



CCM DUOPHARMA BIOTECH BERHAD (524271-W)

(Incorporated in Malaysia)

Quarterly Report On Results For The Period Ended 31 March 2015

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 2014.

The following MFRs and Amendments to MFRs applicable to the Group have been adopted with effect from 1 January 2015 :

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014

- Amendments to MFRS 1, First-time Adoption of Malaysia Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)
- Amendments to MFRS 3, Business Combination (Annual Improvement 2010-2012 Cycle and 2011-2013 Cycle)
- Amendments to MFRS 8, Operating Segments (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 13, Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
- Amendments to MFRS 116, Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 119, Employee Benefits - Defined Benefit Plans : Employee Contributions
- Amendments to MFRS 124, Related Party Disclosures (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 138, Intangible Asset (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 140, Investment Property (Annual Improvements 2011-2013 Cycle)

The following revised MFRSs and Amendments to MFRSs applicable to the Group have been issued by the MASB and are not yet effective for adoption by the Group.

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- Amendments to MFRS 7, Financial Instruments : Disclosure (Annual Improvements to MFRs 2012-2014 Cycle)
- Amendments to MFRS 10 and MFRS 128, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to MFRS 10, MFRS 12, MFRS 128, Investment Entities: Applying the Consolidation Exception
- Amendments to MFRS 11, Accounting for Acquisition of Interests in Joint Operations
- MFRS 14, Regulatory Deferral Accounts
- Amendments to MFRS 101, Disclosure Initiative
- Amendments to MFRS 116 and MFRS 138, Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 119, Defined Benefits Plans : Employee Contributions (Annual Improvements to MFRs 2012-2014 Cycle)
- Amendments to MFRS 127, Equity Method in Separate Financial Statements
- Amendments to MFRS 134, Interim Financial Reporting (Annual Improvements to MFRs 2012-2014 Cycle)

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

MFRS 15, Revenue from Contracts with Customers

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

MFRS 9, Financial Instruments (IFRS 9 issued by IASB in July 2014)

The adoption of the above standards and amendments are not expected to have any material financial impact to the Group upon their first adoption.

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 amounts reported in the prior quarters of the current financial year or changes in estimates of amounts reported in prior financial years that have a material effect in the current quarter.

A6 Debts and Equity Securities

During the financial quarter, the Company re-issued its entire 658,000 treasury shares by resale in the open market for a total consideration of approximately RM2,172,000. The average resale price of treasury shares was RM3.30 per share. The proceeds from the resale will be utilised as working capital of the Company.

Details of the resale of treasury shares were as follows:

	Average selling price RM	Highest selling price RM	Lowest selling price RM	Number of treasury shares resold	Total consideration received RM
2015					
February	3.30	3.37	3.09	658,000	2,172,000

A7 Dividend Paid

No dividend was paid during the current quarter. (2015:nil)

A8 Segment Information

Sales by operating sector :-	Quarter Ended		Year To Date	
	3/31/2015		3/31/2015	
	RM ' 000		RM ' 000	
	Sales	Gross Profit	Sales	Gross Profit
Local	44,065	23,309	44,065	23,309
Export	1,534	240	1,534	240
	45,599	23,549	45,599	23,549

A9 Post Balance Sheet Events

There are no material events after the period end up to 11 May 2015 (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 2015.

A10 Changes in the Composition of the Group

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

A11 Related Parties Transactions

Significant related parties transactions of the Group for the year ended 31 March 2015 are as follows:-

	RM ' 000
a) With CCM Pharmaceuticals (S) Pte Ltd, a wholly owned subsidiary of CCM International Sdn Bhd which in turn is a wholly-owned subsidiary of CCM Marketing Sdn Bhd.	
-Sales of goods	333
b) With CCM Pharmaceuticals Sdn Bhd, a company in which Chemical Company of Malaysia Berhad has a direct interest of 100.0%	
-Purchase of goods	-
-Sales of goods	4,114
c) With UPHA Pharmaceuticals Sdn Bhd, a company in which Chemical Company of Malaysia Berhad has a direct interest of 100.0%	
-Purchase of goods	2,003
-Sales of goods	22

ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS

B1 Review of Performance

	Year To Date (31/3/15) RM'000	Year To Date (31/3/14) RM'000	Variance	
			RM'000	%
Revenue	45,599	40,495	5,104	12.60
Profit before tax (PBT)	12,198	11,175	1,023	9.15
Profit after tax (PAT)	8,969	8,365	604	7.22

The Group recorded a revenue and PBT of RM45.60 million and RM12.20 million respectively for current period ended 31 March 2015 as compared to RM40.50 million and RM11.18 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 increase demand from Government Hospitals via tender business and also private sector.

