



DUOPHARMA

DUOPHARMA BIOTECH BERHAD

Registration No: 200001021664 (524271-W)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 31/12/2022 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/12/2021 RM'000	CURRENT YEAR TO DATE 31/12/2022 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/12/2021 RM'000
Revenue	151,960	145,444	696,717	639,175
Cost of Sales	(89,248)	(87,031)	(416,899)	(385,191)
Gross Profit	62,712	58,413	279,818	253,984
Other operating income	46	15	81	1,591
Distribution costs	(25,663)	(21,836)	(106,909)	(94,650)
Administration expenses	(21,358)	(18,876)	(79,185)	(71,236)
Other operating expenses	790	(94)	(895)	(930)
Profit from operations	16,527	17,622	92,910	88,759
Finance income	606	300	1,521	1,196
Finance costs	(1,786)	(795)	(9,580)	(6,972)
Profit before taxation	15,347	17,127	84,851	82,983
Taxation	1,814	(1,411)	(14,739)	(17,300)
Profit after tax for the period	17,161	15,716	70,112	65,683
Other comprehensive income				
Fair value of available-for-sale financial assets	(5,864)	(4,126)	(31,385)	(40,781)
Foreign currency translation differences for foreign operations	(57)	76	694	240
Total other comprehensive income for the period	11,240	11,666	39,421	25,142
Profit attributable to:				
Shareholders of the Company	17,161	15,716	70,112	65,683
Minority interest	-	-	-	-
	17,161	15,716	70,112	65,683
Total comprehensive income attributable to:				
Shareholders of the Company	11,240	11,666	39,421	25,142
Minority interest	-	-	-	-
	11,240	11,666	39,421	25,142
Earnings per share (sen)				
Basic (based on weighted average)	1.80	1.67	7.39	7.08
Diluted (based on weighted average)	1.80	1.67	7.39	7.08

(The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial statements.)



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022**

	AS AT 31/12/2022 RM'000	AS AT 31/12/2021 RM'000
ASSETS		
Property, Plant and Equipment	579,919	542,525
Investment property	1,050	1,050
Intangible assets	43,980	39,524
Other investments	42,151	73,536
Deferred Tax Assets	13,701	12,700
Total non-current assets	<u>680,801</u>	<u>669,335</u>
Inventories	235,179	222,192
Current Tax Assets	3,213	2,922
Trade & Other Receivables	142,114	131,702
Cash & Cash Equivalents	157,637	137,980
Total current assets	<u>538,143</u>	<u>494,796</u>
Total Assets	<u><u>1,218,944</u></u>	<u><u>1,164,131</u></u>
EQUITY		
Share Capital	419,367	405,856
Reserves	(52,515)	(21,824)
Retained earnings	288,370	239,972
Total Equity	<u>655,222</u>	<u>624,004</u>
LIABILITIES		
Borrowings	294,601	297,797
Trade & Other Payables	1,798	2,478
Deferred Tax Liability	5,952	9,543
Total non-current liabilities	<u>302,351</u>	<u>309,818</u>
Borrowings	134,141	102,925
Trade & Other Payables	126,061	121,326
Current Tax Liabilities	1,169	6,058
Total current liabilities	<u>261,371</u>	<u>230,309</u>
Total Liabilities	<u><u>563,722</u></u>	<u><u>540,127</u></u>
Total Equity & Liabilities	<u><u>1,218,944</u></u>	<u><u>1,164,131</u></u>
	-	-
Net assets per share (RM)	0.69	0.66

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial statements.)



