(3,077)	-
Trade and other receivables	2,622	-
Trade and other payables	118	66
Cash generated from operations	17,961	-
Interest paid	(235)	-
Income taxes paid	(4,241)	-
Net cash generated from operating activities	13,485	-
Cash flows from investing activities		
Purchase of property, plant and equipment	(15,469)	-
Proceeds from disposal of property, plant and equipment	1,027	-
Net cash used in investing activities	(14,442)	-

	Group RM'000	*Company RM'000*
Cash flows from financing activities		
Repayment of borrowings	(9,908)	-
Interest paid	(554)	-
Proceeds from term loans	4,853	-
Dividends paid to shareholders of the subsidiary	(1,224)	-
Proceeds from Rights Issue and Public Issue	26,854	-
Payment of listing expenses	(2,000)	-
Net cash generated from financing activities	18,021	-
Net increase in cash and cash equivalents	17,064	-
Cash and cash equivalents at beginning of the year	(7,418)	-
Cash and cash equivalents at end of the year	9,646	-

Notes to Proforma Consolidated Cash Flow Statements

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

	Group RM'000	*Company RM'000*
Cash and bank balances	2,179	-
Fixed deposits with licensed banks	4,000	-
	6,179	-
Proceeds from Rights Issue and Public Issue (Note 5.5)	26,854	-
	33,033	-
Utilisation of proceeds (Note 5.5)	(23,387)	-
	9,646	-

KPMG

5.14 Proforma Net Tangible Asset Cover

Based on the statement of assets and liabilities of the proforma DBB Group as at 31 December 2001, the net tangible assets ("NTA") cover per share is calculated as follows:

	Proforma Group
NTA per statement of assets and liabilities of the proforma DBB Group as at 31 December 2001 (RM'000)*	64,950
Number of ordinary shares of RM1.00 each assumed in issue ('000)	50,000
NTA cover per share of RM1.00 each (RM)	1.30

* *NTA has been adjusted to exclude development expenses capitalised of RM25,000.*

5.15 Events Subsequent to Balance Sheet Date of 31 December 2001

Based on the audited financial statements for the year ended 31 December 2001 and other than the restructuring scheme as stated in Note 1.3, no events have arisen subsequent to the balance sheet date which requires disclosure in this report.

5.16 Audited Financial Statements

No audited financial statements of DBB have been prepared in respect of any period subsequent to 31 December 2001.

Yours faithfully

KPMG

KPMG
Firm Number: AF 0758
Chartered Accountants

Lim Hun Soon @ David Lim
Partner
Approval Number: 1514/5/04 (J)

(Prepared for inclusion in this Prospectus)

DUO PHARMA Quality Above All	**DUOPHARMA BIOTECH BHD** (Company No: 524271-W)	DUOPHARMA BUILDING, P.O. BOX 31, 41700 KLANG, SELANGOR, MALAYSIA. TEL: (03) 33232759 (5 LINES) FAX: (03) 33233923, 33231566 E-MAIL: duofarma@tm.net.my

Registered Office:
No. 10A, Lebuh Gopeng
41400 Klang
Selangor Darul Ehsan

5 June 2002

The Shareholders
DUOPHARMA BIOTECH BHD

Dear Sir/Madam,

On behalf of the Board of Directors of Duopharma Biotech Bhd ("DBB"), we report after due enquiry that during the period from 31 December 2001 (being the date to which the last audited financial statements of DBB and its subsidiary ("DBB Group") have been made up) to 5 June 2002 (being a date not earlier than fourteen (14) days before the issue of this Prospectus):

(a) the business of the DBB Group has, in the opinion of the Board of Directors of DBB, been satisfactorily maintained;

(b) in the opinion of the Board of Directors, no circumstances have arisen subsequent to the last audited financial statements of the DBB Group which have materially and adversely affected the trading or the value of the assets of the DBB Group;

(c) the current assets of the DBB Group appear in the books at values which are believed to be realisable in the ordinary course of business;

(d) save as disclosed in this Prospectus, there are no contingent liabilities which have arisen by reason of any guarantees or indemnities given by the DBB Group; and

(e) save as disclosed in this Prospectus, there have been no changes in the published reserves or any unusual factors affecting the profit of the DBB Group since the last audited financial statements.

Yours faithfully,
For and on behalf of the Board of Directors
of **DUOPHARMA BIOTECH BHD**

Chia Ting Poh @ Cheah Ting Poh
Managing Director

Ang Bee Lian
Executive Director