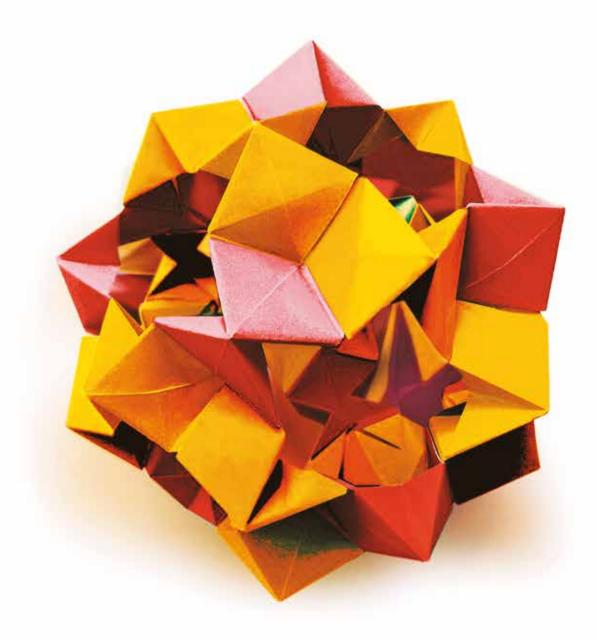


# RESILIENCE &



# RESILIENCE &

Since 2000, CCM Duopharma Biotech Berhad (CCMD) has been continuously innovating products, services and processes to ensure the resilience of the Company to continue Enhancing Quality of Life. As the healthcare arm of Chemical Company of Malaysia Berhad involved in the manufacturing, marketing and distribution of pharmaceutical products, we invest heavily in R&D initiatives to seize new opportunities for growth in the areas of oncology, biosimilars and vaccines to keep us at the forefront of the regional pharmaceuticals industry. We are the first recipient of the world's first Halal Pharmaceutical Standard accreditation of the MS2424:2012 Halal Pharmaceuticals General Guidelines. Hence, the traditional Japanese art of origami that has transformed into an innovative modern art form is used here as a symbol of the spirit of innovation that has ensured the continued success of the Company.

2

56%

3

1,3,5

UUH JHH |||

## Little C\_T

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Ho e Wo

## OUTSTANDING

With diligent dedication to innovation, CCMD receives many awards and recognitions in the industry for the safety and quality of our products. We are the first recipient of the world's first Halal Pharmaceutical Standard MS2424:2012.

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Proxy Form

### **FINANCIAL** Calendar

Financial year end Annual General Meeting 31 December 2013 20 May 2014

### DIVIDEND

(i) Interim Dividend Entitlement date Payment date

17 October 2013 8 November 2013

(ii) Proposed Final Dividend Entitlement date Payment date

26 May 2014 20 June 2014

### **ANNOUNCEMENT OF 2013 QUARTERLY RESULTS**

Three months	(1st Quarter)
Six months	(2nd Quarter)
Nine months	(3rd Quarter)
Full year	(4th Quarter)

27 May 2013 28 August 2013 19 November 2013 26 February 2014



138

131

124

135

162

38

35

2009 2010 2011 2012 2013 **NET ASSETS PER SHARE** (*RM*)

183

170

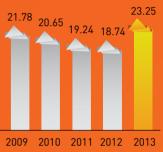
2009 2010 2011 2012 2013

35

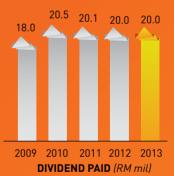
35

40

**PROFIT BEFORE TAX** (RM mil)



EARNINGS PER SHARE (sen)



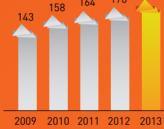
**CONSOLIDATED BALANCE SHEET** 

**FINANCIAL** Highlights

(RM'000)	2013	2012
Non-current assets Current assets Total assets Current liabilities	111,464 94,188 205,652 18,554	105,410 92,620 198,030 21,868
Financed by: Share capital Treasury shares Non-distributable reserves Retained profits Shareholders' funds Deferred tax liabilities	69,739 (1,578) 13,720 100,768 182,649 4,449	69,739 (1,578) 13,720 88,622 170,503 5,659

### **CONSOLIDATED INCOME STATEMENT**

(RM'000)	2013	2012
Turnover	162,405	135,310
Profit before taxation	40,175	35,298
Taxation	(7,900)	(9,284)
Profit after taxation	32,275	26,014
Profit attributable to shareholders	32,275	26,014
Dividends	(20,129)	(19,956)
Transfer to retained profits	12,146	6,058



164

SHAREHOLDERS' FUND (RM mil)

## DEVELOPMENT

CCMD is on a path of progressive development, dedicated to delivering excellent products and services to drive growth and ensure profitability. We are constantly pushing ourselves to outperform our track records and achieve greater success. 7

Chairman

Tan Sri Dato' Dr. Abu Bakar bin Suleiman

### **CHAIRMAN'S** Statement

**Dear Shareholders,** Greater access to medicines by the world's expanding middle class, together with stronger economic prospects in developed nations is predicted to bring total spending on medicines to the USD1 trillion threshold in 2014 and to USD1.2 trillion by 2017, according to a research by IMS Institute of Heatthcare Informatics. At the same time, the Malaysian healthcare and pharmaceuticals market is expected to post strong growth in 2014 with the government's budget allocation of RM22.1 billion for the health sector.

The pharmaceutical sector is also one of the National Key Economic Areas ("NKEA") under the government's Economic Transformation Programme ("ETP"), recognising this sector as a pivotal aspect of the Malaysian economy. Besides this, the establishments of the 1Malaysia clinics and new hospitals across the country will also help boost the pharmaceutical industry.

For the year under review, your Company performed well, leveraging on its innovative products and emphasis on market penetration. Our revenue grew higher than the general market due to strong growth in both the domestic government and private sectors as well as the export market. The contraction of the dangerous drugs market due to quota imposition a few years ago has largely been overcome.

CCMD focused on its strategy of expanding its portfolio, either through new products or innovation of our existing products to better suit our customers' needs. Besides this, we also heightened our efforts to develop a Biotherapeutics portfolio and renovation of our manufacturing assets. The Company continuously worked on its strategic initiatives in place to exceed expectations of the domestic and export markets, particularly in the ASEAN region. Research and Development ("R&D") was also at the forefront of our business to help us serve the market needs better. On the Safety, Health and Environment ("SHE") performance of our Company, 2013 saw an improvement in performance due to added emphasis placed on educating our workforce together with replacement of equipment with built-in safety features. Our workforce were also committed and driven to ensure SHE remains as an important aspect of the business.

With this, I present you the Annual Report and Financial Statements of the Company for the financial year ended 31 December 2013.

#### **OUR FINANCIAL PERFORMANCE**

The Group recorded a revenue and profit before tax ("PBT") of RM162.41 million and RM40.18 million respectively for the current year ended 31 December 2013 as compared to RM135.31 million and RM35.30 million for the corresponding period last year. The growth was largely due to increase in demand from government hospitals via the tender business and export market. The increase in revenue coupled with incorporation of changes in fair value of investment property also led to the increase in profit. At the same time, the quality of the balance sheet has improved with lower working capital to sustain the business. The implementation of the Lean 6 Sigma initiatives has also assisted in bringing down the cost base of the Company.

### **DIVIDEND PAYOUT**

The Board of Directors is recommending a final dividend of 13.5 sen per ordinary share, tax exempt dividend under the single-tier tax system for the financial year ended 31 December 2013.

### **BUSINESS OUTLOOKS AND PROSPECTS**

According to a research by IMS Institute of Healthcare Informatics, annual growth in global medicine spending is expected to rise from 2 to 3 percent in 2013 to 5 to 7 percent in 2017, the highest pace of growth since 2009. Additionally, the gradual return of global GDP growth to more than 4 percent by 2017 will be a key factor towards the upward trajectory in medicine spending levels.

In Malaysia, the increasing emphasis on proper medicinal care and greater demand for wellness products provides the Company with an array of opportunities in the coming years. As the Malaysian pharmaceutical market continues to grow, we look forward to being at the forefront of this growth and contributing towards the growth and development of the industry and our country as a whole.

### 2014 will see the implementation of the latest round of the Malaysia's Ministry of Health Approved Pharmaceutical Products List ("APPL") tenders for 2014-2017. We are reasonably confident that this round of tenders will see your Company improve on its recent performance. The upcoming year will also see your Company well on its way in the Clinical III trial of Erythropoietin ("EPO") sourced from our Korean partner whilst focusing on opportunities in new therapeutic areas.

At the same time, we are also anticipating growth in our Halal segment, leveraging on the growing awareness of the benefits of consuming Halal products. The Company will continue its efforts to become a leader in the Halal industry, locally and in the region.

Our focus for the upcoming year will be to upgrade the quality of manufacturing assets, develop our Biotherapeutics portfolio, improve penetration into both the private and government sectors, expand our export market and develop new niche therapeutic areas.

At the same time, the Company is also aware of the many challenges present including the changing healthcare landscape, competition and economic slowdown, among others, and is determined to continuously innovate and reinvent ourselves for the betterment of our customers and the community we operate in.

#### **ACKNOWLEDGEMENTS**

I take this opportunity to thank each and every one of you for playing a significant role in the growth of our Company. On behalf of the Company's Board of Directors, I would like to thank our dedicated team of managers and employees, who have worked relentlessly over the year to develop our Company from strength to strength.

My gratitude also goes out to my fellow Directors for their wisdom and guidance in leading our Company to achieve greater success. I am pleased to welcome Dato' Mohamad Kamarudin bin Hassan to the Board of the Company.

Our thanks to all our shareholders, customers, business associates and partners who have always given us their support. We look forward to many more years of rewarding relationships with all of you. I wish you a prosperous and fulfilling year ahead.

Tan Sri Dato' Dr. Abu Bakar bin Suleiman Chairman

### **CHAIRMAN'S** Statement

Leonard Ariff bin Abdul Shatar

Chief Executive Officer

### **CHIEF EXECUTIVE OFFICER'S** Operations Review

Resilience and Transformation were the main themes throughout the year for us at CCM Duopharma Biotech Bhd. ("CCMD"). Despite market volatility and uncertain economic times, the Company continues to see growth and development in many areas. Demand for our products still remains strong as we focused on our tried and true strategy to penetrate into new markets and innovate our existing products to better meet the needs of

our consumers.

CCMD recorded an improved performance for the financial year ended 31 December 2013 with Group revenue increasing 20 percent from that of the previous financial year while Group pre-tax profit rose 13.8 percent and Group after tax profit chalked up a 24.1 percent gain. Group revenue rose to RM162.41 million during the year under review from RM135.31

million in the previous year due mainly to increased demand from Government hospitals via the tender business and the export market. CCMD's Group pre-tax profit increased from RM35.30 million to RM40.18 million thanks to the increased revenue coupled with the incorporation of changes in fair value of investment property.

### **CHIEF EXECUTIVE OFFICER'S** Operations Review

Our key strategy for the year was to heighten penetration in both private and government sectors as well as to expand our export markets. The Company also seeks to continuously establish collaborations with multinationals in the industry to help us leverage on their innovations whilst offering them our established manufacturing expertise. At the same time, our investment in R&D increased with the aim to innovate our products and develop new generics to fill the pipeline. For the year under review, we launched 2 new products, *Donna 3-in-1* (over-the-counter) and *Acetan HCT* (ethical) for hypertension.

Besides this, we continue to focus on the Lean 6 Sigma programme to help improve our productivity. The Company also harnessed the Enterprise Resource Planning ("SAP") system, implemented in 2012 to create value, upgraded manufacturing assets whilst developing longer term strategies in Biotherapeutics and also niche therapeutic areas.

For the upcoming year, a key strategy for growth would be to harness the Company's leading position in sterile manufacturing to move into new Biotherapeutics which would be a new profit driver for the Company in coming years and assist consumers to obtain price competitive products for patients in need. Besides this, we are also looking at new niche therapeutic areas to meet the needs of this growing sector.

We have already started Clinical III trials in Malaysia and South Korea for Erythropoietin ("EPO"), working jointly with our Korean partners. This is the first step in developing internal expertise in handling Biotherapeutics whilst at the same time, evaluating new products for our Biotherapeutics portfolio that have market potential in Malaysia. The area of Biotherapeutics, dominated by global pharmaceutical players, is expected to expand at a compounded average growth rate of 12 percent in Asia to an estimated RM8 billion in the South East Asia region by 2020.

Additionally, we have also invested RM6 million on a Biological Formulation & Finish facility with the aim to be the first in Malaysia to conduct 'Fill and Finish' operations for Biotherapeutics. We are currently working with various parties to bring the first locally formulated Halal vaccines to the market. This longterm project is in line with the Company's strategy of growing niche therapeutic areas. This also shows our commitment to realise the government's aspirations of encouraging more partnerships between multinationals and local companies.

Geographically, the export market continues to be a key focus for the Company given the small Malaysian domestic market. Our products are specifically developed to have a wider market footprint to help us expand our offerings to international shores. We continued our exports to over 20 countries with primary focus on Indonesia, Vietnam, Singapore and the Philippines. Strategically, we will continue to harness our first mover advantage in the Biotherapeutics sector whilst looking at niche therapeutic areas.

### HALAL

For the year under review, we continued to leverage on our leadership in the Halal segment to benefit our pharmaceutical manufacturing. As a testament to our commitment in this area, CCM Pharmaceuticals Division (including CCM Duopharma Biotech Berhad) was certified and listed in The Malaysia Book of Records for being the first pharmaceuticals manufacturer to receive the world's first Halal Pharmaceutical certification by Jabatan Kemajuan Islam Malaysia (JAKIM), based on the world's first Halal Pharmaceutical Standard MS2424:2012 on 30th January 2013. This milestone will certainly be instrumental in helping us further build on our leadership in this segment.

We have successfully executed our initiatives to strengthen the core framework of our Halal leadership with clear responsibilities and accountabilities supported by knowledgeable resources and competent capabilities. Moving forward, we will focus on Phase 2 of our Halal strategies which is to nurture and optimise CCMD's Halal leadership position. To do this, the Company is working relentlessly to strategically collaborate and partner with reputable organisations such as JAKIM, Ministry of Health, Standards Malaysia, Halal Industry Development Corporation ("HDC") and universities. This will help us to position Halal as a competitive advantage to expand market presence and benefit from being the 'first to market'.

