

## Chief Executive Officer's Operations Review

### *Steady Progress*

Through continued emphasis on research and development, we strive to provide essential and affordable medicines which will contribute significantly towards a healthier Malaysia.



**Leonard Ariff bin Abdul Shatar**  
*Chief Executive Officer*





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During the year under review, significant strategic initiatives were undertaken to strengthen the business of CCM Duopharma Biotech Berhad (CCMD) to enhance sales growth, reduce risks and deliver long-term value to our shareholders. As a young subsidiary of the Chemical Company of Malaysia (CCM) Group, we are passionate and dedicated not only to seek greater accomplishments for the Company but also to improve the overall business performance of the CCM Group despite the many trials and tribulations that we witnessed in 2009.

Although the prospect for the pharmaceutical industry is expected to be healthy, it is still going to be a tough year ahead. We aim to strive for the best and consistently maintain our high standards of business conduct towards achieving maximum productivity and continued revenue growth as we advance our business to the next level.

In 2009, we established various strategic measures to diversify sources of growth and boost our revenue. CCMD took a giant leap in strengthening CCM Pharmaceuticals Division's business in the local herbal supplement market when it introduced Herbajules in April. Herbajules was developed by deriving herbal plants' chemical compounds or phytochemicals for their health promoting-values through pelletisation technology for maximum safety and efficacy of natural herbs. The Herbajules range includes *Diamelon Plus* that is traditionally used for general well being; *Herba Cleanse* to help maintain healthy, glowing skin; *Rumatis* to relieve joints and muscular pain; *Memor* for general health; *Tricare* for general health maintenance and to improve urination problem; and *Vigorex* for vitality, energy and men's health.

CCMD also signed a strategic partnership with Inno Bio Ventures Sdn Bhd (IBV) to jointly develop biosimilar products and explore future business opportunities, especially in the manufacturing and commercialisation of erythropoietin (EPO) biosimilars. The biopharmaceutical market is the fastest growing area of the pharmaceutical industry and it includes products such as vaccines, cancer agents and arthritic drugs. Biosimilars are follow-on versions of existing biopharmaceutical products whose patents have expired. In 2008, the Asian region captured 34.1% share of the world biosimilars market which is expected to be worth US\$19.4 billion by 2014. Currently, the global biosimilars market is further boosted by the high demand for EPO biosimilars. Erythropoietin is used to treat anemia, associated with cancer and renal disease, and the market for this drug was worth almost US\$13 billion in 2005, making it the world's best selling human medicine. The Government spends RM45 million annually in importing EPO from key manufacturing countries such as Europe, India and South America. Locally made EPO will allow the Government to provide treatment to a much wider population base. Together with IBV, we will be the first local manufacturer of this product in the South East Asia region once it is commercialised.

The A(H1N1) outbreak also spurred CCMD to join the war to tackle the spread of the influenza virus by introducing Oseltamivir (*Omiflu*) in August. *Omiflu* is an anti-viral drug to treat and prevent infections due to the influenza virus. The growing number of influenza A(H1N1) cases and deaths in Malaysia during the year under review became a cause of concern and the Government called on drastic and urgent measures to be taken to halt the pervasive spread of the virus. In December 2009, we have been awarded a three-year contract

worth RM35 million to supply *Omiflu* to the Government. *Omiflu* has a Bioequivalency (BE) study confirming it is of the highest quality standard and is bioequivalent with other branded anti-viral drugs in the market. The development of *Omiflu* exemplifies our commitment to help allay patients' worries on the availability of an effective anti-viral medication that offers them the best option in treating the flu and as a preventive measure when people come into close contact with an infected person.

Besides that, we also managed to obtain a further contract extension from the Government for the supply of SLN-30 for another two years to treat HIV-positive patients. However, the usage of the SLN-40 drug for HIV treatment has been discontinued as advised by the local health authorities and the World Health Organisation.

CCMD is still in discussion with the Ministry of Health on the renewal of the Methadone contract for the Methadone Drug Substitution Therapy Programme but remains fully supportive of the Government's drive in the Harm Reduction Programme.

In line with our effort to promote the use of Methadone in addiction treatment, we sponsored the establishment of the University of Malaya Center for Addiction Sciences (UMCAS) and the Methadone Research Clinic in support of the Government's initiatives to treat heroin addicts and reduce the prevalence of HIV/AIDS in the country in April. Both UMCAS and the Methadone Research Clinic are affiliated under the Department of Psychological Medicine, Faculty of Medicine, University of Malaya and aim to become the first addiction research institute in Malaysia as well as a preferred one-stop centre of excellence for training,

research and treatment of addiction problems. We also donated RM13,000 to UMCAS and the Methadone Research Clinic in recognition of their efforts to promote Malaysia's successful addiction treatment strategies and create awareness on harm reduction activities.

### Corporate Responsibility

During the year under review, CCMD undertook 12 programmes to enhance the Company's corporate responsibility initiative. Some of the programmes included sponsoring Donna Forte and Diamelon for the annual reunion of the Alumni Association of the King Edward VII College of Medicine & the Faculties of Medicine, and *Chewies Effervescent*, *Chewies Taurine* and *Donna 250mg* for the Penang Health Fair.

In light of the A(H1N1) outbreak, we took the initiative to curb the spread of the influenza virus by donating RM13,500 worth of Cosmos hand sanitisers to the Ministry of Health through the Malaysian Organisation of Pharmaceutical Industries (MOPI).

