

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 Malaysian Code of Corporate Governance.

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 six (6) 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 the Nomination & 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.

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MEETINGS AND SUPPLY OF INFORMATION

Board Meetings are scheduled a year ahead in order to enable full attendance at Board meetings. 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. During the year, six board meetings were held. Details of the Directors' meeting attendances during the financial year are as follows:-

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.

Name of Directors	Status	No of Meetings Attended
Tan Sri Dato' Dr. Abu Bakar bin Suleiman	Chairman, Non-Independent Non-Executive Director	6/6
Dr. Mohamad Hashim bin Ahmad Tajudin	Executive Director	6/6
Dato' Haji Mizanur Rahman bin S. M. Abdul Ghani	Managing Director	6/6
Dr. Mohd Nasir bin Hassan	Independent Non-Executive Director	6/6
Datuk Alias bin Ali (Appointed w.e.f. 14 March 2006)	Non-Independent Non-Executive Director	3/4
Tuan Haji Ghazali bin Awang (Appointed w.e.f. 14 March 2006)	Independent Non-Executive Director	4/4
Datuk Dr. Jegathesan a/l N M Vasagam @ Manikavasagam (Appointed w.e.f. 30 March 2006)	Independent Non-Executive Director	3/4

All Board members bring an independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

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:-

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.

Name	Position
Tan Sri Dato' Dr. Abu Bakar bin 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)

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The objectives of the Nomination & Remuneration Committee are as follows:

- (i) 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.
- (ii) 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.
- (iii) 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 and Remuneration Committee held one (1) meeting in 2006.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Appointment

The Board appoints its members through a formal process, which is consistent with the Company's Articles of Association.

The proposed appointment of a new member to the Board, as well as the proposed re-appointment and re-election of Director seeking re-election at the Annual General Meeting are recommended by the Nomination and Remuneration Committee (NRC) to the Board for approval.

New members of the Board undergo an in-house company training programme to familiarise themselves with the operations of the Group.

Re-Election

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 Director 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-election. 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.

The Audit Committee works closely with both the internal and external auditors who, in turn, have access to the Chairman of the Audit Committee.

DIRECTORS' TRAINING

All Directors 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.

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.

DIRECTORS' REMUNERATION

Details of Directors' remuneration paid by the Group for the financial year ended 31 December 2006 are as follows:-

	Salaries, Bonus & Other Emoluments RM'000	Fees RM'000	Benefits In-kind RM'000	Total RM'000
Executive Directors	602	—	23	625
Non-Executive Directors	—	213	—	227

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	—	8
RM50,001 to RM100,000	—	1
RM600,000 to RM650,000	1	—

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.

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.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is aware of its responsibilities to shareholders and the requirement to present a balanced and comprehensive assessment of the Group’s financial position and prospects. In this regard, the Directors are responsible for the preparation of financial statements that give a true and fair view of the state of affairs of the Group at the end of the financial year.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group, to enable them to ensure that the financial statements comply with the Companies Act, 1965 and approved Accounting Standards in Malaysia. The Directors are also responsible for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Internal Control

The Statement on Internal Control on page 41 of the Annual Report provides an overview on the state of internal control within the Group.

Risk Management

The report on Risk Management on page 39 to 40 of the Annual Report describes the structure and process of risk management in the Group.

Audit Committee

The details are shown in the accompanying report of the Audit Committee on pages 37 to 38.

Internal Audit

The Group has established an Internal Audit Division that reports to the Audit Committee.

The Audit Committee reviews and approves the audit plan, which identifies the scope of work for the year.

The Internal Auditor reports to the Audit Committee.

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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 which are in accordance with applicable approved accounting standards and give a true and fair view of the state of affairs of the Group and the Company at the end of the financial period and of the results and cash flows of the Group and the Company for the financial period.

In preparing the financial statements, the Directors have:

- adopted suitable accounting policies and applied them consistently;
- made judgements and estimates that are prudent and reasonable;
- ensured that applicable accounting standards have been followed; and
- prepared the financial statements on the going concern basis.

The Directors have prepared the annual financial statements in compliance with the Companies Act, 1965.

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 2006, the non-audit fees paid to the external auditors or a firm or a company affiliated to the Auditor's firm amounted to approximately RM46,000.

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2. *Material Contracts*

There were 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 2006 or entered into since the end of the previous financial year.

3. *Revaluation policy*

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.

4. *Share Buy-back*

There was no share buy-back effected during the financial period ended 31 December 2006.

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 7,938,000 new ordinary shares of RM0.50 each in the Company at an option price of RM2.32 per share. To date, a total of 7,433,000 options have been exercised.

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

6. *Options, Warrants or Convertible Securities*

There were no options, warrants or convertible securities issued by the Company during the financial period ended 31 December 2006.

7. *American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") Programme*

During the financial period ended 31 December 2006, the Company did not sponsor any ADR or GDR programme.

8. *Imposition of Sanctions / Penalties*

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management, by the relevant authorities.

9. *Profit Guarantees*

There were no profit guarantees during the financial period ended 31 December 2006 by the Company.

10. *Contracts Relating to Loans*

There were no contracts relating to loans by the Company involving Directors' and major shareholders' interests.

11. *Recurrent Related Party Transaction of a Revenue or Trading Nature*

At an Annual General Meeting ("AGM") held on 18 May 2006, the Company obtained a shareholders' mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature.

The disclosure of the recurrent related party transactions conducted during the financial period ended 31 December 2006 is set out on page 91 of the Annual Report.