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

Group	<----- Non-distributable ----->			Distributable	Total RM '000
	Share Capital RM '000	Translation Reserve RM '000	Fair value Reserve RM '000	Retained Profit RM '000	
At 1 January 2022	405,856	117	(21,941)	239,972	624,004
Foreign currency translation differences for foreign operations	-	694	-	-	694
Net change in fair value of equity instrument designated at FVOCI	-	-	(31,385)	-	(31,385)
Profit for the year	-	-	-	70,112	70,112
Profit and total comprehensive income for the year	-	694	(31,385)	70,112	39,421
Issuance of 10,474,002 new shares pursuant to Dividend Reinvestment Plan	13,511	-	-	-	13,511
2021 Second Interim Dividend (1.8 sen)	-	-	-	(16,952)	(16,952)
2022 First Interim Dividend (0.5 sen)	-	-	-	(4,762)	(4,762)
At 31 December 2022	419,367	811	(53,326)	288,370	655,222



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

Group	<----- Non-distributable ----->			Distributable	
	Share Capital RM '000	Translation Reserve RM '000	Fair value Reserve RM '000	Retained Profit RM '000	Total RM '000
At 1 January 2021	404,922	(123)	18,840	220,182	643,821
Foreign currency translation differences for foreign operations		240			240
Net change in fair value of equity instrument designated at FVOCI			(40,781)		(40,781)
Profit for the year				65,683	65,683
Profit and total comprehensive income for the year	-	240	(40,781)	65,683	25,142
Issuance of 303,275 new shares pursuant to Dividend Reinvestment Plan	934	-	-	-	934
2020 Second Interim Dividend (6.0 sen)	-	-	-	(42,362)	(42,362)
2021 First Interim Dividend (0.5 sen)	-	-	-	(3,531)	(3,531)
At 31 December 2021	405,856	117	(21,941)	239,972	624,004

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial statements.)



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**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

	31 December 2022	31 December 2021
	RM '000	RM '000
Cash flows from operating activities		
Profit before taxation	84,851	82,983
Adjustments for:		
Depreciation of property, plant and equipment	33,324	29,583
Amortisation of intangible asset	2,799	2,372
Finance income from		
- Cash and cash equivalents	(1,521)	(1,196)
Impairment of inventories	40,424	7,504
Write off on property, plant and equipment	-	46
Loss on disposal of property, plant and equipment	-	7
Finance costs	9,580	6,972
Net impairment (gain)/loss on trade receivables	(490)	102
Net unrealised foreign exchange loss	605	365
Gain from lease modifications	-	(25)
Change in fair value of investment properties	-	50
<i>Operating profit before changes in working capital</i>	<u>169,572</u>	<u>128,763</u>
Change in inventories	(53,410)	(78,430)
Change in receivables, deposits and prepayments	(9,841)	(4,144)
Change in payables and accruals	4,529	20,644
<i>Cash generated from operations</i>	<u>110,850</u>	<u>66,833</u>
Finance costs paid	(16,535)	(11,968)
Net Income tax paid	(24,512)	(11,661)
Net cash from operating activities	<u>69,803</u>	<u>43,204</u>
Cash flows from investing activities		
Increase in of other investment	-	(2,070)
Acquisition of property, plant and equipment	(65,145)	(109,362)
Proceed from disposal of property, plant and equipment	-	21
Acquisition of intangible assets	(5,400)	(5,644)
Interest received from		
- Cash and cash equivalents	1,521	1,196
Net cash used in investing activities	<u>(69,024)</u>	<u>(115,859)</u>
Cash flows from financing activities		
Drawdown of borrowings	85,667	186,784
Repayment of borrowings	(58,550)	(88,682)
Dividends paid to shareholders of the Company	(8,202)	(44,959)
Payment of lease liabilities	(731)	(777)
Net cash from financing activities	<u>18,184</u>	<u>52,366</u>
Net increase/(decrease) in cash and cash equivalents	18,963	(20,289)
Exchange differences on translation of financial statement of foreign operations	694	240
Cash and cash equivalents at 1 January	137,980	158,029
Cash and cash equivalents as at 31 December	<u><u>157,637</u></u>	<u><u>137,980</u></u>
	-	-
(I) Cash and cash equivalents comprise:		
	RM '000	RM '000
Deposits placed with licensed banks	11,861	8,846
Cash and bank balances	67,237	97,635
Highly liquid investment with financial institutions	78,539	31,499
	<u>157,637</u>	<u>137,980</u>

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial statements.)