### **CHIEF EXECUTIVE OFFICER'S** Operations Review

### **RESEARCH AND DEVELOPMENT**

R&D is always at the forefront of our business as we aim to continuously reinvent ourselves for the betterment of our consumers. We have developed internal competencies and synergies in the methodology and approaches to identify and agree on sustainable targets for future small molecule pipeline products. The Company now has a stream of new generics that we plan to launch at a predetermined time-frame. Selective collaboration with or engagement of third party Research and Formulations organisations gives us the opportunity to focus our efforts based on our internal competencies, thus, maximising our productivity whilst reducing cost with quick results.

At the same time, we are also exploring new technologies in materials, processes and dosage forms to enhance our competitive advantage in the market such as premix materials, direct compression, roller compaction and spray-drying.

### SUSTAINABILITY AND CORPORATE RESPONSIBILITY

### **Promoting Sustainability**

The Malaysian Code on Corporate Governance 2012 recommends for the Board of companies to formulate strategies that address sustainability. In this regard, the Group has adopted the guidelines under the Securities Commission CSR Framework 2006 focusing on the following areas, to achieve its sustainability objectives:

- (i) Stakeholders and Marketplace expectations;
- (ii) Environment;
- (iii) Workplace sustainability; and
- (iv) Community needs.

The Corporate Sustainability Policy can be accessed from the Group's Holding Company's official website at www.ccmberhad.com

Through the years, Sustainability and Corporate Responsibility is a pivotal aspect of the Company's culture as we strive to weave our business values and operations with the hopes of meeting the expectations of our shareholders. Our aim remains to make a difference in the community we operate in as well as to enhance our corporate values and adopt ethical business practices to improve the quality of life.

### Sahabat Korporat Tabung Haji

In August 2013, CCMD jointly sponsored 30,000 health kits worth more than RM500,000 to Malaysian pilgrims performing their Haj. Our product, *Donna Glucosamine*, was included in the health kit for pilgrims to consume as an effective relief of joint related symptoms during the course of their pilgrimage. This year also marks the tenth consecutive year of CCM Group's involvement in this programme with CCMD participating since 2012. This participation exemplifies our commitment to ensure the well-being and good health of our Muslim pilgrims.

Every year, the Company also participates in the Kursus Asas Haji ("KAH") and Kursus Haji Perdana ("KHP"), organised by Tabung Haji in all states for pilgrims to prepare for their Haj. During the KAH, among the activities that we did is to educate pilgrims on our Halal certified products that were included in the health kits.

### Minggu Saham Amanah Malaysia

Once again, the Company participated at the Minggu Saham Amanah Malaysia ("MSAM") in Perlis with the theme 'Pelaburan Untuk 1Malaysia'. Among the activities that CCM conducted were the Interschool Showdown, CCM Photo Booth as well as medical check-ups conducted by CCM JATI (Jalinan Antara Universiti dan Industri) students from Universiti Sains Malaysia. The aim of this programme was, among others, to generate awareness amongst consumers on our Halal certified products.

### CCM JATI (Jalinan Antara Universiti dan Industri) Programme

The Company collaborated with International Islamic University of Malaysia ("IIUM") and UiTM Bertam to expose pharmacy undergraduates with entrepreneurship and product knowledge by providing them with training and support. This collaboration is in line with the government's call to intensify collaboration between universities and industries.

### Jom Heboh and Pesta Pengguna CCM

Throughout the year under review, the Company aggressively participated in ground events such as Jom Heboh and Pesta Pengguna CCM. From these programmes, our customer base in Terengganu, Johor, Kelantan, Kuala Lumpur, Kedah, Perak and Pahang have been explored. The focus of these events was to generate awareness of products, specifically over-the-counter ("OTC") products. At the same time, we also aimed to create awareness to the public on the availability of CCM Halal certified products.

### SAFETY, HEALTH AND ENVIRONMENT

Safety, Health and Environment ("SHE") is of paramount importance in our business operations and we strive to achieve world class standards in this aspect. On top of ensuring we meet all regulatory requirements in our operations and premises and obtaining all mandatory licences yearly, the Company also carries out a SHE Awareness Week, regular talks and educational programmes throughout the year. All of these are in place to reinforce the importance of SHE at work, on the road and at home. The Company also embarked on Hazard Identification, Risk Assessment and Risk Control ("HIRARC") in 2013, and will continue to complete the HIRARC in 2014. We will also intently focus on Road Safety and Hand Injury awareness throughout the upcoming year.

#### **PEOPLE**

We recognise that our most important assets are our people and for this reason the Company works towards continuously providing training and development for our employees. At the same time, 2013 saw us fully implementing the Minimum Wage Policy to include all staff and also completed our Talent Management & Succession planning. We also organised various off-site team building exercises to forge closer relations amongst our employees. The Company also continued our monthly motivational programme such as the Healthy Living Programme ("HLP") as part of our staff engagement initiative. A testament to the success of these programmes was the improvement in our Employee Engagement Index rating.

Our employees were also given various opportunities to continue developing themselves through trainings and workshops. Shop floor staff were given the opportunity to enhance their skills and develop talents through the My Career Acceleration Program ("MyCAP"). This one year programme focuses on technical and soft skills and more than 40 shop floor staff participated in this. Besides this, senior level management staff have been identified and given the opportunity to attend the Harvard Business School Program to harness their management skills, whilst a Senior Management Coaching programme was implemented in 2013. Moving forward, the upcoming year will focus on ensuring the Company gains ISO certification in Human Resource Management and for the whole Company. 2014 would also see the Company settling its first collective agreement for the unionised staff. The philosophy has always been to balance the needs of all stakeholders in the Company be it shareholders, employees and other stakeholders. The Company will also be focusing on ensuring its long term succession planning is put into place with emphasis on the development of middle management to ensure a strong pipeline of management talent within the organisation

#### **INFORMATION & TECHNOLOGY**

As our business grows, we are aware of the important role played by Information Technology. The focus for 2013 was extracting value from our investment in an SAP system in 2012. At the same time, we also invested in an online tendering system ("ARIBA") which has already started showing savings in costs.

### ACKNOWLEDGEMENTS

I take this opportunity to record my utmost gratitude to all parties that have been instrumental in ensuring we are on the right track towards success. My gratitude and appreciation also go to all the members of the Board who have given their invaluable guidance throughout the year.

I am confident that the upcoming year will see us exploring new frontiers and capturing greater market share, both locally and regionally.

On behalf of the Management team of CCMD, I also thank all our staff, associates, partners, vendors and stakeholders who have remained with us through the years. We look forward to a better, more fruitful year ahead!

### Leonard Ariff bin Abdul Shatar

Chief Executive Officer

## CONNECTION

CCMD recognises the importance of our relationship with our customers. We are committed to ensuring that our products and services enhance the quality of our customers' lives to safeguard the continued profitability of our Company.

### **CORPORATE** Information

### **BOARD OF DIRECTORS**

**Tan Sri Dato' Dr. Abu Bakar bin Suleiman** Chairman Non-Independent Non-Executive Director

Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam Independent Non-Executive Director

Datuk Alias bin Ali Non-Independent Non-Executive Director

Haji Ghazali bin Awang Senior Independent Non-Executive Director

Amirul Feisal bin Wan Zahir Non-Independent Non-Executive Director

Dato' Mohamad Kamarudin bin Hassan Independent Non-Executive Director (Appointed w.e.f. 2 January 2014)

### CHIEF EXECUTIVE OFFICER

Leonard Ariff bin Abdul Shatar

### COMPANY SECRETARY

Noor Azwah binti Samsudin (LS0006071)

### **REGISTERED OFFICE**

13th Floor, Menara PNB 201-A, Jalan Tun Razak 50400 Kuala Lumpur Tel No. : 03-2612 3888 Fax No. : 03-2612 3999

### **BUSINESS ADDRESS**

Lot 2599, Jalan Seruling 59 Kawasan 3 Taman Klang Jaya 41200 Klang Selangor Darul Ehsan Tel No. : 03-3323 2759 Fax No. : 03-3323 3923 Homepage : www.duopharma.com.my E-mail : cs@ccmberhad.com

### AUDITORS

Messrs. KPMG Chartered Accountants Level 10, KPMG Tower 8 First Avenue, Bandar Utama 47800 Petaling Jaya Selangor Darul Ehsan

### PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad No. 19, Jalan Stesen 41000 Klang Selangor Darul Ehsan

CIMB Bank Berhad GFB Casa Klang No. 39, Block A-KU01 Jalan Meru 41050 Klang Selangor Darul Ehsan

Hong Leong Bank Berhad 68, Lorong Batu Nilam 4A Bandar Bukit Tinggi 41200 Klang Selangor Darul Ehsan

### SHARE REGISTRAR

Tricor Investor Services Sdn. Bhd. Level 17, The Gardens North Tower Mid Valley City, Lingkaran Syed Putra 59200 Kuala Lumpur Tel No. : 03-2264 3883 Fax No. : 03-2282 1886

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad



### **BOARD** Structure



### **CORPORATE** Structure

CCM Duopharma Biotech Berhad (524271-W)

100%

Duopharma (M) Sdn. Bhd. (42491-M)

from left to right

Datuk Alias bin Ali

Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam

Tan Sri Dato' Dr. Abu Bakar bin Suleiman Chairman

Amirul Feisal bin Wan Zahir

Haji Ghazali bin Awang

Dato' Mohamad Kamarudin bin Hassan



### Tan Sri Dato' Dr. Abu Bakar bin Suleiman

Age: 70 years Nationality: Malaysian

### POSITION ON THE BOARD

Chairman, Non-Independent Non-Executive Director

### DATE APPOINTED TO THE BOARD

25 May 2002

### MEMBERSHIP OF BOARD COMMITTEES

Member, Nomination and Remuneration Committee

### DIRECTORSHIPS OF OTHER PUBLIC COMPANIES

- Medical Defence Malaysia Berhad
- IHH Healthcare Berhad

### SECURITIES HOLDINGS IN THE COMPANY AND ITS SUBSIDIARIES

- 286,400 ordinary shares directly as at 19 March 2014
- 22,000 ordinary shares indirectly as at 19 March 2014

### FAMILY RELATIONSHIP WITH ANY DIRECTOR AND/OR MAJOR SHAREHOLDER

None

CONFLICT OF INTEREST WITH THE COMPANY None

LIST OF CONVICTIONS FOR OFFENCES WITHIN THE PAST 10 YEARS OTHER THAN TRAFFIC OFFENCES None

#### QUALIFICATIONS

- Bachelor of Medicine and Bachelor of Surgery, Monash University, Australia
- Master of Medicine, University of Singapore
- Fellow, Royal Australian College of Physicians
- Fellow, Royal College of Physicians, London
- Fellow, Royal College of Physicians, Edinburgh
- Fellow, Royal College of Physicians, Glasgow
- Fellow, Royal College of Physicians, Ireland
- Fellow, Academy of Medicine, Malaysia
- Fellow, Academy of Medicine, Singapore
- Fellow, Academy of Science, Malaysia
- Honorary Fellow, American College of Physicians

### WORKING EXPERIENCE AND OCCUPATION

Tan Sri began his career as a Medical Officer with the Ministry of Health ("MOH") in 1969. He subsequently completed his training in Internal Medicine and became a Consultant Physician with the Department of Nephrology, Kuala Lumpur Hospital. He has held various top level positions in the medical field, including being Head of Department of Nephrology, Kuala Lumpur Hospital, where he worked for 11 years. In 1987, he was appointed MOH's Director of Medical Services and in 1989, the Deputy Director-General of Health. He went on to become the Director-General of Health, a position he held from 1991 to 2001. He attended the Advanced Management Program at Harvard Business School, USA in 1991. Upon his official retirement, he was appointed President of the International Medical University.

Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam

Age: 70 years Nationality: Malaysian

POSITION ON THE BOARD

Independent Non-Executive Director

### DATE APPOINTED TO THE BOARD 30 March 2006

#### **MEMBERSHIP OF BOARD COMMITTEES**

- Member, Nomination and Remuneration Committee
- Member, Audit and Risk Management Committee

### DIRECTORSHIPS OF OTHER PUBLIC COMPANIES None

### SECURITIES HOLDINGS IN THE COMPANY AND ITS SUBSIDIARIES

34,120 ordinary shares directly as at 19 March 2014

### FAMILY RELATIONSHIP WITH ANY DIRECTOR AND/OR MAJOR SHAREHOLDER

None

CONFLICT OF INTEREST WITH THE COMPANY None

### LIST OF CONVICTIONS FOR OFFENCES WITHIN THE PAST 10 YEARS OTHER THAN TRAFFIC OFFENCES None

### QUALIFICATIONS

- Bachelor of Medicine and Bachelor of Surgery, University of Singapore
- Diploma in Tropical Medicine and Hygiene, Mahidol University, Thailand
- Diploma in Clinical Pathology, University of London
- Fellow, Royal College of Pathologists, United Kingdom
- Fellow, College of American Pathologists, America
- Fellow, Royal College of Pathologists of Australia
- Fellow, Academy of Medicine, Malaysia
- Senior Fellow (Academician), Academy of Sciences, Malaysia

#### WORKING EXPERIENCE AND OCCUPATION

Tan Sri Dato' Dr. Jegathesan began his career serving in numerous government departments in the Ministry of Health, culminating in the position of Deputy Director General (Research and Technical Support) from 1994 until 1998. After a full term career in the Ministry of Health, he served as Medical Advisor to the UNDP affiliated Council for Health Research for Development in Geneva from 1998 to 2000, thereafter as CEO of Sistem Hospital Awasan Taraf until 2003. He currently holds positions as Consultant Pathologist, BP Healthcare Group, Consultant Microbiologist and Head, Laboratory, Sunway Hospital and Pro-Chancellor, University Sains Malaysia. His other crowning achievements were when he was a participant in the Asian Games in Jakarta in 1962, where he was the first Malaysian to win a gold medal at the Asian Games, repeating the feat at the next Games in 1966 and was dubbed the "fastest man in Asia." He was also Malaysia's first Sportsman of the Year in 1966. On the medical front, he was the joint winner of the National Science Award in 1995.

