

Chief Executive Officer's Operation Review

The year under review was the time to reaffirm our spirit as a young subsidiary of Chemical Company of Malaysia (CCM) Berhad. The year was marked by a series of events which kept us busy and challenged as we continued with our business strategies since coming under the corporate umbrella of the CCM Group. We managed to perform steadily and to embark on new technologies and marketing efforts for the development of CCM Duopharma Biotech Berhad (the Company).

In reaffirming our association with CCM Group, we understand that prosperity and growth is never given. It must be earned. Our journey to enhance the quality of life of every Malaysians has included all our customers in the regional and international markets as well. We continually aim to bring innovative, quality products at competitive prices and strategically position the Company to be a player and leader in the pharmaceutical industry both in Malaysia and the ASEAN region.

The Company's growth has never been one of shortcuts or settling for less. The Company has taken the path of listening and responding to the markets; taking strategic initiatives and measures; and reaching new milestones in our operational results and capabilities. The pharmaceutical business is a rather stable one where demand will not be adversely affected so long as there are generic products which offer the best value for money. As a generic pharmaceutical manufacturer, this fact augurs well with our corporate mission and objectives, and ensures a positive outlook for the Company.

Factors such as innovator best-selling products coming off-patent and thinning pipelines of cash-rich multinational pharmaceutical corporations is shifting the industry's attention to Asia Pacific, the fastest growing region in the world. Investments and strategic tie-ups with local players will be more prevalent in the coming years. We intend to create more opportunities and expand our involvement in the industry. In 2008, CCM established a regional office in the Philippines; adding to the regional offices we already have in Indonesia, Singapore, Thailand and Vietnam.

We will continuously monitor opportunities and deliver products that will give the highest value to our customers. The CCM brand which has been in the industry for more than 40 years has earned a strong presence in the local and regional markets. During the period under review, we continued with our business strategies by continuously improving our systems and processes; embarking on new technologies and marketing strategies; and building knowledge and expertise through our people.

The history of CCMD is very much founded on the entrepreneurial spirit of its founders. We are keen to preserve this foundation which allows the Company speed, agility and nimbleness to respond to customers' needs and wants. 2008 saw the Company being grouped under the newly-formed Pharmaceuticals Division of CCM Group together with its two major operating pharmaceuticals companies, CCM Pharmaceuticals Sdn Bhd and Innovax Sdn Bhd.

The synergy proved to be an effective cost measure and an efficient operational move. Under a single leadership structure, various initiatives and programmes were implemented during the year under review.

We intend to invest RM74.7 million for a three year plant expansion from 2008 to 2010. The expansion will provide additional capacity to cater to the growing business demand. By 2010, the plant will be able to produce 20 million vials of small injectables and liquids without disrupting the existing manufacturing facility.

However, in March 2009, we deferred RM20 million in expenditure of the approved CAPEX of RM74.7 million for 2008-2010 by rescheduling the construction of the new office block and the execution of Phase 3 of the haemodialysis and irrigation capacity expansion initiative.

In the meantime, we will proceed to upgrade and remove one part of the small volume injectables (SVI) plant and equip it for an inert vaccines fill and finish facility at the cost of RM7.0 million. We will also proceed with the construction of a new warehouse complete with other ancillaries at a cost of RM25 million which is in line with the expanded business.

Corporate Social Responsibility

For the second time, the OTC/Herbal Department of CCMD visited Penjagaan Warga Tua Seri Tanjung in Kuang, Selangor and delivered Donna Forte 500mg, CHC Calcium and Vitamin C supplementary supplies to improve the well being of its senior citizens and residents. The team took the chance to gauge the effectiveness of our products since the first delivery we did during the previous year. The outcome has been positive and encouraging to us.

During the year, we contributed RM60,000 to the Persatuan Farmasi Malaysia. The contribution went towards helping it to acquire its own building at 1 Puchong Business Park which costs RM2.8 million.

CCMD's social contribution went beyond its shores when it came to the aid of the victims of Cyclone Nargis in Myanmar. On 18 June 2008, we donated 200 bags of rice as an emergency relief to those victims in Phone Taw Byae Village at Ngu Pu Taw Township, Irrawaddy Division. This area was the most badly affected area hit by the cyclone which hit Myanmar on 2 May 2008. With our donation, each family household in that village was given 50 pounds of rice. We also donated 1,000 exercise books to schoolchildren in Than Te Village, Dedaye Township located at the Delta Region.

Human Resource Development

Throughout the year, employees of the Company participated with the CCM Group in its human resource development programmes. We managed to streamline the various HR areas such as pooling of the top talents into a Divisional structure.

Human Resource Development (cont.)

We held our annual mid-year sales conference to update on the sales and marketing efforts and achievements as we discussed plans and strategies for improving our sales performance. Similarly, we also held our first OTC/Herbal Meeting to discuss the sales and marketing strategies and activities while setting our overall sales target for year 2008.

Research and Development

The Company is able to tap the resources and expertise of the CCM Group's RM10 million high-tech R&D centre in Glenmarie in order to facilitate us in the development of new and innovative products. The Centre is currently studying and experimenting local herbs that have therapeutic qualities and can be marketed both domestically and internationally.

We also intend to leverage on the country's move towards being a global Halal hub by increasing our output and range of products in the years ahead. We intend to double sales globally in the next five years as we raise the awareness of Halal supplements which are beyond food and beverages only.

In 2008, six of our products have been approved by National Pharmaceutical Control Bureau of the Ministry of Health which included one prescription, one OTC and four herbal-based products. These products were for the treatment of sore throat, osteoarthritis, cough and cold. With a more coordinated approach in terms of new product development together with effective management and utilization of available resources, we are confident to expand our product line in the near future.

Regulatory Compliance

The annual National Pharmaceutical Control Bureau audit was conducted at CCMD to evaluate the effectiveness of the Quality Management System with reference to the Good Manufacturing Practices (GMP) requirement for the pharmaceutical industry. The European Pharmaceutical Co-operation Scheme (PICS) guideline and Good Store Practices (GSP) are used as standards during the two days' audit which was conducted by the Ministry of Health, Malaysia. We achieved a satisfactory result for the site in Klang. We have taken the necessary steps in upgrading parts of the facility in 2008 with the balance scheduled in 2009.

We are actively looking to venture into newer and higher value added products and competencies currently not available in Malaysia in order to secure the future of the Company.

Leonard Ariff Bin Abdul Shatar
Chief Executive Officer