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Quarterly Report On Results For The Year Ended 31 December 2022 NOTES TO INTERIM FINANCIAL REPORT

A1 Accounting Policies and Method of Computation

The interim financial statements are unaudited and have been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad, MFRS 134: *Interim Financial Reporting* and with IAS 34, *Interim Financial Reporting*.

These interim financial statements should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2021 and the explanatory notes attached to the interim financial statements.

The following MFRSs and Amendments to MFRSs applicable to the Group have been adopted with effect from 1 January 2022 :

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 April 2021

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2024

- Amendment to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
- Amendment to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The initial application of the above pronouncements did not have any material impact to the consolidated financial statements of the Group.

A2 Audit Report

The audited report of the Company's preceding annual financial statements was not qualified.

A3 Seasonal or Cyclical Factors

The Group's sales typically peak in the first three quarters of the calendar year with higher demand in the public health sector and will gradually taper off in the final quarter of the calendar year.

A4 Exceptional/Extraordinary Items

There were no exceptional/extraordinary items for the financial period under review.

A5 Changes in Estimates

There was no change in estimates that have a material effect in the current quarter results.

A6 Debts and Equity Securities

There were no issuance and/or repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares in the current financial period.

A7 Dividend Paid

No dividend was paid during the current quarter. (2021: Nil)

A8 Segment Information

	Quarter Ended		Year To Date	
	31/12/2022		31/12/2022	
	RM ' 000		RM ' 000	
Sales by operating sector :-	Sales	Gross Profit	Sales	Gross Profit
Local	141,862	59,794	654,891	265,661
Export	10,098	2,918	41,826	14,157
	151,960	62,712	696,717	279,818

A9 Post Balance Sheet Events

There are no material events after the period ended up to 16 February 2023 (latest practicable date which is not earlier than 7 days from the date of issuance of this quarterly report) that have not been reflected in the financial statements for the financial year ended 31 December 2022.

A10 Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter.

ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS

B1 Review of Performance

	Year To Date (31/12/22) RM'000	Year To Date (31/12/21) RM'000	Variance	
			RM'000	%
Revenue	696,717	639,175	57,542	9.00
Profit before tax (PBT)	84,851	82,983	1,868	2.25
Profit after tax (PAT)	70,112	65,683	4,429	6.74

The Group recorded a revenue and PBT of RM696.72 million and RM84.85 million respectively for current year ended 31 December 2022 as compared to RM639.18 million and RM82.98 million in last year. The Group's revenue has improved as compared to prior year, underpinned by higher sales to the prescription pharmaceutical market and public health sector during current year. Despite achieving highest revenue in its history, the Group's PBT increased only marginally as compared to prior year mainly due to once off impairment of inventories incurred during the year.

B2 Comparison with the Preceding Quarter's Results

	Qtr 4 2022 (31/12/22) RM'000	Qtr 3 2022 (30/9/22) RM'000	Variance	
			RM'000	%
Revenue	151,960	177,074	(25,114)	(14.18)
Profit before tax (PBT)	15,347	21,385	(6,038)	(28.23)
Profit after tax (PAT)	17,161	16,349	812	4.97

The Group has recorded a revenue of RM151.96 million for current quarter ended 31 December 2022 which is lower as compared to RM177.07 million in the preceding quarter mainly due to lower demand from private ethical sector and public health sector as sales gradually tapered off in the final quarter of the calendar year. Lower sales during the current quarter has resulted in lower Group's PBT as compared to the preceding quarter.

B3 Prospects for the next Financial Year

According to the Bank Negara Malaysia's ("BNM") recently published Economic and Financial Developments in Malaysia in the Fourth Quarter of 2022, the Malaysia's economy in the fourth quarter of 2022 has expanded 7% from the previous year and the overall Gross Domestic Product (GDP) in 2022 was 8.7% higher than in 2021, backed by continued growth in private investment and consumption which was mainly driven by improved labour market conditions.