B2 Comparison with the Preceding Quarter's Results

	Qtr 1 2015 (31/3/15) RM'000	Qtr 4 2014 (31/12/14) RM'000	Variance	
			RM'000	%
Revenue	45,599	51,024	(5,425)	(10.63)
Profit before tax (PBT)	12,198	13,921	(1,723)	(12.38)
Profit after tax (PAT)	8,969	11,119	(2,150)	(19.34)

The Group recorded a revenue and PBT of RM45.60 million and RM12.20 million respectively for current quarter ended 31 Mac 2015 as compared to RM51.02 million and RM13.92 million for the preceding financial quarter. The decrease in revenue and PBT mainly due to lower sales from both export and government sector.

B3 Prospects for the Remainder of Current Financial Year

Demand in the pharmaceutical industry is expected to remain stable albeit uncertainty in global economy. The defensive nature of the industry augurs well for the Group although demand may fluctuate especially for supply to government hospitals via tender business.

Barring any unforeseen circumstances, the Group is expected to remain profitable.

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 31/3/15 RM'000	Current Year To Date 31/3/15 RM'000
Based on results for the quarter/year	(3,932)	(3,932)
Transfer to deferred tax	703	703
	<u>(3,229)</u>	<u>(3,229)</u>

The Group's effective tax rate is higher than the statutory tax rate mainly due to certain expenses were disallowed for tax purpose during the current period ended 31 March 2015

B6 Unquoted Investments and Properties

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

B7 Status of corporate proposals.

The Company through its adviser, RHB Investment Bank Berhad had announced that the Company is proposing to undertake the following :-

(i) CCM Duopharma had on 27 November 2014 entered into the following agreements:

- A conditional share sale agreement for the proposed acquisition of the entire equity interest in CCM Pharmaceuticals Sdn Bhd ("CCM Pharmaceuticals") and Innovax Sdn Bhd ("Innovax") from Chemical Company of Malaysia Berhad ("CCMB") for an aggregate purchase consideration of RM17,600,000 together with the settlement of advances due from Innovax, and CCM Pharmaceuticals and its subsidiaries to CCMB and its subsidiaries ("CCMB Group") amounting to RM10,655,000 based on 30 September 2014 to be settled via cash ("CCMD SSA");
- A conditional share sale agreement for the proposed acquisition of the entire equity interest in CCM International (Philippines), Inc ("CCM Philippines") from CCM Investments Ltd, a wholly-owned subsidiary of CCMB ("CCM Investments") for a purchase consideration of RM1,000 to be settled via cash ("Philippines Company SSA"); and
- A conditional share sale agreement for the proposed acquisition of the entire equity interest in CCM Pharmaceuticals (S) Pte Ltd ("CCM Singapore") from CCM International Sdn Bhd, a wholly-owned subsidiary of CCMB ("CCM International") for a purchase consideration of RM2,417,000 together with the settlement of advances due from CCM Singapore to the CCMB Group amounting to RM27,000 based on 30 September 2014 to be settled via cash ("Singapore Company SSA"); and

(ii) Duopharma (M) Sdn Bhd ("DMSB"), a wholly-owned subsidiary of CCM Duopharma had on 27 November 2014 entered into a conditional share sale agreement for the proposed acquisition of the entire equity interest in CCM Pharma Sdn Bhd ("CCM Pharma") and Upha Pharmaceutical Manufacturing (M) Sdn Bhd ("Upha Pharmaceutical") from CCMB for an aggregate purchase consideration of RM113,307,000 together with the settlement of advances due from CCM Pharma and Upha Pharmaceutical to the CCMB Group amounting to RM101,116,000 based on 30 September 2014 to be settled via cash ("DMSB SSA"),

(hereinafter the CCMD SSA, the Philippines Company SSA, the Singapore Company SSA and the DMSB SSA are collectively referred to as the "SSAs", the shares that are the subject matter of the SSAs are collectively referred to as the "Sale Shares"; and the aforesaid proposed acquisition of CCM Pharmaceuticals, Innovax, CCM Philippines, CCM Singapore, CCM Pharma and Upha Pharmaceutical are collectively referred to as the "Proposed Acquisition").