### Datuk Alias bin Ali

Age: 66 years Nationality: Malaysian

### POSITION ON THE BOARD

Non-Independent Non-Executive Director

DATE APPOINTED TO THE BOARD 14 March 2006

MEMBERSHIP OF BOARD COMMITTEES Member, Audit and Risk Management Committee

### DIRECTORSHIPS OF OTHER PUBLIC COMPANIES

- Fima Corporation Berhad
- Melati Ehsan Holdings Berhad

### SECURITIES HOLDINGS IN THE COMPANY AND ITS SUBSIDIARIES

None as at 19 March 2014

### FAMILY RELATIONSHIP WITH ANY DIRECTOR AND/OR MAJOR SHAREHOLDER None

NONE

CONFLICT OF INTEREST WITH THE COMPANY None

LIST OF CONVICTIONS FOR OFFENCES WITHIN THE PAST 10 YEARS OTHER THAN TRAFFIC OFFENCES None

### **QUALIFICATIONS**

- Bachelor of Economics (Hons.), Universiti Malaya
- Master in Business Management (MBM), Asian Institute of Management (Manila)
- London Executive Program, London Business School
- Diploma in Islamic Studies, Universiti Kebangsaan Malaysia
- Diploma in Homeopathic Medicine, Homeopathic Medical Association of Malaysia

### WORKING EXPERIENCE AND OCCUPATION

Datuk Alias began his career serving in government departments and Ministries since 1970. He was appointed as Director of Industrial Development of the Ministry of Trade & Industry in 1987. In 1990, he was appointed the Cabinet Under-Secretary in the Prime Minister's Department and Deputy Secretary-General (Cabinet) in 1995. He was the Secretary-General of the Ministry of Health from 2000 until 2004.



Senior Independent Non-Executive Director

### DATE APPOINTED TO THE BOARD

14 March 2006

#### **MEMBERSHIP OF BOARD COMMITTEES**

- Chairman, Audit and Risk Management Committee
- Chairman, Nomination and Remuneration Committee

### **DIRECTORSHIPS OF OTHER PUBLIC COMPANIES**

- HeiTech Padu Berhad
- BIMB Investment Management Berhad
- Bank Simpanan Nasional
- Prudential BSN Takaful Berhad
- Lembaga Tabung Haji

### SECURITIES HOLDINGS IN THE COMPANY AND ITS SUBSIDIARIES

97,000 ordinary shares directly as at 19 March 2014

#### FAMILY RELATIONSHIP WITH ANY DIRECTOR AND/OR MAJOR SHAREHOLDER None

None

CONFLICT OF INTEREST WITH THE COMPANY None

LIST OF CONVICTIONS FOR OFFENCES WITHIN THE PAST 10 YEARS OTHER THAN TRAFFIC OFFENCES None

### QUALIFICATIONS

- Bachelor of Commerce, University of Newcastle (N.S.W.), Australia
- Chartered Accountant, Institute of Chartered Accountants, Australia
- Chartered Accountant, Malaysian Institute of Accountants
- Diploma in Islamic Studies, International Islamic University
- Magister Agama (MA), Institut Agama Islam Negeri, Imam Bonjol, Padang

### WORKING EXPERIENCE AND OCCUPATION

Haji Ghazali began his career as an Accountant in Wilson Bishop Bowes & Craig in Australia in 1972. Upon returning to Malaysia, he assumed several positions in the Government services, Permodalan Nasional Berhad and Shell Companies in Malaysia. In 1994, he assumed the position of Executive Director/ Group Director, Finance & Corporate Services, Kumpulan Guthrie Bhd. until he retired in 2003.

### Amirul Feisal bin Wan Zahir

Age: 44 years Nationality: Malaysian

### POSITION ON THE BOARD

Non-Independent Non-Executive Director

#### DATE APPOINTED TO THE BOARD 13 June 2011

MEMBERSHIP OF BOARD COMMITTEES None

### DIRECTORSHIPS OF OTHER PUBLIC COMPANIES

Chemical Company of Malaysia Berhad

### SECURITIES HOLDINGS IN THE COMPANY AND ITS SUBSIDIARIES

None as at 19 March 2014

#### FAMILY RELATIONSHIP WITH ANY DIRECTOR AND/OR MAJOR SHAREHOLDER None

CONFLICT OF INTEREST WITH THE COMPANY None

LIST OF CONVICTIONS FOR OFFENCES WITHIN THE PAST 10 YEARS OTHER THAN TRAFFIC OFFENCES None

### QUALIFICATIONS

- Bachelor of Science Economics (Accounting and Finance), London School of Economics, University of London
- Fellow of The Institute of Chartered Accountants England and Wales

### WORKING EXPERIENCE AND OCCUPATION

Prior to Amirul Feisal's appointment to CCM as Group Managing Director in 2011, he was the Executive Vice President for Special Projects in Permodalan Nasional Berhad. Amirul Feisal started his career in KPMG Plc in the Audit Division based in London and left as an Assistant Manager to join Schroders Investment Banking in Kuala Lumpur in 1997. He remained at Schroders (later renamed Citigroup Global Markets) until 2004. During that period, he worked in various departments within the Investment Banking Division including Project Finance and Privatisations, Corporate Finance, Mergers & Acquisitions and the Industrial/ Large Cap Group based in Kuala Lumpur, Singapore and Hong Kong. In 2004, Amirul Feisal joined BinaFikir Sdn. Bhd., a Malaysian-based boutique advisory firm as a shareholder and Executive Director. He was also the Managing Director, Investment Banking for Maybank Investment Bank from 2008 until September 2010. Amirul Feisal is also a member of the Advisory Panel for Malaysia-Japan International Institute of Technology ("MJIIT"), Universiti Teknologi Malaysia, International Campus, University of Malaya Research Advisory Committee and Council Member of Federation of Manufacturers Malaysia.



### POSITION ON THE BOARD

Independent Non-Executive Director

### DATE APPOINTED TO THE BOARD

2 January 2014

#### **MEMBERSHIP OF BOARD COMMITTEES**

• Member, Audit and Risk Management Committee

DIRECTORSHIPS OF OTHER PUBLIC COMPANIES None

### SECURITIES HOLDINGS IN THE COMPANY AND ITS SUBSIDIARIES

None as at 19 March 2014

FAMILY RELATIONSHIP WITH ANY DIRECTOR AND/OR MAJOR SHAREHOLDER None

CONFLICT OF INTEREST WITH THE COMPANY None

LIST OF CONVICTIONS FOR OFFENCES WITHIN THE PAST 10 YEARS OTHER THAN TRAFFIC OFFENCES None

#### QUALIFICATIONS

- MBA (Majoring in Finance), Oklahoma City University
- Bachelor of Economics (Majoring in Business Administration), University of Malaya
- Diploma in Public Management, Institut Tadbiran Awam Malaysia (INTAN)

### WORKING EXPERIENCE AND OCCUPATION

Dato' Mohamad Kamarudin bin Hassan began his career with the Administrative and Diplomatic Service in 1979 with his first posting to the Macro-economic Division of the Economic Planning Unit in the Prime Minister's Department. In 1987, he was transferred to the Ministry of International Trade and Industry ("MITI") where he had served in various divisions of the Ministry. From 1992 to 1994, he was posted to the Malaysian Embassy in Washington DC as the Economic Counsellor. From January 2006 until his retirement on 31 August 2013, he was seconded to MATRADE as the Deputy Chief Executive Officer.

### **SENIOR** Management



### **SENIOR** Management

from left to right

### **Front row**

Billy Urudra Chief Commercial Officer

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

Ibrahim bin Zainudin Chief Operating Officer/ Chief Strategy Officer

**Norzaimah binti Maarof** Chief Business Development Officer

### **Back row**

**Ng Su Yee** Chief Manufacturing & Technical Officer

**Noor Azwah binti Samsudin** Company Secretary

**Chek Wu Kong** Chief Financial Officer

### **SENIOR** Management



Leonard Ariff bin Abdul Shatar

Age: 49 years Nationality: Malaysian

#### **POSITION ON THE BOARD**

Chief Executive Officer

### MEMBERSHIP OF BOARD COMMITTEES None

### DIRECTORSHIPS OF OTHER PUBLIC COMPANIES None

### SECURITIES HOLDINGS IN THE COMPANY AND ITS SUBSIDIARIES

None as at 19 March 2014

FAMILY RELATIONSHIP WITH ANY DIRECTOR AND/OR MAJOR SHAREHOLDER

### None

CONFLICT OF INTEREST WITH THE COMPANY None

### LIST OF CONVICTIONS FOR OFFENCES WITHIN THE PAST 10 YEARS OTHER THAN TRAFFIC OFFENCES None

### **QUALIFICATIONS**

- LLB, Monash University, Melbourne, Australia
- Bachelor of Economics, Monash University, Melbourne, Australia

#### WORKING EXPERIENCE AND OCCUPATION

Leonard Ariff was appointed the Chief Executive Officer of CCM Duopharma Biotech Berhad and Director of CCM Pharmaceuticals Division on 1 January 2008. Since 1988, he has worked in various capacities in the legal profession before joining the CCM Group in 1990 where his main responsibilities were in business development and business management at CCM Chemicals Sdn. Bhd. In 2000, he assumed the position of Managing Director of Usaha Pharma (M) Sdn. Bhd. (formerly known as Prima Health Pharmacy (Retail) Sdn. Bhd.), CCM's pharmaceuticals retail arm. He then became General Manager of ICI Paints Malaysia Sdn. Bhd. in 2003 and subsequently as Managing Director before taking on his current appointment. He also holds directorships on the boards of several companies within the CCM Group. He also acts in an advisory capacity at Monash University Malaysia Business School, International Medical University, industry advisor at Monash University Malaysia, Chemical Engineering Faculty, industrial and community advisory panel at Universiti Sains Malaysia, Institut Penyelidikan Perubatan Molekul ("INFORMM") and committee member of Good Governance for Medicines in the Ministry of Health, Malaysia and is a member of the National Biotech Advisory Board. He is currently the President of the Malaysian Organisation of Pharmaceutical Industries ("MOPI").

The Malaysian Code on Corporate Governance 2012 ("the Code") sets out the principles and best practices on structures and processes used to direct and manage the business and affairs of the Company towards enhancing corporate accountability, with the objective of realising long-term shareholder value, whilst taking into account the interests of other stakeholders.

The Board of Directors ("the Board") of CCM Duopharma Biotech Berhad ("CCMD" or "the Company") remains committed in its efforts to implement the principles and best practices set out in the Code. The adoption of good corporate governance is a fundamental part of the Board's responsibility to protect and enhance shareholders' value and to build sustainable business growth for the Company.

The following statement sets out how the Company has applied the principles and recommendations as contained in the Code during the financial year.

### **PRINCIPLE 1**

### ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

### Recommendation 1.1 Clear Functions between the Board and Management

The Board retains full and effective control of the Company. This includes being responsible for the determination of the Company's overall strategic directions as well as the development and control of the Company. To ensure effective discharge of its function and responsibilities, the Board has delegated specific responsibilities to Board Committees, namely the Nomination and Remuneration Committee ("NRC") and the Audit and Risk Management Committee ("ARMC").

The Board has established clear functions which are reserved for the Board and those delegated to Board Committees and Management. Key matters, such as approval of annual and quarterly results, acquisitions and disposals, as well as material agreements, major capital expenditure, short term and long term plans and strategies and succession planning for Senior Management are reserved for the Board. Meanwhile, all Board Committees have their terms of reference approved by the Board. These Committees have the authority to examine particular issues and submit reports of their deliberations and major findings to the Board. The Chairmen of the Board Committees also present and report to the Board the key issues deliberated by the respective Board Committees at Board meetings. The terms of reference, composition and activities of the Board Committees are set out in their respective sections in this Annual Report.

The Board maintains a close and transparent relationship with Management. A clear limit of authority for Management to manage the business of the Company has been established. Many of the responsibilities of the Board are delegated to Management through the Chief Executive Officer. The Chief Executive Officer is accountable to the Board for the achievement of the Company's corporate objectives which include performance targets and long term business goals.

At each Board meeting, the Board receives from or through the Chief Executive Officer the operational and other reports, proposals and assurances as the Board considers necessary to confirm that the Management's authorities are being observed.

### Recommendation 1.2 Clear Roles and Responsibilities

The Board assumes, among others, the following responsibilities:

(i) Review and Adopt the Strategic Plan of the Company

The Board plays an active role in the development of the Company's strategy. The Board is presented with the short and long term strategy of the Company annually, together with its proposed business plans for the ensuing year. The Board conducts a quarterly review of the performance targets and long term goals of the business to ensure that the needs of the Company are consistently met and are furnished with information relating to the running of the Company's operations through quarterly reports prepared by the Management. This will allow the Board to better understand the operations and make decisions in steering the Company towards a profitable business.

The Board also reviews and approves the annual budget for the ensuing year and sets the Key Performance Indicators ("KPIs") which supports the Company's strategy and business plan.

(ii) Oversee the Conduct of the Company's Business

The Board oversees the performance of Management to determine whether the business is being properly managed. In this regard, the Chief Executive Officer is critical to the performance of the Company and provides the leadership and strategic vision of the Company. He is responsible for the day-to-day running of the business and operations of the Company including organisational effectiveness, implementation of Board policies and strategies and clarifies matters relating to the Company's business to the Board. His in-depth and intimate knowledge of the Company's affairs contributes significantly towards the direction taken by the Company to achieve its goals and objectives.

The Chief Executive Officer is supported by the Management Committee and other committees established under the Company. These committees have their own specific terms of reference to ensure that the objectives and aspirations of the Company are met.

To ensure independence, the Group Risk Department provides the Board with a separate status report of enterprise risk on a quarterly basis. The Group Internal Auditor also provides the ARMC with audit reports as and when audit assignments are completed.

(iii) Identifying Principal Risks and Ensuring the Implementation of Appropriate Internal Controls and Mitigating Measures

In managing risks, the Board has adopted the CCM Group Enterprise Risk Management ("ERM") Framework which is in compliance with the universally accepted standard, ISO 31000 for Risk Management. The Board has also adopted the CCM Group's Risk Management Policy to ensure an effective risk management programme and control system is in place and thereby facilitating the Company in meeting all its business objectives.

