



**CCM DUOPHARMA BIOTECH BERHAD (524271-W)**

(Incorporated in Malaysia)

Quarterly Report On Results For The Period Ended 31 March 2017

**NOTES TO INTERIM FINANCIAL REPORT**

**A1 Accounting Policies and Method of Computation**

The interim financial report is unaudited and has been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad and MFRS 134, Interim Financial Reporting in Malaysia and with IAS 34, Interim Financial Reporting.

The interim financial report has been prepared in accordance with the same accounting policies in the consolidated financial statement as at and for the year ended 31 December 2015.

The following MFRs and Amendments to MFRs applicable to the Group have been adopted with effect from 1 January 2017 :

**MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017**

- Amendments to MFRS 12, Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Amendments to MFRS 107, Statement of Cash Flows – Disclosure Initiative
- Amendments to MFRS 112, Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses

**MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018**

- MFRS 9, Financial Instruments (2014)
- MFRS 15, Revenue from Contracts with Customers
- Clarifications to MFRS 15, Revenue from Contracts with Customers
- IC Interpretation 22, Foreign Currency Transactions and Advance Consideration
- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Amendments to MFRS 2, Share-based Payment – Classification and Measurement of Share-based Payment Transactions
- Amendments to MFRS 4, Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
- Amendments to MFRS 128, Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Amendments to MFRS 140, Investment Property – Transfers of Investment Property

**MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019**

- MFRS 16, Leases

**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 Group is currently assessing the financial impact that may arise from the adoption of the above amendments..

**A2 Audit Report**

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

**A3 Seasonal or Cyclical Factors**

The business operations of the Group during financial quarter under review were not materially affected by any seasonal or cyclical factors.

**A4 Exceptional/Extraordinary Items**

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

**A5 Changes in Estimates**

There was no material change in estimates of amount reported in a prior financial years that have a material effect in a current quarter.

**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. (2016:nil)

**A8 Segment Information**

	Quarter Ended		Year To Date	
	31-03-17		31-03-17	
	RM ' 000		RM ' 000	
Sales by operating sector :-	Sales	Gross Profit	Sales	Gross Profit
Local	108,853	39,463	108,853	39,463
Export	14,453	5,139	14,453	5,139
	123,306	44,602	123,306	44,602

**A9 Post Balance Sheet Events**

There are no material events after the period end up to 11 May 2017 (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 period ended 31 March 2017.

**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 (31/3/17) RM'000	Year To Date (31/3/16) RM'000	Variance	
			RM'000	%
Revenue	123,306	79,470	43,836	55.16
Profit before tax (PBT)	12,122	9,941	2,181	21.94
Profit after tax (PAT)	9,564	7,828	1,736	22.18

The Group recorded a revenue and PBT of RM123.31 million and RM79.47 million respectively for current period ended 31 March 2017 as compared to RM79.47 million and RM9.94 million for the corresponding period last year. The Group's revenue and PBT thereof have improved as compared to last year corresponding period mainly due to supply of insulin pursuant to the commencement of a distribution agreement with a business partner and increased demand from Government hospitals via other tender business.

### B2 Comparison with the Preceding Quarter's Results

	Qtr 1 2017 (31/3/17) RM'000	Qtr 4 2016 (31/12/16) RM'000	Variance	
			RM'000	%
Revenue	123,306	74,033	49,273	66.56
Profit before tax (PBT)	12,122	6,299	5,823	92.44
Profit after tax (PAT)	9,564	9,522	42	0.44

The Group recorded a revenue and PBT of RM123.31 million and RM74.03 million respectively for current quarter ended 31 March 2017 as compared to RM74.03 million and RM6.30 million for the preceding financial quarter. The Group's revenue and PBT thereof have improved as compared to last year corresponding period mainly due to supply of insulin pursuant to the commencement of a distribution agreement with a business partner and increased demand from Government hospitals via other tender business. However PAT has improved marginally mainly due to additional tax incentive claimed in the preceding quarter.

### B3 Prospects for the Remainder of Current Financial Year

Demand in Pharmaceutical industry is expected to remain stable for current financial year, despite business momentum facing increasing challenges arising from weakened Malaysia Ringgit which affects our production and operational costs. Persistent foreign exchange volatility and uncertainties in the economy may further put pressure on manufacturing margins.

In view of current challenging environment and barring further unforeseen development, the Group is optimistic to achieve a satisfactory performance for the financial year 2017.

### 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 31/3/17 RM'000	Current Year To Date 31/3/17 RM'000
Based on results for the quarter/year	(4,440)	(4,440)
Transfer to deferred tax	1,882	1,882
	<u>(2,558)</u>	<u>(2,558)</u>

The Group's effective tax rate is lower than the statutory tax rate mainly due to tax incentive claimed during the financial quarter.

### 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.

As at 31 March 2017, the status of the utilisation of proceeds pursuant to the rights issue exercise of the Company which was completed on 22 July 2015 are as follows:

Details of utilisation	Proceeds utilisation RM'000	Actual utilisation RM'000	Balance unutilised RM'000
Repayment of bank borrowing	140,000	133,695	6,305
Expansion of factory	106,963	26,863	80,100
Estimated expenses	4,100	4,100	-
<b>Total</b>	<b>251,063</b>	<b>164,658</b>	<b>86,405</b>

**B8 Borrowings and Debt Securities**

Details of Group's borrowings are as follows :-

	As at 31 March 2017 RM'000	As at 31 Dec 2016 RM'000
Current - unsecured	35,112	21,498
Non-current - unsecured	91,798	91,798
Total	<u>126,910</u>	<u>113,296</u>

**B9 Material litigation**

There was no material litigation up to 22 May 2017 .

**B10 Dividend**

The Directors do not recommend any interim dividend for the current quarter ended 31 March 2017. (2016: Nil)

**B11 Earnings per Share**

	Current year quarter 31/3/17	Current year to date 31/3/17
<b>a) Basic EPS</b>		
Net profit (RM'000)	<u>9,564</u>	<u>9,564</u>
Weighted average number of ordinary shares in issue ('000)		
- Balance b/f	278,959	278,959
-Weighted average number of shares arising from options exercised during the period	-	-
	<u>278,959</u>	<u>278,959</u>
Basic EPS (sen)	<u>3.43</u>	<u>3.43</u>
<b>b) Dilutive EPS</b>		
Adjusted weighted average number of ordinary shares in issue ('000)		
-In issue during the period	278,959	278,959
-Dilutive impact of unexercised share options	-	-
	<u>278,959</u>	<u>278,959</u>
Dilutive EPS (sen)	<u>3.43</u>	<u>3.43</u>

**B12 Disclosure of Realised and Unrealised**

	Current year to date 31-Mar-17 RM '000	As At 31-Dec-16 RM '000
Total retained profits:		
- Realised	222,673	214,748
- Unrealised	3,569	1,930
	<b>226,242</b>	<b>216,678</b>
Less: Consolidation adjustments	(95,412)	(95,412)
Total retained profit	<b>130,830</b>	<b>121,266</b>

**B13 Profit Before Tax**

	Current year quarter 31/3/17 RM '000	Current year to date 31/3/17 RM '000
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**Operating profit is arrived at after charging / (crediting):**

Depreciation of property, plant and equipment	5,433	5,433
Finance costs	1,313	1,313
stock write off and/or impairment of inventories	368	368
Net foreign exchange loss	135	135

Other than the above, there were no impairment of assets and gain or loss on derivatives for the current quarter and current period ended 31 Mac 2017

**B14 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 22 May 2017

By Order of the Board

Noor Azwah binti Samsudin  
Secretary  
Kuala Lumpur  
22 May 2017