We also addressed the plight of the needy in neighbouring countries by sponsoring some RM12,000 worth of *Chewies Vitamin C 100mg* and *Sunlax* for Yayasan Kasih Sayang Malaysia's "Misi Kemanusiaan ke Jawa Barat, Indonesia".

Closer to home, we provided *Chewies Vitamin C 100mg* to the Association of Bumiputera Women Entrepreneur Network of Malaysia to help improve the well-being of the poor.

Overall, we contributed close to RM100,000 worth of pharmaceutical products to various corporate responsibility activities in 2009.

### Human Resource Development

In 2009, CCMD conducted various human resource development activities to enhance employees' performance and maximise their full potential to effectively achieve the Company's objectives.

The activities included training middle-level managers to equip them with the necessary skills to manage organisational challenges more systematically and effectively; developing young managers and executives to understand the Company's strategic direction by providing them with the right mindset, knowledge and skills to take on challenging roles in the organisation; introducing employees to the Six Sigma training that promotes a dynamic approach in reviewing the quality of products and processes by integrating corporate innovativeness and operational productivity; and training managers and supervisors to focus on managing their subordinates effectively based on an industrial relations perspective, especially in terms of employees conduct and performance.

We also organised various Good Manufacturing Practice (GMP) courses to update managers and executives on the current and future trends of the ever-changing landscape of the pharmaceutical industry in order for employees to be well-informed of the latest pharmaceutical issues.

In our efforts to motivate and encourage employees to engage in positive work behaviour, we developed the 'Healthy Living Program' to strengthen the bond between the staff and their management team. Monthly activities such as a karaoke competition, a nutritional and motivational talk, a 'Buka Puasa' gathering, a blood donation drive, fitness lessons and mini dinners for all employees were held to create a more conducive work environment.

### Research and Development

As a leading player in the pharmaceutical industry, research and development (R&D) has always been the backbone of our business and we strive to create innovative and affordable medicines that can significantly make a huge difference in the lives of individuals who seek better health.

CCMD's involvement in the collaboration with IBV allows us to leverage on CCM Group's R&D centre, Innovax Sdn. Bhd. and fully utilise its cutting edge technological capability to tap into the huge potential of manufacturing and marketing EPO biosimilars as well as other biosimilar products locally and overseas.

The establishment of our inert vaccines fill and finish facility which is also the first of its kind in the region will strengthen our R&D and promote technological advancement to enhance the Company's presence and competition within the biotechnology industry. The RM7 million facility is suitable for the vialling of bulk vaccines. The facility also provides third parties such as smaller pharmaceutical companies and universities with an effective solution for their production and packaging needs. All equipment have been installed at the facility and the validation process is currently underway. The investment also involves the remodeling of CCMD's small volume injectables plant to strengthen the GMP compliance and expansion into new product lines. We expect the setting up of the facility to contribute positively to the Company in 2011.

Both initiatives will also give us the opportunity to venture into the finishing of halal vaccines to meet the high demand for such products locally and globally. The Ministry of International Trade and Industry recently called upon local pharmaceutical

players to take the lead in developing halal vaccines to ease the fears among Muslims who are worried about the content of vaccines that are in the market today. We are positive about the prospect of the human vaccines market as it is a growing area that adds value to our consumers in the long run and is capable of catering to their needs in the constantly evolving pharmaceutical industry.

In the children's supplement category, we extended the existing *Chewies* range through the introduction of Mango and Pink Guava-flavoured Vitamin C. CCMD marked another milestone with the launch of the two new products as they are the first children's vitamins in Malaysia with delightful tropical fruit flavours.

Besides *Omiflu*, we added another product to our ethical portfolio, namely the launch of PCE cough preparation syrup in October. Our efforts to continuously acquire knowledge and the latest technology to develop new and innovative products have proven to be fruitful as we managed to achieve RM1.6 million in total sales of new products for the year under review.

### International Business

Throughout 2009, CCMD's international business sales contributed to almost 9% (valued at approximately RM11 million) of the Company's total revenue.

We are confident about the growth prospects for the Company's international business in 2010 and beyond, especially in key markets in ASEAN, namely Singapore, Indonesia, Vietnam, the Philippines and Thailand. The pharmaceutical industries in these markets are expected to achieve an almost double digit growth rate in the next few years, hence our focus on these five countries.

We have identified strategic plans to be implemented in these markets to drive our regional business forward. By leveraging CCM Group's regional offices in these countries, we aim to reach a wider target audience, create greater awareness of our products and improve the sales in the region.

Besides ASEAN, we are also focusing on other countries such as countries in the Gulf Cooperation Council (GCC) in the Middle East and also Australia and New Zealand and we will continue to leverage our good working relationships with the existing agents, importers and distributors in order to increase sales penetration in the respective markets.

Internally, the export department has been restructured in order to better manage CCMD's existing resources to meet the Company's targets in our attempt to boost our overseas business performance.

With the various strategic measures in place, internally and externally, we plan to grow our international sales by more than 50% compared to 2009, which will account for 13% of CCMD's overall sales target in 2010.

In meeting the greater demands of the consumers, we hope to develop more innovative products, target new and promising niche areas that will add value to our consumers and explore new overseas opportunities to propel our Company to greater heights.

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