(iv) Succession Planning

The Board has entrusted the Nomination and Remuneration Committee with the responsibility to review and recommend to the Board, candidates for top management positions. The candidates go through a rigorous assessment prior to being recruited to ensure that they have the sufficient experience and are the right fit for the Company.

The Company has in place a talent management programme at the holding company level to ensure that the Company has talents to meet its future needs besides having a pipeline of successors for mission critical positions.

(v) Oversee the Development and Implementation of a Shareholder Communication Policy

The Board values the dialogue with shareholders and appreciates the keen interest shown by shareholders on the Company's performance. A Shareholder and Investor Communication Policy setting out the guidelines for communication with the shareholders of the Company is in place. The said policy can be accessed on the Company's website.

(vi) Review the Adequacy and Integrity of the Management Information and Internal Control Systems

The Board is fully aware of the responsibilities to maintain a sound internal control system. The Board's responsibilities for the Company's system of internal controls cover not only financial aspects of the business but also operational, regulatory compliance as well as risk management matters. Details pertaining to the Company's internal control system and the review of its effectiveness are set out in the Statement on Risk Management and Internal Control in the Annual Report on pages 54 to 55.

### Recommendation 1.3 Formalise Ethical Standards through a Code of Conduct and Ensure its Compliance

The Company has in place a Directors' Code of Best Practice and a Code of Conduct for employees to govern the standard of ethics and good conduct expected of Directors and employees. The Directors' Code of Best Practice includes among others, matters relating to their duties and conduct as Directors, conflict of interests and conduct in meetings. On an annual basis, the Directors are also required to submit a Directors' Confirmation Form to the Company confirming their remuneration and benefits, interest in shares and debentures and any related party transactions with the Company.

The Company has adopted the CCM Group's Code of Conduct ("Code of Conduct") which commits the Company to ethical values and standards of conduct expected of the Company. It is based upon CCM Group's vision, mission and core values and embodies the principles contained in various policies adopted by the CCM Group. The Code of Conduct provides guidance on the application of the Group's core values by the employees and other parties affected in conducting the Company's business and activities. The Code of Conduct covers among others, all aspects affecting the business operations such as confidentiality of information, dealings in securities, conflict of interest, gifts, gratuities, bribes and sexual harassment.

As part of best practices in good corporate governance, the Company has adopted the CCM Group's Whistleblowing Policy ("Whistleblowing Policy") to encourage employees to report any major concerns over any wrongdoing within the Company relating to unlawful conduct, financial malpractice or dangers to the public or the environment. The Whistleblowing Policy makes it clear that any such concern can be raised without fear of victimisation, recrimination, discrimination or disadvantage to the employee reporting the concern. It provides a formal channel to encourage and enable employees to report serious concerns so that such concerns can be properly addressed.

To further enhance its good corporate governance practices and strengthen the ethical standards within the CCM Group, an Integrity Unit (the "Integrity Unit") was established at the CCM Group level in September 2013 to manage integrity issues within the organisation. The Integrity Unit is responsible for, amongst other things, the following:

- Governance to ensure the conduct of best practices in governance;
- Strengthen integrity to ensure that integrity is inculcated into the Group's culture and is institutionalised in the actions of all employees;
- Detection and verification of wrongdoings to detect and confirm the information/complaints on criminal misconducts as well as violations of the Group's Code of Conduct and business ethics and to ensure that follow up actions are duly taken. The Integrity Unit is also responsible for reporting criminal misconducts to the relevant enforcement agencies;
- Complaint management to receive and take the necessary actions on all information/complaints received on criminal misconducts as well as violations of the Group's Code of Conduct and business ethics;
- Compliance to ensure compliance with laws and regulations; and
- Disciplinary actions to carry out the secretariat function to the Disciplinary/Integrity Board.

The function of the Integrity Unit is under the purview of the Audit and Compliance Committee of CCM Berhad. The Integrity Unit is still in its early stage of establishment and has set up a hotline at *ccmintegrity/dgmail.com* for any parties to whistleblow on any concerns that they become aware of.

### Recommendation 1.4 Strategies Promoting Sustainability

The Board understands the importance of sustainability in operating its businesses and is committed towards achieving sustainability that shall benefit stakeholders, the environment, our people and the community. To achieve this, the Board has adopted the CCM Group's Corporate Sustainability Policy ("Corporate Sustainability Policy") which focuses on stakeholder and marketplace expectations, the environment, workplace sustainability and community needs.

As part of the CCM Group, the Company participated in the Group-wide activities on sustainability to achieve the four focus areas identified which included the E3R Programme (Eliminate, Reuse, Reduce, Recycle) and SET3 Programme. E3R focuses on the Group's effort to reduce natural resource dependence by 10% while the SET3 Programme encourage staff to take a few minutes to observe safety hazards within his/her boundaries. The Company also participated in the Group-wide Road Safety Programme which focuses on promoting, training and disseminating information on good practices to be observed on the road to targeted audience (drivers, motorcyclists, etc.), as well as the New Year New You programme, tailored for staff wishing to adopt and maintain a healthy lifestyle. A detailed report on sustainability and safety is presented in this Annual Report on pages 12 to 13.

### Recommendation 1.5 Access to Information and Advice

The Chairman is primarily responsible for ensuring that sufficient information is provided to the Board members ("Directors") to assist them in their deliberation. He ensures that all relevant issues and quality information to facilitate decision making and effective running of the Company's business are included in the board meeting agenda. In doing so, the Chairman will liaise with the Chief Executive Officer and the Company Secretary on the agenda for board meetings. Board meetings are scheduled a year ahead in order to enable full attendance. A minimum of four (4) Board meetings are held during the year. Additional meetings are held as and when required.

There is a formal agenda for all scheduled meetings and Board papers are prepared and submitted in advance to ensure adequate information is available to assist Board's deliberation. The Board papers include, among others, the following:

- Minutes of Meetings;
- Reports from the respective Board Committees;
- Business plan and direction;
- Current operating and business issues;
- Annual budget review, forecasts and projections;
- Quarterly and annual financial reports;
- Potential acquisitions and disposal of assets of substantial value;
- Major investment and financial decisions; and
- Key policies, procedures and authority limits.

During the financial year, six (6) Board Meetings were held. Details of the Directors' meeting attendance during the financial year are as follows:-

Name of Directors	No. of Meetings Attended
Tan Sri Dato' Dr. Abu Bakar bin Suleiman Chairman, Non-Independent Non-Executive Director	6/6
Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam Independent Non-Executive Director	6/6
Datuk Alias bin Ali Non-Independent Non-Executive Director	5/6
Haji Ghazali bin Awang Senior Independent Non-Executive Director	6/6
Amirul Feisal bin Wan Zahir Non-Independent Non-Executive Director	6/6
Dato' Mohamad Kamarudin bin Hassan Independent Non-Executive Director	-

(Appointed w.e.f. 2 January 2014) All Directors have the same right of access to all information within the Company and the duty to make further enquiries which they may require in discharging their duties including seeking independent professional advice, if necessary, at the Company's expense. Minutes of proceedings and resolutions passed at each Board and Board Committees meetings are kept in the statutory register at the registered office of the Company and are accessible

by all Directors.

The Company also provides a platform for dialogue between the Board and Management either at Board meetings or during the business unit visits. This will assist the Board in arriving at business and strategic decisions relating to the Company. The Directors also have access to the Company Secretary who is available to provide them with the appropriate advice and services and also to ensure that the relevant procedures are followed. The Directors are regularly updated on the latest developments in the legislations as well as statutory and regulatory requirements relating to the duties and responsibilities of Directors. When necessary, the Directors also visit locations of business units which would assist the Board to make effective decisions relating to the Company.

### Recommendation 1.6 Qualified and Competent Company Secretary

The appointment or removal of Company Secretary or Secretaries to the Board shall be the prerogative of the Board as a whole. The Board is assisted by a qualified and competent Company Secretary to ensure that Board procedures are followed and the applicable rules and regulations for the conduct of the affairs of the Board are complied with. The Company Secretary also plays an important role as a gatekeeper of corporate governance. All Directors have unrestricted access to the advice and services of the Company Secretary for the purposes of the conduct of the Board's affairs and the business.

### Recommendation 1.7 Board Charter

The Board Charter sets out the authority, responsibilities, membership and operation of the Board of the Company, in adopting principles of good corporate governance and practice that is in accordance with applicable laws. The document clearly states the roles and responsibilities of the Board and Board Committees and the processes and procedures for convening their meetings. It also serves as a reference for all Board members as well as a primary induction literature for newly appointed board members in providing insights into the fiduciary and leadership functions of the Board.

The Board endeavours to comply at all times with the principles and practices set out in its Charter. Any updates to the principles and practices set out in the Charter will be made available on the Company's website.

### PRINCIPLE 2

### STRENGTHEN COMPOSITION

The Company's Articles of Association stipulates that the minimum and maximum number of Directors on the Board shall not be less than three (3) and more than nine (9). An alternate director shall not be counted in the determination of the minimum or maximum number of Directors on the Board.

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 the Board of Directors' Profile section of this Annual Report on pages 20 to 25.

As at 31 December 2013, the Board consists of five (5) members comprising three (3) Non-Independent Non-Executive Directors and two (2) Independent Non-Executive Directors. The composition of the Board was maintained so that not less than one-third (1/3) were independent directors at all times, in line with the Main Market Listing Requirements. This balance enables the Board to provide clear and effective leadership to the Company and to bring informed and independent judgment to many aspects of the Company's strategies so as to ensure that the highest standards of conduct and integrity are maintained.

In accordance with the best practices in corporate governance, the Board appoints a Senior Independent Non-Executive Director to whom concerns of shareholders and stakeholders relating to the Company may be conveyed. At present, Haji Ghazali bin Awang is the Senior Independent Non-Executive Director. He is also the Chairman of the ARMC and NRC.

In ensuring that the composition of the Board is strengthened, the Board has entrusted the Nomination and Remuneration Committee to implement policies and procedures with respect to selection and nomination of candidates for the Board and Board Committees, review of Board's succession plans and training programmes for the Board.

### Recommendation 2.1 Nomination and Remuneration Committee

The Company has in place a Nomination and Remuneration Committee ("NRC") with specific terms of reference. The NRC comprises three (3) members who are Non-Executive Directors with the majority being independent directors. The Chair of the NRC is held by the Senior Independent Non-Executive Director, Haji Ghazali bin Awang.

Details pertaining to the NRC and its terms of reference are set out in the Annual Report on pages 51 to 53.

### Recommendation 2.2 Develop, Maintain and Review Criteria to be Used in Recruitment Process and Annual Assessment of Directors

(i) Recruitment/Appointment of Directors

One of the responsibilities of the NRC as set out in its terms of reference is to recommend to the Board candidates to fill all directorships on the Board and Board Committees of the Company, be it a new appointment or re-election/reappointment. In executing this role, the NRC is guided by the Board Nomination and Selection Process. The Board Nomination and Selection Process outlines the skill sets, knowledge/experience, mindset and the intrinsic values required of the concerned director vis-a-vis the needs of the Company. The process also provides the relevant point of reference in identifying the most suitable candidates to sit on the Board.

The NRC is responsible for reviewing, on an annual basis, the appropriate skills, experience and characteristics required of Directors. The Chairman of the Board is required to actively participate in the selection of Directors.

The proposed appointment of a new member to the Board as well as the proposed re-appointment and reelection of Directors seeking re-election at the Annual General Meeting ("AGM") are recommended by the NRC to the Board for their approval. Article 93 of 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 AGM 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. This provides an opportunity for shareholders to renew their mandate. The Director retiring under this Article at the forthcoming AGM is Amirul Feisal bin Wan Zahir and, having been eligible, has offered himself for re-election.

In addition, Article 99 of the Company's Articles of Association also provides that any Director who is appointed to fill a casual vacancy or as an additional Director shall hold office only until the next AGM and shall then be eligible for re-election but shall not be taken into account in determining the number of Director who retire by rotation at the meeting. The Director retiring under this Article is Dato' Mohamad Kamarudin bin Hassan.

A Director who is over seventy (70) years of age shall retire at every AGM and may offer himself for reappointment to hold office until the Company's next AGM in accordance with Sections 129(2) and 129(6) of the Companies Act, 1965. Tan Sri Dato' Dr. Abu Bakar bin Suleiman and Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam have reached seventy years old and have offered themselves for reappointment to hold office until the next AGM.

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 AGM.

The Company has in place a Succession Planning Programme which inter alia includes guidelines on appointing, training, fixing of compensation and replacement of Directors and Senior Management of the Company.

(ii) Induction Programme

As part of the familiarisation process of newly appointed Directors, they are required to undergo an Induction Programme specially designed to familiarise the directors with the businesses within the Company. This familiarisation process includes briefing sessions on the range of products and services, business structure and visits to the respective operating facilities. The visits will include briefings from the Company's management team to provide an in-depth knowledge of the latest progress of the Company and appreciation of the key drivers behind the Company's core businesses.

(iii) Board Evaluation Assessment ("BEA")

The Company has in place a Board Evaluation Assessment ("BEA") which is conducted on an annual basis. The Board Evaluation criteria are based on the Green Book – Enhancing Board Effectiveness as well as guidelines and best practices issued by Bursa Malaysia and other relevant authorities which are based on the following main components:-

- Structuring a high performing board;
- Ensuring effective day-to-day Board operations and interactions; and
- Fulfilling fundamental Board roles and responsibilities at best practice levels.

The NRC is given the task to review annually the activities and effectiveness of the Board, Board Committees and the individual Directors. The results of such evaluation will be discussed with the respective Board Committee and/or the Chairman and subsequently will be tabled to the Board. The Chairman's own position is discussed with the NRC. Actionable improvement programmes will be developed to improve the performance of the Board as a whole.

(iv) Gender Diversity

The Board recognises the value of having gender diversity on the Board. As an initial step, the Board will endeavour to ensure that gender diversity is taken into account in nominating and selecting new directors of the Company and will actively seek to identify suitable female candidates to be invited to sit on the Board.

(v) Remuneration Policy

The remuneration of Directors is determined at levels which enable the Company to attract and retain Directors with the relevant experience and expertise to manage the Company successfully.

