

STATEMENT on

corporate **GOVERNANCE**



OUR BOARD OF DIRECTORS BRING WITH THEM COLLECTIVE EXPERIENCE THAT WILL ENSURE EXCELLENT CORPORATE GOVERNANCE AND ENHANCED GROUP PERFORMANCE.

THE CODE

The Board of Directors is committed to ensure that good corporate governance is being practised throughout the Group, as it is a fundamental part of discharging its responsibilities to enhance shareholders' value and financial performance of the Group. The following statement sets out how the Company has applied the principles in Part I of the Code.

THE BOARD OF DIRECTORS

The Board retains full and effective control of the Group. The Board currently consists of seven (7) members, including two (2) Executive Directors and five (5) Non-Executive Directors. The Directors, with their different backgrounds and specialisations, collectively bring with them a wide range of experience and expertise to enable the Board to lead and control the Company effectively. A brief description on the background of the Directors is presented in this Annual Report.

The Board has a balanced composition of Executive and Non-Executive Directors, with one third independent Non-Executive Directors. The Board has met four times during the financial year under review. It is envisaged that the Board will convene additional meetings as necessary. All Board members bring an independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Board, in discharging its fiduciary duties, is assisted by two (2) Board Committees, namely the Audit Committee and Nomination and Remuneration Committee, each entrusted with specific tasks.

These Committees have the authority to examine particular issues and report back to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

All Committees have written terms of reference, which have been approved by the Board, and the Board receives report of their proceedings and deliberations. The Chairman of the various committees will report to the Board on the outcome of the Committee meetings and such reports will be incorporated in the minutes of the Board Meeting.

MEETINGS AND SUPPLY OF INFORMATION

During the financial year under review, the Board deliberated upon and considered a variety of matters including the Group's financial results, strategic plan and business plan of the Group in the meetings held. Details of the Directors' meeting attendances during the financial year are as follows:-

Names of Directors	Status	No. of Meetings Attended
Tan Sri Dato' Dr. Abu Bakar Suleiman	Chairman, Non-Independent Non-Executive Director	3/4
Dr. Mohamad Hashim bin Ahmad Tajudin (Appointed w.e.f. 18.11.2005)	Executive Director	1/1
Dato' Haji Mizanur Rahman bin S M Abdul Ghani (Appointed w.e.f. 18.11.2005)	Managing Director	1/1
Dr. Mohd Nasir bin Hassan	Independent Non-Executive Director	4/4
Datuk Alias bin Ali (Appointed w.e.f. 14.03.2006)	Non-Independent Non-Executive Director	N/A
Tuan Haji Ghazali bin Awang (Appointed w.e.f. 14.03.2006)	Independent Non-Executive Director	N/A
Datuk Dr. Jegathesan A/L N M Vasagam @ Manikavasagam (Appointed w.e.f. 30.03.2006)	Independent Non-Executive Director	N/A
Mr. Chia Ting Poh @ Cheah Ting Poh (Resigned w.e.f. 28.11.2005)	Managing Director	4/4
Madam Ang Bee Lian (Resigned w.e.f. 28.11.2005)	Executive Director	4/4
Mr. Valliyappan A/L S. Thevarayan (Resigned w.e.f. 14.03.2006)	Executive Director	4/4
Dato' Dr. Yap Thong @ Yap Yit Thong (Resigned w.e.f. 14.03.2006)	Non-Independent Non-Executive Director	4/4
Mr. Lee Siew Kuan (Resigned w.e.f. 14.03.2006)	Independent Non-Executive Director	4/4

Scheduled Board meetings are structured with a pre-set agenda. Prior to the Board meetings, all Directors are provided with the board papers containing information relevant to the business of the meeting. All Directors, whether as a Board or in their individual capacity have full access to information within the Group and to obtain independent professional advice in furtherance of their duties at the Group's expense, if required. In addition, all directors have access to the advice and service of the Company Secretary.

AUDIT COMMITTEE

Audit Committee reviews issues of accounting policy and presentation of external financial reporting, monitors the work of the internal audit

function and ensures that an objective and professional relationship is maintained with the external auditors. The Audit Committee works closely with both the internal and external auditors who, in turn, have access to the Chairman of the Audit Committee.