The total purchase consideration of the Sale Shares would amount to RM133,325,000 ("Purchase Consideration") and the aforesaid settlement of advances would amount to RM111,798,000;

- (iii) CCM Duopharma proposes to undertake a renounceable rights issue of up to 139,479,500 new ordinary shares of RM0.50 each in CCM Duopharma ("Rights Share(s)") on the basis of one (1) Rights Share for every one (1) existing ordinary share of RM0.50 each held in CCM Duopharma ("CCMDuopharma Share(s)" or "Share(s)") on an entitlement date to be determined and announced later ("Entitlement Date") ("Proposed Rights Issue"); and
- (iv) CCM Duopharma proposes to increase the authorised share capital of the Company from RM100,000,000 comprising 200,000,000 CCM Duopharma Shares to RM250,000,000 comprising 500,000,000 CCM Duopharma Shares and to amend the Memorandum of Association of the Company to accommodate the increase in the authorised share capital ("Proposed Increase in Authorised Share Capital").

(The Proposed Acquisition, Proposed Rights Issue and Proposed Increase in Authorised Share Capital are hereinafter collectively referred to as the "Proposals").

During the current financial quarter up to the date of this announcement, RHB Investment Bank Berhad had also announced the following:

- (i) Bursa Securities had, vide its letter dated 30 January 2015, approved the listing and quotation of up to 139,479,500 Rights Shares to be issued pursuant to the Proposed Rights Issue subject to conditions imposed by Bursa Securities.
- (ii) the Purchasers and the Vendors have mutually agreed to extend the date by which the conditions precedent must be fulfilled to 27 June 2015.

The shareholders of CCM Duopharma had at the Extraordinary General Meeting held on 11 March 2015 approved the Proposals.

CCM Duopharma is currently in the midst of implementing the Proposals.'

B8 Borrowings and Debt Securities

Details of Group's borrowings are as follows :-

	As at 31 March 2015 RM'000	As at 31 March 2014 RM'000
Current - unsecured	-	-
Non-current - unsecured	-	-
Total	<u>-</u>	<u>-</u>

B9 Material litigation

There was no material litigation up to 18 May 2015 .

B10 Dividend

The Directors do not recommend any interim dividend for the current quarter ended 31 March 2015. (2014: Nil)

B11 Earnings per Share

	Current year quarter 31/3/15	Current year to date 31/3/15
a) Basic EPS		
Net profit (RM'000)	<u>8,969</u>	<u>8,969</u>
Weighted average number of ordinary shares in issue ('000)		
- Balance b/f	138,822	138,822
-Weighted average number of shares arising from options exercised during the period	657	657
	<u>139,479</u>	<u>139,479</u>
Basic EPS (sen)	<u>6.43</u>	<u>6.43</u>
b) Dilutive EPS		
Adjusted weighted average number of ordinary shares in issue ('000)		
-In issue during the period	139,479	139,479
-Dilutive impact of unexercised share options	-	-
	<u>139,479</u>	<u>139,479</u>
Dilutive EPS (sen)	<u>6.43</u>	<u>6.43</u>

B12 Disclosure of Realised and Unrealised

	Current year to date 31-Mar-15 RM '000	Preceding year corresponding period 31-Mar-14 RM '000
Total retained profits:		
- Realised	154,685	140,932
- Unrealised	757	2,925
	155,442	143,857
Less: Consolidation adjustments	(34,724)	(34,724)
Total retained profit	120,718	109,133

B13 Profit Before Tax

	Current year quarter 31/3/15 RM '000	Current year to date 31/3/15 RM '000
Operating profit is arrived at after charging / (crediting):		
Depreciation of property, plant and equipment	2,139	2,139
Interest expense	41	41
stock write off and/or impairment of inventories	(5)	(5)
Net foreign exchange loss	223	223
	<u>223</u>	<u>223</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 31 Mac 2015

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 18 May 2015

By Order of the Board

Noor Azwah binti Samsudin
Secretary
Kuala Lumpur
18 May 2015