The component parts of remuneration are structured so as to link rewards to corporate and individual performance, in the case of the Chief Executive Officer. In the case of Non-Executive Directors, the Board has established a formal and transparent remuneration policy to attract and retain Directors, motivate Directors to achieve company's objectives and align interests of Directors with long term interests of shareholders. The level of remuneration for Non-Executive Directors is based on their responsibilities in the Board and Board Committees.

(a) Directors' Remuneration

The Non-Executive Directors are entitled to directors' fees. In addition, the Non-Executive Directors are also entitled to Board Committee fees on which they sit on. The proposed directors' and Board Committee fees will be tabled at the Annual General Meeting for shareholders' approval.

The Chief Executive Officer is not entitled to receive any directors' fees, Board Committee fees or meeting allowance. The Chief Executive Officer's remuneration comprises a fixed component which includes a monthly salary and benefits-in-kind and a variable component in the form of performance bonus.

The Board's remuneration is reviewed from time to time and is benchmarked against industry practice. Details of Directors' remuneration paid by the Company for the financial year ended 31 December 2013 are as follows:-

Non-Executive Directors	RM'000
Fees	242

Note: \* Fees include Board Committee fees

The number of Directors whose remuneration falls within the following bands is as follows:

	Executive Directors	Non-Executive Directors	Total
Below RM50,000	_	4	4
RM50,001 to RM100,000	_	1	1

#### (b) Indemnification and Directors & Officers Insurance

In addition to the directors remuneration above, the Directors are provided with a Directors & Officers Liability Insurance coverage in respect of any liabilities (including fines, penalties, liquidated, punitive or exemplary damages) arising in the course of discharging directors' duties provided always that such liabilities arose from acts committed in good faith and not as a result of dishonesty, fraud, insider trading, malicious conduct, and/or intentional breach of contract.

#### **PRINCIPLE 3**

#### **REINFORCE INDEPENDENCE**

The Independent Non-Executive Directors provide unbiased and independent views in ensuring that the strategies proposed by Management are fully deliberated and examined in the interest of the Company, minority shareholders, employees and the business communities in which the Company conducts its business.

#### Recommendation 3.1 Annual Assessment of Independent Directors

For the current year, the Board consists of six (6) Non-Executive Directors, three (3) of whom are independent. In ensuring that independent judgments are not compromised, the Board has adopted a policy on assessment of independence on its independent directors which is conducted on an annual basis or as and when a disclosure is made by any Director in respect of any new interest or relationship. The policy makes reference to Chapter 1 and Practice Note 13 of Bursa Malaysia's Main Market Listing Requirements.

Based on the assessment conducted recently, the Board is generally satisfied with the level of independence demonstrated by the independent directors and their ability to act in the best interest of the Company.

#### Recommendation 3.2 and 3.3 Tenure of Independent Director

One of the recommendations under the Code is to limit the tenure of Independent Directors to not more than nine (9) years, cumulatively. The recommendation is based on the view that the independence of an Independent Director may be affected if his tenure exceeds a cumulative term of nine (9) years either in a consecutive service of nine (9) years or cumulative service of nine (9) years interval. The Board may, upon the completion of the nine (9) years, re-designate the Independent Directors as a Non-Independent director if it is so determined that the expertise and experience of the Independent Director is still relevant to the Company or the Group (Recommendation 3.2). Currently, the tenure of all Independent Directors on the Board has not exceeded nine (9) years (Recommendation 3.3).

#### Recommendation 3.4 and 3.5 Position of Chairman and Chief Executive Officer and Board Balance

There is a division of responsibility between the Chairman and the Chief Executive Officer to ensure a balance of power and authority. The roles of the Chairman and the Chief Executive Officer are separate and are clearly defined. As part of good corporate governance, the Chairman is responsible for ensuring Board effectiveness and conduct. He ensures that all relevant issues and quality information to facilitate decision making and effective running of the Group's business are included in the meeting agenda. In doing so, the Chairman will liaise with the Chief Executive Officer and the Company Secretary on the agenda for Board meetings. The Chairman encourages healthy debates on issues raised at meetings and gives opportunity to Directors who wish to speak on the motions, either for or against them. Every Board resolution is then put to a vote which would reflect the collective decision of the Board and not the views of an individual or an interested group. The Chairman also chairs the meeting of shareholders are given the opportunity to enquire on the Company's affairs. The Chief Executive Officer focuses on the business and the day-to-day management of the Company. He is the conduit between the Board and Management in ensuring the success of the Company's governance and management functions. The Chief Executive Officer implements the policies, strategies and decisions adopted by the Board (Recommendation 3.4).

The Board is chaired by a Non-Independent Non-Executive Chairman. Whilst the Company supports the recommendations made under the Code, the Company maintains that the Chairmanship of the Board shall continue to be held by a Non-Executive Non-Independent Director for the time being. The Board is of the view that the Chairman will remain objective in expressing his views and will allow all Board members the opportunity to participate and express their views in deliberations and decision making in the Board without fear or favour. In addition, any decision arrived at by the Board is based on consensus. The Board will endeavour to maintain more than one third (1/3) Independent Directors in the Board composition to ensure the balance of power and authority on the Board (Recommendation 3.5).

#### PRINCIPLE 4

#### FOSTER COMMITMENT

#### Recommendation 4.1 Time Commitment

The Board has established a formal and transparent policy on the Appointment of Directors. In recommending or nominating a candidate to fill the position of Director in the Company, the Board will consider the candidate's ability to devote sufficient time to effectively discharge the duties as a Director of the Company. This includes attendance of at least 50% of all Board and Board Committee meetings, or as determined from time to time by the Board. Appointed Directors are also expected to devote their time to other matters involving the Company's affairs. In addition to the policy above, the time commitment required of the Directors are also incorporated as one of the terms in their appointment letter to the Board.

Any Director, while holding office, is at liberty to accept other board appointments (outside the Company) so long as the appointment is not in conflict with the business of the Company or does not detrimentally affect the Director's performance as a Board member. All such appointments must first be discussed with the Chairman or the Board before being accepted.

In line with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad, Directors are also required to comply with the requirements to hold not more than five (5) directorships in public listed companies. This allows them to devote their time and discharge their duties effectively with the companies in which they are directors. Board meetings are scheduled a year ahead in order to enable full attendance.

#### Recommendation 4.2 Continuing Education Programme

The Board acknowledges the importance of continuous education and training to enable effective discharge of its responsibilities.

All Directors have attended the Mandatory Accreditation Programme ("MAP") as prescribed by the Main Market Listing Requirement and the costs are borne by the Company.

The Continuing Education Programme ("CEP") focuses on business specific issues relating to the Company and the latest development within the related industries and is conducted in-house at least two times per year. The CEP is extended to all Directors and Senior Management of the Company. The Directors can also on their own initiative, request to attend ad-hoc trainings, seminars or conferences conducted by third parties to enhance their knowledge or skills in specific areas. The costs of attending such training/forums are borne by the Company. Some of the trainings attended by Directors cover the areas of law, corporate governance, finance, healthcare and risk management.

During the year, the directors of the Company have attended in-house seminars on "Halal – Management's Responsibilities and Informed Choice" and "Biosimilar, Never Ending Frontier in Bio-Business" which were organised by the CCM Group. The seminars were facilitated by industry experts as part of the CEP.

The "Halal - Management's Responsibilities and Informed Choice" seminar was organised to enable the Group's top personnel to be kept abreast with the current development in the Halal industry, in particular Halal Pharmaceuticals, which has been identified to be the driving force for CCM's Halal Strategy. The training also covered aspects on Management's Responsibilities, which is one of the requirements of Halal certification, and has touched on the concept of Informed Choice which is one of the key elements in getting the buy-in for Halal Pharmaceuticals.

In respect of the training on "Biosimilar, Never Ending Frontier in Bio-Business" which was held on 30 August 2013, the Board was appraised on the biopharmaceuticals industry in particular the biosimilar business, and its prospects going forward.

#### PRINCIPLE 5

#### UPHOLD INTEGRITY IN FINANCIAL REPORTING

#### Recommendation 5.1 Compliance with Applicable Reporting Standards

The Board is aware of its responsibilities to shareholders and the requirement to present a balanced and comprehensive assessment of the Company's financial position and prospects. In this regard, the Board has delegated to the Audit and Risk Management Committee ("ARMC") to ensure that the preparation of financial statements comply with Companies Act, 1965 and approved Malaysia Financial Reporting Standards and that the accounts give a true and fair view of the state of affairs of the Company at the end of the financial year.

The ARMC meets on a quarterly basis to review the integrity and reliability of the financial statements in the presence of the Chief Financial Controller and the Group Internal Auditor prior to recommending them for Board's approval.

The ARMC, with the assistance and assurance of the Group Internal Auditor also reviews the internal control within the organisation in ensuring the effective and efficient utilisation of the Company's assets.

#### Recommendation 5.2 Suitability and Independence of External Auditors

The ARMC will review the performance of the External Auditor on an annual basis after completion of the year-end audit on the suitability and independence of the External Auditors. In evaluating the suitability and effectiveness of external audit, the ARMC will review the overall comprehensive external audit plan, the timeliness and quality of deliverables and the competency/adequacy of the resources to achieve the scope outlined in the audit plan.

The Board has also approved a policy on External Auditors' Independence whereby the ARMC is given the task to review and assess the independence of the External Auditor annually at the time the External Auditor presents its annual audit plan. It is expected that the External Auditor will rigorously comply with its own internal policies on independence and all relevant professional guidance on independence. The ARMC will further ensure that the policies governing the provision of non-audit fees are observed.

The ARMC held two meetings with the External Auditors without the presence of the Management during the financial year under review.

#### **PRINCIPLE 6**

#### **RECOGNISE AND MANAGE RISKS**

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

#### Recommendation 6.1 Establish Sound Framework to Manage Risks

The Board, through the ARMC, determines the Company's level of risk tolerance and actively identifies, assesses and monitors key business risks to safeguard shareholders' investment and the Company's assets.

The Company's risk management function is performed by the Group Risk Department who reports the results of the risk management activities to ARMC. The Department facilitates the risk management processes within the Company.

The Company's current ERM Framework which is currently automated has been aligned with the methodologies of ISO 31000 guidelines on managing risks which include quantification of risks, review of CCM Risk Universe and adopting a KPI linked risk reporting.

A Risk Management Policy has been established by the Company to ensure an effective risk management programme and control systems and thereby facilitating the Company in meeting all its business objectives.

#### Recommendation 6.2 Internal Audit Function

The Company has established an internal audit function which is performed in-house by the Group Internal Audit Department that reports to the ARMC. The internal audit function is independent of the activities performed with impartiality, proficiency and due professional care.

The internal audit function is well resourced and critically reviews all aspects of the Company's activities and internal controls. Comprehensive audits of the practices, procedures, expenditure and internal controls of all business and support units and subsidiaries are undertaken on a regular basis.

The Group Internal Auditor has direct access to the Board through the Chairman of ARMC.

The function of the Group Internal Audit Department on the systems of internal control is to assist the ARMC 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 ARMC and Management.

Details of the Company's internal control system and framework are set out in the Audit and Risk Management Committee Report and Statement on Risk Management and Internal Control of this Annual Report on pages 46 to 50 and 54 to 55, respectively.

#### PRINCIPLE 7

#### ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

#### Recommendation 7.1 Corporate Disclosure Policy

The Company has long observed the continuing disclosure obligation imposed upon a listed issuer by Bursa Malaysia. The Company has put in place a Corporate Disclosure Policy and Procedures for the following purposes:

- (a) provide shareholders, investors, analysts, media representatives and other stakeholders with comprehensive, accurate and quality information issued by the Company on a timely and even basis;
- (b) raise awareness and provide guidance to the Board, management, officers and employees on the Company's disclosure requirements and practices;
- (c) ensure that the Company meets its disclosure obligations in accordance with the securities laws and regulations governing corporate disclosure and confidentiality in relation to securities listed on Bursa Malaysia;
- (d) ensure that the Company observes best practices in relation to disclosure as illustrated in the Corporate Disclosure Guide by Bursa Malaysia; and
- (e) promote investor confidence in the integrity of the Company.

The policy is applicable to the conduct of directors, officers, managers and employees of the Company and to all method that the Company uses to communicate with the investing public in the dissemination of material information especially price sensitive information.

#### Recommendation 7.2

#### Leverage on Information Technology for Effective Dissemination

The Company uses its website to disseminate information and enhance its investor relations. The Company's website, www.duopharma.com.my, contains information about the Company, its products and businesses, announcements which have been made available to the public as well as other areas of interest to the public. The website contains a section on Investor Relations which provides the investing public with all material information documents which have been released, among others, as follows:

- (i) Annual Reports;
- (ii) Quarterly Financial Results;
- (iii) Bursa Malaysia Announcements;
- (iv) Corporate proposals;
- (v) News releases;
- (vi) Investor Relations presentations;
- (vii) Speeches; and
- (viii) Financial highlights for the past five years.

All timely disclosure and material information documents are posted on the website as soon as possible after release by the news wire service.

#### PRINCIPLE 8

#### STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

#### Recommendation 8.1 Encourage Shareholder Participation at General Meetings

Notices of general meetings and the accompanying explanatory materials are provided within the prescribed time or earlier than the minimum notice period prior to the meetings on the Bursa Malaysia website, in the two (2) mainstream newspapers and by post to shareholders. This allows shareholders to make the necessary arrangements to attend and participate either in person, by corporate representative, by proxy or by attorney.

To encourage participation at general meetings, the Company has in 2012, removed the limit on the number of proxies to be appointed by an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account. The Company has also included a new provision in its Articles of Association in respect of the qualification and the right of a proxy to speak at general meetings. Under the new provision, any person could be appointed by the shareholders as a proxy. The proxy shall have the same rights as the shareholder to speak at the meeting.

#### Recommendation 8.2 Encourage Poll Voting

Shareholders also have the right to demand poll vote for substantive resolutions and the detailed results showing the number of votes cast for and against each resolution will be announced through Bursa Malaysia.

At the last AGM, the Company has highlighted the right of the shareholders to demand for poll voting. However, the shareholders have opted for voting to be done by show of hands and resolutions put forth for shareholders' approval at the last AGM were voted on by show of hands.