The composition and terms of reference of the Audit Committee are set out in the Audit Committee Report.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination Committee and Remuneration Committee, both established on 15 July 2002 were merged as a single committee by the Board on 30 March 2006. The Nomination and Remuneration Committee

consists of Non-Executive Directors. The present members of the Nomination and Remuneration Committee comprise:-

Name	Position
Tan Sri Dato' Dr. Abu Bakar Suleiman	Chairman (Non-Independent Non-Executive Director)
Datuk Dr. Jegathesan A/L N M Vasagam @ Manikavasagam	Member (Independent Non-Executive Director)
Tuan Haji Ghazali bin Awang	Member (Independent Non-Executive Director)

The duties of the Committee shall be to:-

- recommend to the Board, candidates for all directorships. In making the recommendations the Committee should also consider candidates proposed by the Chief Executive Officer/Managing Director, and within the bounds of practicability, by any other senior executive, Director or shareholder;
- recommend to the Board, Directors to fill the seats on Board Committees;
- review annually the required mix of skills and experience of the Board, including the core competencies which Non-Executive Directors should bring to the Board;
- assess annually the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director.
- The duties of the Committee shall be to recommend to the Board the remuneration of the Executive Directors in all its forms.

Prior to the merger of the Nomination and Remuneration Committee, the objectives of the Remuneration Committee were to establish a remuneration framework for Directors and make recommendations to the Board of Directors on all elements of remuneration, terms of employment, reward structure and fringe benefits for Directors. The Remuneration Committee held two meetings during the year.

The objectives of the Nomination Committee were to review and assess the composition of the Board of Directors to ensure that there is an appropriate balance of skills, experience and expertise among the Board members. The Nomination Committee was also empowered to make recommendations to the Board with regard to appointment of new Directors. The Nomination Committee had assisted the Board in carrying out an annual review on the balance and size of Non-Executive participation in the Board as well as establishing procedures and processes for the annual assessment of the effectiveness of the Board as a whole and the contributions of each Director and Board Committee member. The Nomination Committee had one meeting during the period which was attended by all members.

RE-ELECTION OF DIRECTOR

The Company's Articles of Association provide that at least one-third (1/3) of the Board are subject to retirement by rotation at each Annual General Meeting provided always that each Directors shall retire at least once in every three years. The Directors to retire in each year are the Directors who have been longest in office since their appointment or re-appointment. A retiring Director is eligible for re-appointment. This provides an opportunity for shareholders to renew their mandates. To assist shareholders in their decision, sufficient information such as personal profile, meeting attendance and the shareholdings in the Company of each Director standing for election are furnished in a separate statement accompanying the Notice of Annual General Meeting.

DIRECTORS' TRAINING

All Directors, save for Datuk Dr. Jegathesan a/l N M Vasagam @ Manikavasagam, have attended and successfully completed the Mandatory Accreditation Programme (MAP) conducted by the relevant authorities and have attained the CEP points as required by the authorities.

The Directors undergo Continuing Education Programme (CEP) or relevant training programme to further enhance their skill, knowledge and to keep themselves updated on the expectations of their roles and other market developments. Besides, the Group organised forum on products familiarisation and in-house training on “Financial Reporting Standards” to keep them updated on developments in the marketplace and regulatory changes.

DIRECTORS' REMUNERATION

Details of Directors' remuneration paid by the Group for the financial year ended 31 December 2005 are as follows:-

	Salaries, Bonus & Other Emoluments	Fees	Gratuity	Benefits In-kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Executive Directors	1,458	214	835	45	2,552
Non-Executive Directors	–	172	–	–	172

The number of Directors of the Group whose remuneration fall within the respective bands are as follows:-

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
Below RM50,000	–	3
RM50,001 to RM100,000	–	1
RM250,000 to RM300,000	1	–
RM1,100,001 to RM1,150,000	1	–
RM1,150,001 to RM1,200,000	1	–
	3	4

INVESTORS RELATION AND SHAREHOLDERS COMMUNICATION

The Board recognises the importance of maintaining effective communication, ensuring timely and accurate disclosure of information to the shareholders and investors of the Group. Besides the information communicated through the annual report, various announcements on significant events are made throughout the year and quarterly financial results are announced via Bursa Malaysia Securities Berhad's website (www.bursamalaysia.com) to ensure shareholders are apprised with up-to-date overview of the Group's performance and operations.

The Annual General Meeting (“AGM”) is the principal forum for dialogue and interaction with shareholders of the Company. Notice of the AGM and annual reports are sent out to the shareholders at least 21 days before the date of the meeting. At each AGM, the Board presents the progress and performance of the business and encourages shareholders to participate in the question and answer session or to seek clarification on the Group's performance and business climate. All members of the Board as well as the external auditors of the Company are available to respond to shareholders' queries raised at the meeting.