Despite a softening world economic growth and trade activities, the Malaysia's economy is projected to grow between 4% and 5% in 2023, supported by steady domestic demand, a vibrant services sector, implementation of new and ongoing high multiplier infrastructure projects, as cited from the Ministry of Finance's Economic Outlook 2023 report. This is in line with the World Bank's latest Global Economic Prospects released in January 2023 that anticipates the Malaysia GDP growth at 4% in 2023, impacted by slowing export demand from China .

In the proposed Budget 2023 tabled in November 2022, a total of RM36.1 billion has been allocated to the healthcare sector, representing a 11% increase compared to the RM32.4 billion allocated for 2022, which is also the highest allocation in the history. The outlook of pharmaceutical industry is expected to bode well with the continuous emphasis placed by the Malaysia Government in the healthcare sector. The following developments also augur well for the overall business of Duopharma Group:

a) The Government of Malaysia had accepted the tender offer from Duopharma Marketing Sdn. Bhd. ("DMktg") (a wholly-owned subsidiary of Duopharma Biotech Berhad) and Biocon Sdn. Bhd. ("Biocon") to supply Insugen-Insulin Recombinant Human Formulations (hereinafter referred to as the "Products") under the Ministry of Health's ("MOH") procurement for a period of three (3) years commencing on 29 April 2022 until 28 April 2025 with a total contract value of RM375 million (hereinafter referred to as the "Revised Letter of Award"). DMktg and Biocon have acknowledged receipt and acceptance of the Revised Letter of Award on 25 April 2022 and submitted the same to the Ministry of Health on 25 April 2022. The supply of the Products to the Government of Malaysia has already commenced. Pursuant to the Revised Letter of Award, the formal agreement for the procurement via direct negotiation for the supply of insulin medicine as a package ('Perjanjian Perolehan Secara Rundingan Terus Pembekalan Ubat Insulin Secara Pakej') between the Government of Malaysia, DMktg as the Supplier/Distributor and Biocon as the manufacturer has been executed on 30 September 2022.

b) The Contract Period for the supply of pharmaceutical and/or non-pharmaceutical products to hospitals, clinics and others under the Government of Malaysia for APPL 2017-2019 vide the Supply Agreements between Pharamniaga Logistics Sdn Bhd and Duopharma (M) Sendirian Berhad ("DMSB") (a wholly-owned subsidiary of Duopharma Biotech Berhad) that was due to expire on 31 December 2022 had been further extended until 30 June 2023.

c) Based on the Finance Act 2021 gazetted on 31 December 2021, the special reinvestment allowance incentive that is under the PENJANA stimulus package has been extended until the year of assessment 2024. Accordingly, the Group may enjoy potential savings of around RM10 million upon completion of the qualifying assets including K3 by 2024.

In the final quarter of 2022, Ringgit Malaysia has appreciated by 5.3% against the US dollar, in line with a broad-based appreciation in major and regional currencies against the US dollar. The strengthening of Ringgit Malaysia bodes well to the Group as it eases the pressure on our manufacturing margin and hence our profit thereof.

Barring unforeseen market changes and developments, the Group aims to deliver a satisfactory performance in 2023.

B4 Profit Forecast

No commentary is made on any variance between actual profit from forecast profit as it does not apply to the Group.

B5 Taxation

Details of taxation are as follows :-

	Current Year Quarter 31/12/22 RM'000	Current Year To Date 31/12/22 RM'000
Based on results for the quarter/year	4,716	(19,331)
Transfer (from)/to deferred tax	(2,902)	4,592
	<u>1,814</u>	<u>(14,739)</u>

The Group's effective tax rate is lower than the statutory tax rate mainly due to tax incentive claimed during the year and also overprovision of tax expenses in prior year.