#### Recommendation 8.3 Effective Communication and Proactive Engagement

The Company encourages shareholders to ask questions and provide constructive feedback on the performance of the Company. In addition to the normal agenda for the AGM, the Board also presents the progress and performance of the business as contained in the Annual Report.

The Board believes that Management speaks for the Company. In this instance, the Company has adopted a Communication Policy to provide sufficient information to shareholders to allow them to effectively evaluate the performance of the Company. The Company has adopted the following communication channels with shareholders:

#### (i) Annual General Meeting

The Annual General Meeting ("AGM") provides a forum for dialogue with shareholders and aims to ensure that the AGM provides an important opportunity for effective communication with and constructive feedback from the Company's shareholders. Members of the Board, the Company's Senior Management, as well as the Company's auditors will be present to answer questions about the Company's affairs. In addition to the normal agenda for the AGM, the Board presents the progress and performance of the business as contained in the Annual Report and provides opportunities for shareholders to raise questions pertaining to the business activities of the Company. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. Where necessary, the Chairman or the Chief Executive Officer will undertake to provide written answers to any significant questions that cannot be readily answered at the meeting.

The turnout of shareholders at the Company's AGM has always been large. A total of 92 shareholders and 247 proxies attended the AGM in 2013.

#### (ii) Extraordinary General Meetings

Extraordinary General Meetings ("EGM") will be held as and when required. The Directors will consider requisitions by shareholders to convene EGM for any other urgent matters requiring immediate attention of the Company.

Notices of EGM and the accompanying explanatory materials are provided within the prescribed time or earlier than the minimum notice period prior to the meetings on the Bursa Malaysia website, in mainstream newspapers and by post to shareholders. Shareholders also have the right to demand poll vote for substantive resolutions and the detailed results showing the number of votes cast for and against each resolution will be announced through Bursa Malaysia.

#### (iii) Annual Report

The Directors believe that an important channel to reach shareholders and investors is through the Annual Report. Besides including comprehensive financial performance and information on business activities, the Company strives to improve the contents of the Annual Report in line with the developments in corporate governance practices.

The Company's Annual Report can be obtained by accessing the Company's website at www.duopharma.com.my

#### (iv) Company's Website

The Company maintains a website at www.duopharma.com.my which can be accessed by shareholders to keep abreast of the Company's development. The Board ensures the timely release of financial results on quarterly basis to provide shareholders with an overview of the Company's performance and operations in addition to the various announcements or press releases made during the year which can also be obtained from Bursa Malaysia's website. The shareholders can also leave their queries/feedbacks on the Company's website.

#### (v) Announcement of Quarterly Results for the Financial Year Ended 31 December 2013

The Directors view the timely announcement of the quarterly financial results as vital to the dissemination of information to the shareholders' and investors' community. The Company has consistently announced its quarterly results before Bursa Malaysia's deadlines as indicated below:

Announcement of Quarterly Results 2013	Date of Announcement		
1st Quarter	27 May 2013		
2nd Quarter	28 August 2013		
3rd Quarter	19 November 2013		
4th Quarter	26 February 2014		

#### Statement of Compliance with the Best Practices of the Code

The Company has in all material respects complied with the principles and recommendations of the Malaysian Code on Corporate Governance 2012 (the "Code") throughout the financial year ended 31 December 2013 save for Recommendation 2.3 on Gender Diversity target (Principle 2) and Recommendation 3.5 on non-independent Chairman (Principle 3) which are explained earlier.

This statement is made in accordance with a resolution of the Board of Directors dated 12 March 2014.

#### ADDITIONAL COMPLIANCE INFORMATION

#### 1. Non-Audit Fees

During the financial year ended 31 December 2013, the non-audit fees paid to the external auditors or a firm or a company affiliated to the Auditor's firm amounted to approximately RM15,380.00.

#### 2. Material Contracts

There were no contracts entered into by the Company involving Directors or major shareholders' interest, either subsisting at the end of the financial year ended 31 December 2013 or entered into since the end of the previous financial year.

#### 3. Revaluation Policy

The Company adopted a policy to revalue its landed properties every five years and at shorter intervals whenever the fair value of the re-valued 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 2013.

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

The Company has not approved any ESOS during the financial period ended 31 December 2013.

#### 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 2013.

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

During the financial period ended 31 December 2013, 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 subsidiary, directors or management by the relevant authorities.

#### 9. Profit Guarantees

There were no profit guarantees during the financial period ended 31 December 2013 by the Company.

#### 10. Contract 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

During the Annual General Meeting held on 13 June 2013, the Company obtained a shareholders' mandate to allow the Company to enter into recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations and are in the ordinary course of business with related parties. The said general mandate took effect from 13 June 2013 until the conclusion of the forthcoming Annual General Meeting of the Company. The disclosure of the recurrent related party transactions conducted during the financial period ended 31 December 2013 is set out on pages 114 to 116 of the Annual Report.

The Company intends to seek a renewal of the said general mandate and a proposed extension of the scope of the shareholders mandate to apply to recurrent related party transactions of a revenue or trading nature at the forthcoming Annual General Meeting of the Company. The details of the new mandate to be sought are furnished in the Circular to Shareholders dated 25 April 2014.

# **REPORT** of the Audit and Risk Management Committee

#### INTRODUCTION

The Board of Directors of CCM Duopharma Biotech Berhad ("the Company") is pleased to present the report on the Audit and Risk Management Committee ("ARMC" or "Committee") for the financial year ended 31 December 2013.

#### COMPOSITION OF AUDIT AND RISK MANAGEMENT COMMITTEE AND MEETINGS

For the financial year ended 31 December 2013, the composition of the ARMC stood at three (3) members of whom two (2) are independent. The Board, at its meeting on 26 February 2014, had agreed that an additional member be appointed to the ARMC. The current composition of the ARMC stands at four (4) members of whom three (3) are independent.

A total of five (5) meetings were held during the financial year. The status of directorship and attendance record of each of the members during the year are as follows:

Members of ARMC	No. of Meetings Attended
<b>Haji Ghazali bin Awang</b> Chairman, Senior Independent Non-Executive Director	5/5
<b>Tan Sri Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam</b> Member, Independent Non-Executive Director	5/5
<b>Datuk Alias bin Ali</b> Member, Non-Independent Non-Executive Director	3/5
<b>Dato' Mohamad Kamarudin bin Hassan</b> Member, Independent Non-Executive Director (appointed as member w.e.f. 26 February 2014)	_

#### **TERMS OF REFERENCE**

In fulfilling its duties and objectives, the Committee is guided by the Terms of Reference as follows:

#### Membership

- The Committee shall be appointed by the Board of Directors and shall all consist of Non-Executive Directors, majority of whom are independent.
- The Chairman of the Committee shall be approved by the Board and shall be an Independent Non-Executive Director.
- At least one member of the Committee:-
  - (i) must be a member of the Malaysian Institute of Accountants (MIA); or
  - (ii) if not a member of MIA:
    - he must have at least three years of working experience; and
    - he must have passed the examination specified in Part I of the 1st Schedule of the Accountants Act 1967; or
    - he must be a member of one of the Associations of Accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
  - (iii) fulfills such other requirements as prescribed or approved by the Exchange.

#### Meetings

- Meetings shall be held no less than four (4) times a year;
- The quorum shall be two (2) members who must be Independent Directors;
- The Chief Executive Officer, Chief Financial Officer, the Group Chief Internal Auditor (GIA) and the Group Risk Management Officer shall normally be invited to attend the meeting;
- Any other Board members and any other representatives as deemed necessary shall be invited to attend the meeting;
- The Committee shall meet with the external auditors, internal auditors or both, in the absence of other directors and employees of the listed issuer at least twice a year or whenever deemed necessary; and
- The Secretary to the Committee shall be the Group Company Secretary or his/her representative.

#### Authority

The ARMC is authorised by the Board:-

- (i) to seek any information relevant to its activities from employees of the Company;
- (ii) to engage the necessary resources required to carry out its duties and to obtain independent professional advice it considers necessary; and
- (iii) to have full and unlimited access to any information and documents pertaining to the Company.

In addition to the above, the ARMC will keep under review the effectiveness of the Company's Risk Management system, taking into account:

- (i) the development and maintenance by management of a comprehensive Risk Management framework;
- (ii) the Company's culture of Risk Management (including awareness, education and training for all levels of staff);
- (iii) feedback from Management and the External Auditors on the effectiveness of the Risk Management system;
- (iv) changes to the Company's risk profiles, arising from the material, financial and non-financial risks facing the divisions and/or any part of the Company; and
- (v) the impact and mitigation of significant risk events.

#### Responsibilities

#### (a) Audit Function

- (i) To consider and recommend to the Board on the nomination, appointment and termination of external auditors, as well as the audit fee;
- (ii) To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure coordination where more than one audit firm is involved;

### **REPORT** of the Audit and Risk Management Committee

- (iii) To review the quarterly and year-end financial statements of the Board, focusing particularly on:
  - any change in accounting policies and practices;
  - significant adjustments arising from the audit;
  - the going concern assumption; and
  - compliance with accounting standards and other legal requirements.
- (iv) To discuss problems and reservations arising from the interim and final audits, and any matter the external auditor may wish to discuss (in the absence of management where necessary);
- (v) To review the external auditor's management letter and management's response;
- (vi) To review the internal audit and risk management reports and where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit and risk management function;
- (vii) To do the following, in relation to the internal audit functions:
  - (a) Review and approve the annual audit plan;
  - (b) Review the adequacy of the scope, functions, competency and resources of the internal audit and risk management functions and that they have the necessary authority to carry out its work;
  - (c) Review and endorse the audit charter which outlines the purpose, authority and responsibility of the GIA;
  - (d) Review the internal audit and results of these activities and where necessary, ensure that appropriate actions are taken on the recommendations of these functions;
  - (e) Review the annual budget for GIA;
  - (f) Review any appraisal on performance as well as competency of the GIA functions; and
  - (g) Take cognisance of resignations of internal audit staff/members and provide the resigning staff/ member an opportunity to submit his reasons for resigning.
- (viii) To consider any related-party transactions that may arise within the Group;
- (ix) To consider the major findings of internal investigations and management's response; and
- (x) To consider other matters as required by the Board.

#### (b) Risk Function

- (i) To set risk appetite, approve frameworks, policies and processes for managing risk, and accept risks beyond the approval discretion provided to the management;
- To recommend to the Board the Company's risk-reward strategy, monitor risk profile, risk appetite and ensure that the Company maintains an appropriate balance of Risk Transfer and Risk Control measures to address business risks;
- (iii) To monitor changes anticipated for the economic and business environment, including consideration of emerging risks, legislative or regulatory changes, major initiatives and other factors considered relevant to the Company's risk profile; and

- (iv) To receive reports from the Group Risk Department ("GRD") which have been duly reviewed/deliberated by respective Management and Risk Committees concerning:
  - (a) Risk Management policies, strategies, processes and controls, status of the implementation and effectiveness thereof, within the divisions and, if thought fit, approve or vary them;
  - (b) Alignment or integration of risk management activities with other management activities/tools which include formulation of strategies, development of business plans, budgeting, forecasting and performance review, within the Company;
  - (c) Identification and management of enterprise risks which could impact the achievement of business objectives;
- (v) Review any appraisal on performance as well as competency of the GRD functions; and
- (vi) Take cognisance of resignations of risk management staff/members and provide the resigning staff/ member an opportunity to submit his reasons for resigning.

#### Activities during the year

- (i) Reviewed and approved the Company's internal audit plan for the year;
- (ii) Reviewed the status report of internal audit and risk management activities for the year to ensure that all the planned activities for the Company were properly carried out;
- (iii) Reviewed the summary of the internal audit and risk assessment reports prepared by Group Internal Auditor and Group Risk Department Officers and monitor the status of corrective actions taken by the Management to ensure all audit and risk management issues and concerns are adequately resolved on timely basis;
- (iv) Reviewed the Company's Risk Profile and the management process for identifying, evaluating and managing the significant risks faced by the Company;
- (v) Reviewed the management letters, reports and fees of the external auditors;
- (vi) Evaluated the performance of the external auditors and made recommendations to the Board on their reappointment and audit fees;
- (vii) Reviewed the quarterly and annual reports of the Company prior to the submission to the Board for consideration and approval;
- (viii) Reviewed the related party transactions entered into by the Company and the disclosure of such transactions in the annual report and circular on recurrent related party transactions;
- (ix) Reviewed and recommended to the Board dividends to be declared to the shareholders of the Company.

## **REPORT** of the Audit and Risk Management Committee

#### STATEMENT ON INTERNAL AUDIT FUNCTION

The audits on the Company's operations are undertaken by the Group Internal Audit of its holding company. The Group Internal Audit has undertaken regular and systematic risk based assessments of the internal control of the Company so as to provide reasonable assurance that such systems are adequate and continue to operate effectively in managing the key risks of the Company.

The total expenditure incurred for Group Internal Audit function for the financial year, which amongst others includes departmental expenditures such as office running expenses, training expenses, travelling expenses, staff remuneration, etc. is approximately RM188,000.00.

#### Activities during the year

The Group Internal Audit Department had conducted various operational audits as well as follow up audit exercises for the Company in accordance with the ARMC's approved Audit Plan for 2013. Among the areas covered were the operations of Quality Management, Inventory Management, Logistics and Recurrent Related Party Transactions.

#### STATEMENT ON RISK MANAGEMENT FUNCTION

The Company has an in-house risk management function which is performed at CCM Group level. This Group Risk function is also represented at the Company's ARMC. Significant risks (defined as Top Risks events with Residual Ranking Level of High to Extreme) identified throughout the year based on the Group's approved risk management framework and processes are reported to the ARMC. The quarterly reports highlighted the Company's Risk Profile to enable Management to focus on key risks affecting the Company's businesses and operations and the system of internal control necessary to manage such risks.

#### Activities during the year

Since Quarter 3 2012, the Company reports and manages risks via a cloud based automated Enterprise Risk Management System ("RiSmart") designed based on ISO 31000 guidelines. The system allows independent assessment of risks by key functional heads (Risk Owners) across various entities, geographical locations, business risk categories and by operational and strategic objectives of the Company. Risk information is readily available to Risk Owners and senior management with online accessibility which improves transparency, consistency and accuracy of reporting.