Continuous briefing for members of the media, fund managers, institution investors and investment analysts are held to provide updates on key events and latest developments of the Group. The Group's corporate website, www.duopharma.com.my and an Investors' Relation (IR) website, www.wallstraits.com, provide avenues for dissemination of up-to-date information such as corporate information, financial information, press releases, share price history and other relevant news on the Group. Shareholders and all interested parties can subscribe free of charge to the IR e-alert, enabling them to be alerted on latest developments of the Group.

FINANCIAL REPORTING

The Board is responsible for presenting a balanced and fair assessment of the Group's financial performance and prospects through quarterly reports to the Bursa Malaysia Securities Berhad and annual reports to shareholders. The Audit Committee assists the Board in scrutinising information for disclosure to ensure accuracy, completeness and quality of reporting.

STATE OF INTERNAL CONTROL

The Directors are fully aware of the responsibilities to maintain a sound system of internal controls to safeguard shareholders' investment and the Group's assets. The Directors' responsibilities for the Group's system of internal controls cover not only financial aspects of the business but also operational and compliance controls as well as risk management matters.

The function of the Internal Audit Department is to assist the Audit Committee and the Board of Directors as follows:-

- Perform regular review on compliance of operational procedures using risk based audit approach
- Conduct investigations on specific areas or issues as directed by the Audit Committee and the Management
- Facilitate and evaluate the risk management processes

The Statement on Internal Control is presented in this Annual Report to provide an overview of the state of internal controls within the Group.

RELATIONSHIP WITH THE AUDITORS

The Company has established and maintained a professional and transparent relationship with the Company's external auditors, Messrs KPMG in seeking professional advice and ensuring compliance with the accounting standards in Malaysia.

DIRECTORS' RESPONSIBILITIES IN RELATION TO THE PREPARATION OF THE AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which gives a true and fair view of the state of affairs of the Company and Group as at the end of the financial year and of the results and cash flow of the Company and Group for the year ended thereat.

In preparing the financial statements, the Directors are required to select appropriate accounting policies and apply them consistently to make reasonable and prudent judgements and estimates, and to state that all accounting standards which they consider to be applicable have been followed. The Directors are also required to prepare the financial statements on the going concern basis unless it is inappropriate to do so.

The Directors have responsibility for ensuring that the Group keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and which enable them to ensure that the financial statements comply with the Companies Act, 1965. The Directors also have responsibility for taking such steps that are reasonable to safeguard the assets of the Company and Group and for the prevention and detection of fraud and other irregularities.

COMPLIANCE STATEMENT

The Company has complied throughout the financial year with all the best practice of corporate governance set out in Part 2 of the Code, except for Best Practice AAVII (Nomination of a Senior Independent Non-executive Director). Given the current composition of the Board which reflects a strong independent element and the separation of the roles of the Chairman and Managing Director, the Board does not consider it necessary at this juncture to nominate a Senior Independent Non-Executive Director.

OTHER INFORMATION

1. Non-Audit Fees

During the financial year ended 31 December 2005, the non-audit fees paid to the external auditors amounted to approximately RM35,000.00.

2. Material Contracts

There are no contracts entered into by the Group involving Directors or major shareholders' interest, either subsisting at the end of the financial year ended 31 December 2005 or entered into since the end of the previous financial year.

3. Revaluation policy

During the year, the Group adopted a policy to revalue its landed properties every five years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying amount. The landed properties have been revalued during financial ended 31 December 2005. The revaluation reserve of RM1.662 million (net of deferred tax liabilities of RM162,000) arising from the revaluation has been reflected in the financial statement.

4. Share Buy-back

Details of shares purchased and retained as treasury shares during the financial year are as follows:-

Month	No of shares purchased and retained as treasury shares	Lowest price paid	Highest price paid	Average price paid	Total consideration paid
		(RM)	(RM)	(RM)	(RM)
April 2005	564,700	2.30	2.43	2.3683	1,337,368
May 2005	93,300	2.48	2.64	2.5740	240,156
TOTAL	658,000				1,577,524

5. Employees' Share Option Scheme ("ESOS")

The ESOS of the Company was approved by the shareholders on 25 June 2004.

On 26 January 2005, the Company granted options to eligible employees of the Group to subscribe for a total of 7,937,500 new ordinary shares of RM0.50 each in the Company at an option price of RM2.32 per share. To date, a total of 7,369,500 shares have been exercised.

The Audit Committee has verified that the options granted were made in accordance with the By-laws of the ESOS.