B6 Unquoted Investments and Properties

There was no disposal of unquoted investment and/or properties during the current financial quarter.

B7 Status of Corporate Proposals

a) On 15 February 2022, the Board of Directors had resolved that the Dividend Reinvestment Plan ("DRP") approved by the shareholders at the Company's Extraordinary General Meeting held on 31 May 2018 would apply to the Second Interim Dividend of 1.8 sen per share amounting to approximately RM16.95 million. The issue price of the new ordinary shares in the Company issued pursuant to the DRP was fixed at RM 1.29 per new Duopharma Biotech Berhad share. The issue price was at a discount of approximately 10% to the 5-day ex-dividend volume weighted average market price (VWAMP) of RM 1.43.

A total of 10,474,002 new shares have been issued and allocated pursuant to the Dividend Reinvestment Plan. The aforesaid new Duopharma Biotech Shares were listed and quoted on the Main Market of Bursa Malaysia Securities with effect from 17 May 2022.

B8 Borrowings and Debt Securities

Details of Group's borrowings are as follows :-

	As at 31 December 2022 RM'000	As at 31 December 2021 RM'000
Current - unsecured	134,141	102,925
Non-current - unsecured	294,601	297,797
Total	<u>428,742</u>	<u>400,722</u>

B9 Material litigation

There was no material litigation up to 16 February 2023 (latest practicable date which is not earlier than 7 days from the date of issuance of this quarterly report).

B10 Dividend

a) For the financial year ended 31 December 2022, the Board of Directors declared a second interim dividend of 1.8 sen (2021 : a second interim dividend of 1.8 sen per share) equivalent to RM 17.14 million (2021: RM 16.95 million).

The Board has resolved that the Dividend Reinvestment Plan("DRP") approved by the shareholders would apply to this dividend. Further details will be announced at a later date.

b) The total dividend for the financial year ended 31 December 2022 is 2.3 sen per share consists of a second interim dividend as stated in (a) above and an interim dividend of 0.5 sen per share equivalent to RM 4.76 million paid on 14 September 2022 as compared to 2021 dividend as follows:-

i) An interim dividend of 0.5 sen per share equivalent to RM 3.53 million paid on 15 September 2021.

ii) A second interim dividend of 1.8 sen per share equivalent to RM 16.95 million in respect of financial year ended 31 December 2021 was paid on 13 May 2022.

Out of the total cash distribution, a total of RM 13.51 million was converted into 10,474,002 new ordinary shares of the Company at the conversion price of RM 1.29 per ordinary share under the Dividend Reinvestment Plan.

B11 Earnings per Share

	Current year quarter 31/12/22	Current year to date 31/12/22
a) Basic EPS		
Net profit (RM'000)	17,161	70,112
Weighted average number of ordinary shares in issue ('000)		
-Balance b/f	941,765	941,765
-Weighted average number of shares arising from Effect of Dividend Reinvestment Plan	10,474	6,543
	952,239	948,308
Basic EPS (sen)	1.80	7.39
b) Dilutive EPS		
Adjusted weighted average number of ordinary shares in issue ('000)		
-In issue during the period	952,239	948,308
	952,239	948,308
Dilutive EPS (sen)	1.80	7.39

B12 Profit Before Tax

	Current year quarter 31/12/22 RM '000	Current year to date 31/12/22 RM '000
Operating profit is arrived at after charging / (crediting):		
Depreciation of property, plant and equipment	7,860	33,324
Finance costs	1,786	9,580
Impairment of inventories	10,272	40,424
Net foreign exchange (gain)/loss	(845)	764
Interest income	606	1,521

Other than the above, there were no other impairment of assets nor gain or loss on derivatives for the current quarter and current year ended 31 December 2022.

B13 Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 23 February 2023.

By Order of the Board

Ibrahim Hussin Salleh
Secretary
License No.: LS 0009121
SSM Practising Certificate No.: 201908001032
Kuala Lumpur
23-Feb-23