During the year under review, the ARMC reviewed top risks and the impact of their controls on risk levels. The review included movements from Gross to Residual Risk Level to monitor Management's progress in implementing controls and assessing the effectiveness of measures to address the sources of risk. The reporting captures updates of risk decisions and risk acceptances made based on defined risk appetite, controls and treatment measures undertaken by risk owners. In 2013 the Company improved its reporting of Risk Quantification and Key Risk Indicators ("KRI's"). Moving forward, the Company will be reporting risks in relation to its performance measurements (KPI's).

Crisis management and business continuity programme is consolidated at the CCM Group level Business Continuity Management framework, policy and guidelines which was launched in August 2012. Business Impact Analysis ("BIA") to determine key issues and exposures was performed in the period and Business Continuity Plans were developed in 2013 which will be tested on an annual basis.

## **REPORT** of the Nomination and Remuneration Committee

The Board is pleased to issue the following report on the Nomination and Remuneration Committee ("NRC" or "Committee") and its activities during the financial year ended 31 December 2013.

#### COMPOSITION OF THE NOMINATION AND REMUNERATION COMMITTEE

- (i) The Committee consists of three (3) members, all of whom are Non-Executive Directors with the majority being independent directors. The quorum for the Committee shall be two (2) members, of which one should be an independent director;
- In the event of equality of votes, the Chairman of the Committee shall have a casting vote (except where 2 directors form the quorum);
- (iii) The Chairman of the Committee shall be the Senior Independent Director. In the absence of the Chairman of the Committee, the members present shall elect one of their number to chair the meeting;
- (iv) The appointment of a Committee member terminates when the member ceases to be a director, or as determined by the Board.

#### Meetings

- The Committee shall meet at least twice a year. Additional meetings shall be scheduled as considered necessary by the Committee or Chairman. The Committee may establish any procedures from time to time to govern its meetings, keeping of minutes and its administration;
- (ii) The Committee shall have access to such information and advice, both from within the Group and externally, as it deems necessary or appropriate in accordance with the procedures determined by the Board and at the cost of the Group. The Committee may request other directors, members of management, counsels, consultants as applicable to participate in Committee meetings, as necessary, to carry out the Committee's responsibilities. Non-Committee directors and members of Management in attendance may be required by the Chairman to leave the meetings of the Committee when the Chairman so request;
- (iii) The Secretary of the Committee shall be the Group Company Secretary or his/her representative. Committee meeting agendas shall be the responsibility of the Committee Chairman with input from Committee members. The Chairman may also request Management to participate in this process. The agenda for each meeting including supporting information shall be circulated, as far as practicable, at least seven (7) days before each meeting to the Committee members and all those who are required to attend the meeting;
- (iv) The Committee shall cause minutes to be duly entered in the books provided for the purpose of all resolutions and proceedings of all meetings of the Committee. Such minute shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting and if so signed, shall be conclusive evidence without any further proof of the facts thereon stated. The minutes of the Committee meeting shall be available to all Board Members;
- (v) The Committee, through its Chairman, shall report to the Board at the next Board of Directors' meeting after each Committee meeting. When presenting any recommendation to the Board, the Committee will provide such background and supporting information as may be necessary for the Board to make an informed decision. The Committee shall provide such information to the Board as necessary to assist the Board in making a disclosure in the Annual Report in accordance with the Best Practices and the Principles of the Malaysian Code on Corporate Governance and the Bursa Malaysia Main Market Listing Requirements.

## **REPORT** of the Nomination and Remuneration Committee

(vi) The Chairman of the Committee shall be available to answer questions about the Committee's work at the Annual General Meeting of the Company.

The Board has appointed Haji Ghazali bin Awang as the Senior Independent Director on 13 December 2012. The current composition of the Committee stands at three [3] members.

A total of three (3) meetings were held during the year. The attendance record of each member during the year is as follows:-

Members of NRC	No. of Meetings Attended
<b>Haji Ghazali bin Awang</b> Chairman, Senior Independent Non-Executive Director (Appointed as Chairman w.e.f. 13 December 2012)	3/3
<b>Tan Sri Dato' Dr. Abu Bakar bin Suleiman</b> Member, Non-Independent Non-Executive Director	3/3
<b>Tan Sri Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam</b> Member, Independent Non-Executive Director	3/3

#### **Terms of Reference**

The terms of reference of the Committee are as follows:-

- 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/Executive Director, and within the bounds of practicability, by any other senior executive, Director, shareholder or any outsourced service provider;
- (ii) To recommend to the Board, Directors to fill the seats on Board Committees;
- (iii) To review and assess annually the required mix of skills and experience of the Board, including the core competencies which Non-Executive Directors should bring to the Board to ensure that there is an appropriate balance of skills, knowledge, experience, expertise and diversity among the Board members;
- (iv) To assess annually the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director;
- (v) To evaluate the candidates' ability to discharge such responsibilities/functions as expected from Non-Executive Directors, in case of candidates for position of Independent Non-Executive Directors;
- (vi) 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 so that it is in line with market and industry practice and is reflective of the contribution of each individual Director;

- (vii) To recommend to the Board the remuneration package of the Executive Directors;
- (viii) To make recommendations to the Board with regards to appointment of new Directors or Directors who are retiring by rotation and should be put forward for re-election. The Nomination and Remuneration 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;
- (ix) To provide adequate training and orientation to new Directors as well as continuous training to current directors with respect to business, structure and management of the Group as well as the expectations of the Board;
- (x) To ensure an appropriate framework and plan for Board and management succession in the Company;
- (xi) To review and recommend to the Board the annual global increment and bonus package for non-unionised employees of the Company;
- (xii) To review and recommend to the Board on any new Employees' Share Options Scheme of the Company and/ or amendments to the existing scheme; and
- (xiii) To consider other matters as referred to the Committee by the Board.

#### Activities during the year

During the year, the Committee:

- (i) Conducted the Board's Effectiveness Assessment and recommended improvement plans for the same;
- (ii) Reviewed the Directors' remuneration for the Company and recommended the same for Board's consideration and shareholders' approval at the Annual General Meeting of the Company;
- Reviewed and recommended to the Board the annual increment and bonus package for non-unionised employees of the Company;
- (iv) Ensured that all Directors received appropriate continuous training programmes in order to keep abreast with developments in the financial industry and changes in the relevant statutory requirements;
- Evaluated, assessed and recommended to the Board, the appointment of Non-Executive Directors of the Company;
- (vi) Recommended the re-election/re-appointment of non-executive directors to the Board; and
- (vii) Reviewed the succession plan for the Directors of the Company and made the necessary recommendation to the Board on the required mix and skills, knowledge, experience, expertise and diversity among the Board members.

# STATEMENT on Risk Management and Internal Control

#### RESPONSIBILITY

The Board is responsible for the review of the adequacy and effectiveness of the Group's system of risk management and internal controls, which includes financial, operational and compliance controls. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives. Accordingly, it can only provide reasonable and not absolute assurance against material misstatement or loss.

The risk management and control processes are implemented by the Management, led by the Chief Executive Officer and Senior Management of the Group, who collectively is responsible for good business practices and governance.

#### **RISK MANAGEMENT**

The Board confirms that as an integral part of the system of internal control, there is an ongoing group-wide risk management process for identifying, evaluating and managing the significant risks faced by the Group. Risk management is practiced within the Group on an iterative basis. All new and major investments have to observe a process approval that includes an assessment of the associated risks. The Group has in place an Enterprise Risk Management Framework (named RiSmart) which is based on ISO 31000, premised on international guideline for managing risk. Risk owners across the business divisions of the Group uses RiSmart to define, highlight, report on and manage the key business and operational risks anticipated by them.

The Group-wide risk management process is subjected to regular review by the Board. The Group has an Audit and Risk Management Committee to provide oversight and added impetus to the risk management process.

Management from each business or department apply a risk/control self-assessment approach to identify the risks relating to their areas of supervision and control. These include the likelihood of these risks occurring; the consequences if they do occur and the actions being and/or to be taken to manage these risks to an acceptable level. The risk profiles and risk treatment measures determined from this process are documented in risk registers with each business or operations area having its respective risk register. The overall process is facilitated by the Group's Holding Company Group Risk Department which is dedicated to the role.

The Management liaises and maintains regular communication and consultation with the Group's Holding Company Risk Management Committee which also facilitates risk analysis of strategic business objectives, operational initiatives and emerging issues in the Group. It also conducts periodic follow-up of the updating of risk profiles and the implementation of risk treatment measures by Management.

#### KEY ELEMENTS OF THE GROUP'S SYSTEM OF INTERNAL CONTROLS

The key elements of the Group's system of internal controls are described below:

#### Board Committees

The delegation of responsibilities to the various committees of the Board of Directors is clearly defined. At present, the committees which are established are the Audit and Risk Management Committee ("ARMC") and Nomination and Remuneration Committee ("NRC").

#### Assignment of Authority and Responsibility

Clearly defined lines of authority within the Group's organisation structure have been established to facilitate the supervision and monitoring of conduct and operations of individual business units and support services departments. The Board has approved a defined and documented Limits of Authority ("LOA") which is used consistently throughout the Group. These LOAs specify clear division and delegation of responsibilities from the Board to the Board Committees and to members of management and the authorisation levels of various aspects of operations. These are regularly reviewed and updated to resolve operational effectiveness and challenges and to reflect changing risks.

## STATEMENT on Risk Management and Internal Control

Additionally, the Group Holding Company has a Project Review Committee to provide added assurance to the Finance and Investment Committee in the feasibility evaluation of project/investment proposals and subsequent evaluation of the progress and results of endorsed project/investment through a process of due scrutiny. The Project Review Committee is chaired by the Group's Holding Company Group Managing Director, and members include the Group Senior Management.

#### Planning, Monitoring & Reporting

The Group undertakes a strategic and budgeting planning process annually, to establish plans and targets against which performance is monitored. These business plan and budgets are subjected to evaluation and assessment by the Senior Management Group and the Finance and Investment Committee before it is recommended to the Board for approval. Monthly review is carried out by Management to ensure that the businesses are operating according to the plans, as well as to monitor adherence to the internal control procedures established. Management reports are presented to the Board each quarter providing financial information including key performance and risk indicators. The information is reviewed by the ARMC before it is presented to the Board for consideration and approval.

#### Policies & Procedures

There are policies and procedures in place to ensure compliance with controls, and relevant laws and regulations. These policies and procedures are periodically reviewed and updated to reflect changes in business structure and processes. In various instances, these documents form an integral part of the Integrated Quality Management Systems ("IQMS").

During the year under review, the Group has implemented Enterprise Resource Planning System ("SAP") as part of the Group's initiative to establish best practices across key business functions promoting greater visibility, transparency and efficiency.

Annual assurance is provided by the Chief Executive Officer and Senior Management team to the Board on the adequacy and effectiveness of controls in the business processes.

#### Business Continuity Management ("BCM")

A framework on BCM has been established to address continuity of business in the event of a disaster.

#### Human Resource Management

Key Performance Indicators are used to measure the achievement of staff in achieving the business and operational objectives. To enhance the competencies of the Group's talent pool, staff are kept updated with required training programme ensuring their capabilities to carry out duties and responsibilities towards achieving the Group's objectives.

To ensure unsatisfactory performance and workplace conflicts are properly dealt with, the Group has in place guidelines for handling misconduct and disciplinary matters which include breach of integrity and other misconduct which do not comply with the terms and conditions of service whether expressed or implied.

#### Internal Audit

The Group's Holding Company Internal Audit Department ("GIA") independently reviews the adequacy and integrity of the system of internal control in managing the key risks, and reports accordingly to the ARMC on a quarterly basis. Where weaknesses have been identified as a result of the reviews, improvement measures are recommended to strengthen controls; and follow-up audits are conducted by GIA to assess the status of implementation thereof by management. In carrying out its work, GIA focuses on areas of priority as directed and approved by the ARMC.

The Board remains committed towards maintaining a sound system of internal control and believes that a balanced achievement of the Group's business objectives and operational efficiency can be attained. The Group continues to take measures to further strengthen the internal control environment.

## **DIRECTORS'** Report for the year ended 31 December 2013

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2013.

#### **PRINCIPAL ACTIVITIES**

The Company is principally engaged in investment holding, whilst the principal activities of the subsidiary are as stated in Note 6 to the financial statements. There has been no significant change in the nature of these principal activities during the financial year.

#### RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to owners of the Company	32,275	24,574

#### **RESERVES AND PROVISIONS**

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

#### DIVIDENDS

Since the end of the previous financial year, the Company declared and paid:

- (i) a final ordinary dividend of 10.5 sen per share, tax exempt under the single-tier system totalling RM14,576,000 in respect of the financial year ended 31 December 2012 on 12 July 2013; and
- (ii) an interim ordinary dividend of 4.0 sen per share, tax exempt under the single-tier system totalling RM5,553,000 in respect of the year ended 31 December 2013 on 8 November 2013.

The final ordinary dividend recommended by the Directors in respect of the financial year ended 31 December 2013 is 13.5 sen per ordinary share, tax exempt under the single-tier tax system, totalling RM18,741,000.

#### DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

Tan Sri Dato' Dr. Abu Bakar bin Suleiman Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam Datuk Alias bin Ali Haji Ghazali bin Awang Amirul Feisal bin Wan Zahir Dato' Mohamad Kamarudin bin Hassan (appointed on 2.1.2014)

#### DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiary) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM0.50 each At At			
	1.1.2013	Bought	Sold	At 31.12.2013
Interest in the Company:				
Tan Sri Dato' Dr. Abu Bakar bin Suleiman – own – others <sup>#</sup>	286,400 22,000	-	-	286,400 22,000
Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam – own	34,120	_	_	34,120
Haji Ghazali bin Awang – own	87,000	10,000	_	97,000
	Number At	of ordinary sh	ares of RN	41.00 each At
	1.1.2013	Bought	Sold	31.12.2013

Interest in the intermediate holding company:

Haji Ghazali bin Awang – own

<sup>#</sup> Zufar Suleiman bin Abu Bakar and Halina Jael binti Abu Bakar are the children of Tan Sri Dato' Dr. Abu Bakar bin Suleiman. In accordance with Section 134(12)(c) of the Companies Act, 1965, the interests and deemed interests of Zufar Suleiman bin Abu Bakar and Halina Jael binti Abu Bakar in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) shall also be treated as the interests of Tan Sri Dato' Dr. Abu Bakar bin Suleiman.

By virtue of their interest in the shares of the Company, they are also deemed interested in the shares of the subsidiary during the financial year to the extent that the Company has an interest.

None of the other Directors holding office as at 31 December 2013 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

<sup>10.000 - 10.000</sup> 

### **DIRECTORS'** Report for the year ended 31 December 2013

#### DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related company with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

#### HOLDING COMPANIES

The immediate and intermediate holding companies during the financial year were CCM Marketing Sdn. Bhd. and Chemical Company of Malaysia Berhad (a public listed company), respectively. The ultimate holding company during the financial year was Permodalan Nasional Berhad. All the holding companies were incorporated in Malaysia.

#### **ISSUE OF SHARES AND DEBENTURES**

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year. There were no debentures issued during the financial year.

#### **OPTIONS GRANTED OVER UNISSUED SHARES**

No options were granted to any person to take up unissued shares of the Company during the financial year.

#### OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- (i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- (ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- (i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- (ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- (iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

#### **OTHER STATUTORY INFORMATION (CONTINUED)**

At the date of this report, there does not exist:

- (i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- (ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2013 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

#### AUDITORS

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Tan Sri Dato' Dr. Abu Bakar bin Suleiman

Haji Ghazali bin Awang

Kuala Lumpur, Date: 12 March 2014

## **STATEMENT** by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 63 to 108 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 28 on page 109 to the financial statements has been compiled in accordance with Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Tan Sri Dato' Dr. Abu Bakar bin Suleiman

Haji Ghazali bin Awang

Kuala Lumpur, Date: 12 March 2014

## **STATUTORY** Declaration pursuant to Section 169(16) of the Companies Act, 1965

I, **Chek Wu Kong**, the officer primarily responsible for the financial management of CCM Duopharma Biotech Berhad, do solemnly and sincerely declare that the financial statements set out on pages 63 to 109 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on 12 March 2014.

Chek Wu Kong

Before me:

*Commissioner for Oaths* Kuala Lumpur

# **INDEPENDENT** Auditors' Report

to the members of CCM Duopharma Biotech Berhad

#### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the financial statements of CCM Duopharma Biotech Berhad, which comprise the statements of financial position as at 31 December 2013 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 63 to 108.

#### Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

### **INDEPENDENT** Auditors' Report

to the members of CCM Duopharma Biotech Berhad

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary have been properly kept in accordance with the provisions of the Act.
- b) We are satisfied that the accounts of the subsidiary that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- c) Our audit reports on the accounts of the subsidiary did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

#### OTHER REPORTING RESPONSIBILITIES

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 28 on page 109 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

#### **OTHER MATTER**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**KPMG** Firm Number: AF 0758 *Chartered Accountants*  Hasman Yusri Yusoff Approval Number: 2583/08/14(J) *Chartered Accountant* 

Petaling Jaya, Date: 12 March 2014

# **STATEMENTS** of Financial Position

as at 31 December 2013

		Gro	up	Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Assets					
Property, plant and equipment	3	98,902	98,940	-	-
Investment property	4	11,500	6,470	-	-
Intangible asset	5	1,062	-	-	-
Investment in a subsidiary	6	-	-	40,187	40,187
Trade and other receivables	7	-	_	62,749	54,523
Total non-current assets		111,464	105,410	102,936	94,710
Inventories	8	36,331	41,383	-	_
Current tax assets		-	-	-	98
Trade and other receivables	7	38,978	37,098	2,000	5,372
Cash and cash equivalents	9	18,879	14,139	467	663
Total current assets		94,188	92,620	2,467	6,133
Total assets		205,652	198,030	105,403	100,843
Equity					
Share capital	10.1	69,739	69,739	69,739	69,739
Reserves	10.1	12,142	12,142	12,142	12,142
Retained earnings		100,768	88,622	22,458	18,013
Total equity	10	182,649	170,503	104,339	99,894
Liabilities					
Deferred tax liabilities	11	4,449	5,659	-	-
Total non-current liabilities		4,449	5,659	-	_
Loan and borrowing	12	_	5,000	-	_
Current tax liabilities		1,395	46	13	-
Trade and other payables	13	17,159	16,822	1,051	949
Total current liabilities		18,554	21,868	1,064	949
Total liabilities		23,003	27,527	1,064	949
Total equity and liabilities		205,652	198,030	105,403	100,843

The notes on pages 69 to 108 are an integral part of these financial statements.

# **STATEMENTS** of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2013

		Grou	up	Company		
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	
Revenue Cost of sales	14	162,405 (95,509)	135,310 (72,230)	23,205 -	19,822	
<b>Gross profit</b> Other income Distribution and marketing expenses Administrative expenses Other expenses		66,896 3,968 (17,128) (12,952) (597)	63,080 1,356 (12,636) (14,966) (1,236)	23,205 – – (543) –	19,822 - - (665) -	
<b>Results from operating activities</b> Finance income Finance costs	15 16 17	40,187 295 (307)	35,598 101 (401)	22,662 2,542 (1)	19,157 2,321 -	
<b>Profit before tax</b> Tax expense	19	40,175 (7,900)	35,298 (9,284)	25,203 (629)	21,478 (554)	
Profit for the year		32,275	26,014	24,574	20,924	
Total comprehensive income for the year attributable to owners of the Company		32,275	26,014	24,574	20,924	
Basic and diluted earnings per ordinary share (sen)	20	23.25	18.74			

## **CONSOLIDATED** Statement of Changes in Equity for the year ended 31 December 2013

Group	Note		Attributable t Non-distributa Share premium RM'000	o owners of a able D Treasury shares RM'000	the Company istributable Retained earnings RM'000	Total RM'000
At 1 January 2012		69,739	13,720	(1,578)	82,564	164,445
Profit for the year		-	_	-	26,014	26,014
<b>Profit and total comprehensive</b> <b>income for the year</b> <i>Contributions by and distributions</i> <i>to owners</i>		_	_	_	26,014	26,014
<ul> <li>Dividends to owners of the Company</li> </ul>	21	-	_	-	(19,956)	(19,956)
Total distribution to owners of the Company		_	-	_	(19,956)	(19,956)
At 31 December 2012/1 January 2013		69,739	13,720	(1,578)	88,622	170,503
Profit for the year		_	-	-	32,275	32,275
Profit and total comprehensive income for the year Contributions by and distributions to owners		-			32,275	32,275
- Dividends to owners of the Company	21	-	-	-	(20,129)	(20,129)
Total distribution to owners of the Company		-			(20,129)	(20,129)
At 31 December 2013		69,739	13,720	(1,578)	100,768	182,649
		N 10 1		N . 10.0		

Note 10.1

Note 10.2

# **STATEMENT** of Changes in Equity for the year ended 31 December 2013

Company	Note		Attributable to Ion-distributa Share premium RM'000	o owners of t bble Di Treasury shares RM'000	he Company stributable Retained earnings RM'000	Total RM'000
At 1 January 2012		69,739	13,720	(1,578)	17,045	98,926
Profit for the year		_	_	_	20,924	20,924
Profit and total comprehensive income for the year Contributions by and distributions to owners	L	-	-	-	20,924	20,924
<ul> <li>Dividends to owners of the Company</li> </ul>	21	_	_	_	(19,956)	(19,956)
Total distribution to owners of the Company		-	-	-	(19,956)	(19,956)
At 31 December 2012/1 January 2013		69,739	13,720	(1,578)	18,013	99,894
Profit for the year					24,574	24,574
<b>Profit and total comprehensive</b> <b>income for the year</b> <i>Contributions by and distributions</i> <i>to owners</i>		-	-	-	24,574	24,574
<ul> <li>Dividends to owners of the Company</li> </ul>	21				(20,129)	(20,129)
Total distribution to owners of the Company					(20,129)	(20,129)
At 31 December 2013		69,739	13,720	(1,578)	22,458	104,339
	_	N . 10.1		N . 10.0		

Note 10.1 Note 10.2

# **STATEMENTS** of Cash Flows

for the year ended 31 December 2013

	Gro	oup	Com	npany	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	
Cash flows from operating activities					
Profit before tax	40,175	35,298	25,203	21,478	
Adjustments for:					
Depreciation of property, plant and equipment	7,785	6,974	-	_	
Dividends income	-	_	(23,205)	(19,822)	
Finance costs	307	401	1	_	
Finance income	(295)	(101)	(2,542)	(2,321)	
Gain on disposal of assets held for sale	-	(601)	-	_	
Net realised foreign exchange loss	43	435	-	_	
Net unrealised foreign exchange (gain)/loss	(224)	11	-	_	
Gain on revaluation of investment property	(3,882)	(750)	-	_	
Loss on disposal of property, plant and equipment	1	65	-	-	
Operating profit/(loss) before changes					
in working capital	43,910	41,732	(543)	(665)	
Changes in working capital:					
Inventories	5,052	3,741	-	-	
Trade and other payables	518	(699)	102	609	
Trade and other receivables	(1,880)	581	(4,854)	13,819	
Cash generated from/(used in) operations	47,600	45,355	(5,295)	13,763	
Interest paid	(307)	(401)	(1)	_	
Tax paid	(7,815)	(6,512)	(572)	(485)	
Tax refund	54	45	54	45	
Net cash from/(used in) operating activities	39,532	38,487	(5,814)	13,323	

## STATEMENTS of Cash Flows

for the year ended 31 December 2013

	Group		Company	
Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash flows from investing activities Acquisition of property, plant and equipment Costs associated to conversion of land	(8,842)	(10,354)	-	_
to industrial status Dividends received Interest received Proceeds from disposal of assets held for sale Proceeds from disposal of plant and equipment	(1,148) - 295 - 32	- 101 352 2,341	- 23,205 2,542 - -	4,862 2,321 –
Net cash (used in)/from investing activities	(9,663)	(7,560)	25,747	7,183
<b>Cash flows from financing activities</b> Dividends paid to owners of the Company Repayment of loan and borrowing	(20,129) (5,000)	(19,956) (5,416)	(20,129) –	(19,956) _
Net cash used in financing activities	(25,129)	(25,372)	(20,129)	(19,956)
Net increase/(decrease) in cash and cash equivalents	4,740	5,555	(196)	550
Cash and cash equivalents at 1 January	14,139	8,584	663	113
Cash and cash equivalents at 31 December 9	18,879	14,139	467	663

## **NOTES** to the Financial Statements

CCM Duopharma Biotech Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The addresses of its registered office and principal place of business are as follows:

#### **Registered office**

13th Floor, Menara PNB 201-A, Jalan Tun Razak 50400 Kuala Lumpur Malaysia

#### Principal place of business

Lot 2599, Jalan Seruling 59 Kawasan 3, Taman Klang Jaya 41200 Klang Selangor Darul Ehsan Malaysia

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2013 comprise the Company and its subsidiary (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the financial year ended 31 December 2013 do not include other entities.

The Company is principally engaged in investment holding, whilst the subsidiary is primarily involved in carrying on business as manufacturer, distributor, importer and exporter of pharmaceutical products and medicines.

The immediate and intermediate holding companies during the financial year were CCM Marketing Sdn. Bhd. and Chemical Company of Malaysia Berhad (a public listed company), respectively. The ultimate holding company during the financial year was Permodalan Nasional Berhad. All the holding companies were incorporated in Malaysia.

These financial statements were authorised for issue by the Board of Directors on 12 March 2014.

#### 1. BASIS OF PREPARATION

#### (a) Statement of compliance

The financial statements of the Group have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

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

- Amendments to MFRS 10, Consolidated Financial Statements: Investment Entities
- Amendments to MFRS 12, Disclosure of Interests in Other Entities: Investment Entities
- Amendments to MFRS 127, Separate Financial Statements (2011): Investment Entities
- Amendments to MFRS 132, Financial Instruments: Presentation Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 136, Impairment of Assets Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to MFRS 139, Financial Instruments: Recognition and Measurement Novation of Derivatives and Continuation of Hedge Accounting
- IC Interpretation 21, Levies

## NOTES to the Financial Statements

#### 1. BASIS OF PREPARATION (CONTINUED)

#### (a) Statement of compliance (continued)

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

- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)
- Amendments to MFRS 2, Share-based Payment (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 3, Business Combinations (Annual Improvements 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 Assets (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 140, Investment Properties (Annual Improvements 2011-2013 Cycle)

#### MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- MFRS 9, Financial Instruments (2009)
- MFRS 9, Financial Instruments (2010)
- MFRS 9, Financial Instruments Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139
- Amendments to MFRS 7, Financial Instruments: Disclosures Mandatory Effective Date of MFRS 9 and Transition Disclosures

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2014 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014, except for Amendments to MFRS 12 and IC Interpretation 21 which are not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014 except for Amendments to MFRS 2 which is not applicable to the Group and the Company.

The initial application of the accounting standards, amendments and interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Company.

#### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

#### (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

#### 1. BASIS OF PREPARATION (CONTINUED)

#### (d) Use of estimates and judgements

The preparation of financial statements in conformity with Malaysian Financial Reporting Standards ("MFRSs") requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than as disclosed in the following notes:

- Note 4 Valuation of investment property
- Note 6 Investment in a subsidiary

#### 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

#### (a) Basis of consolidation

#### (i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group adopted MFRS 10, *Consolidated Financial Statements* in the current financial year. This resulted in changes to the following policies:

- Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the previous financial years, control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 10. The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## (a) Basis of consolidation (continued)

#### (ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

### (iii) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

### (iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## (b) Foreign currency

## Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

## (c) Financial instruments

### (i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

### (ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

### Financial assets

### Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets are subject to review for impairment (see Note 2(i)).

### Financial liabilities

All financial liabilities are subsequently measured at amortised cost.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## (c) Financial instruments (continued)

#### (iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee.

When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

### (iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

## (d) Property, plant and equipment

#### (i) Recognition and measurement

Freehold land and capital work-in-progress are stated at cost less any accumulated impairment losses. All other items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that are directly attributable to the acquisition of the asset, and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain and loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" or "other expenses" respectively in profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## (d) Property, plant and equipment (continued)

## (ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

### (iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

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Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted as appropriate.

### (e) Intangible assets

### (i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less any impairment losses.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (e) Intangible assets (continued)

## (ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

#### (f) