



CCM DUOPHARMA BIOTECH BERHAD (524271-W)  
(Incorporated in Malaysia)

Quarterly Report On Results For The Period Ended 30 June 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**

The Group paid a final tax exempted dividend (4 sen) per share amounting to RM 11.16 million in respect of financial year ended 31 December 2016 during the current quarter. (2016 : RM15.34 million)

**A8 Segment Information**

|                              | Quarter Ended |              | Year To Date |              |
|------------------------------|---------------|--------------|--------------|--------------|
|                              | 6/30/2017     |              | 6/30/2017    |              |
|                              | RM ' 000      |              | RM ' 000     |              |
| Sales by operating sector :- | Sales         | Gross Profit | Sales        | Gross Profit |
| Local                        | 99,419        | 43,294       | 208,272      | 82,756       |
| Export                       | 17,630        | 6,361        | 32,083       | 11,501       |
|                              | 117,049       | 49,655       | 240,355      | 94,257       |

**A9 Post Balance Sheet Events**

There are no material events after the period end up to 18 Aug 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 30 June 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<br>(30/6/17)<br>RM'000 | Year To Date<br>(30/6/16)<br>RM'000 | Variance |       |
|-------------------------|-------------------------------------|-------------------------------------|----------|-------|
|                         |                                     |                                     | RM'000   | %     |
| Revenue                 | 240,355                             | 158,605                             | 81,750   | 51.54 |
| Profit before tax (PBT) | 24,764                              | 17,664                              | 7,100    | 40.19 |
| Profit after tax (PAT)  | 19,205                              | 11,769                              | 7,436    | 63.18 |

The Group recorded a revenue and PBT of RM240.36 million and RM24.76 million respectively for current period ended 30 June 2017 as compared to RM158.61 million and RM17.66 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 renal and endocrine products and increased demand from public health sector via tenders.

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

|                         | Qtr 2 2017<br>(30/6/17)<br>RM'000 | Qtr 1 2017<br>(31/3/17)<br>RM'000 | Variance |        |
|-------------------------|-----------------------------------|-----------------------------------|----------|--------|
|                         |                                   |                                   | RM'000   | %      |
| Revenue                 | 117,049                           | 123,306                           | (6,257)  | (5.07) |
| Profit before tax (PBT) | 12,642                            | 12,122                            | 520      | 4.29   |
| Profit after tax (PAT)  | 9,641                             | 9,564                             | 77       | 0.81   |

The Group recorded a revenue and PBT of RM117.05 million and RM12.64 million respectively for current quarter ended 30 June 2017 as compared to RM123.31 million and RM12.12 million for the preceding financial quarter. The decrease in revenue was mainly due to lower demand from public health sector. However, PBT had increased due to lower production cost.

**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 profit margins.

In view of current challenging environment and barring further unforeseen development, the Group is cautiously 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<br>Quarter<br>30/6/17<br>RM'000 | Current Year<br>To Date<br>30/6/17<br>RM'000 |
|---------------------------------------|--|--|
| Based on results for the quarter/year | (3,088)                                      | (7,528)                                      |
| Transfer to deferred tax              | 87   | 1,969  |
|                                       | <u>(3,001)</u>                               | <u>(5,559)</u>                               |

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

**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) As at 30 June 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<br>RM'000 | Actual utilisation<br>RM'000 | Balance unutilised<br>RM'000 |
|-----------------------------|--------------------------------|------------------------------|------------------------------|
| Repayment of bank borrowing | 140,000                        | 133,695                      | 6,305                        |
| Expansion of factory        | 106,963                        | 31,649                       | 75,314                       |
| Estimated expenses          | 4,100                          | 4,100                        | -                            |
| <b>Total</b>                | <b>251,063</b>                 | <b>169,444</b>               | <b>81,619</b>                |

b) On 2 August 2017, followed by subsequent amendments and clarifications on 4 August 2017 and 11 August 2017, Chemical Company of Malaysia Berhad (CCMB) through its adviser, Maybank Investment Bank Berhad had announced that the CCMB has proposed various corporate exercises including proposed distribution of the entire CCMB's shareholding in CCM Duopharma Biotech Berhad ("CCMD") to the shareholders of the CCMB.

All the proposals are still pending approvals by relevant authorities and shareholders.

**B8 Borrowings and Debt Securities**

Details of Group's borrowings are as follows :-

|                         | As at 30 June 2017<br>RM'000 | As at 31 Dec 2016<br>RM'000 |
|-------------------------|------------------------------|-----------------------------|
| Current - unsecured     | 32,763                       | 21,498                      |
| Non-current - unsecured | 81,798                       | 91,798                      |
| <b>Total</b>            | <b>114,561</b>               | <b>113,296</b>              |

**B9 Material litigation**

There was no material litigation up to 25 Aug 2017.

**B10 Dividend**

For the current financial period ended 30 June 2017, the Board of Directors is recommending an interim dividend of 2.5 sen per share based on paid up capital of 278,959,000 shares amounting to approximately RM 6.97million (2016 : 2.5 sen per share). The entitlement date in respect of the interim dividend is on 20 Oct 2017 and the payment date is on 10 Nov 2017.

**B11 Earnings per Share**

|   | Current<br>year<br>quarter<br>30/6/17 | Current<br>year<br>to date<br>30/6/17 |
|---|---------------------------------------|---------------------------------------|
| <b>a) Basic EPS</b>   |                                       |                                       |
| Net profit (RM'000)   | <u>9,641</u>                          | <u>19,205</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>3.46</u>                           | <u>6.88</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)

3.46

6.88

**B12 Disclosure of Realised and Unrealised**

|                                 | Current year<br>to date<br>30-Jun-17<br>RM '000 | As At<br>12/31/2016<br>RM '000 |
|---------------------------------|---|--------------------------------|
| Total retained profits:         |   |                                |
| - Realised                      | 221,272   | 214,748                        |
| - Unrealised                    | 3,453   | 1,930                          |
|                                 | <b>224,725</b>                                  | <b>216,678</b>                 |
| Less: Consolidation adjustments | (95,412)  | (95,412)                       |
| Total retained profit           | <b>129,313</b>                                  | <b>121,266</b>                 |

**B13 Profit Before Tax**

|   | Current year<br>quarter<br>30/6/17<br>RM '000 | Current year<br>to date<br>30/6/17<br>RM '000 |
|---|---|---|
| <b>Operating profit is arrived at after charging / (crediting):</b> |   |   |
| Depreciation of property, plant and equipment                       | 5,871   | 11,304  |
| Finance costs   | 1,339   | 2,652   |
| stock write off and/or impairment of inventories                    | 1,765   | 2,133   |
| Net foreign exchange loss   | <u>144</u>                                    | <u>279</u>                                    |

Other than the above, there were no impairment of assets and gain or loss on derivatives for the current quarter and current period ended 30 June 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 25 Aug 2017.

By Order of the Board

Noor Azwah binti Samsudin  
Secretary  
Kuala Lumpur  
25 Aug 2017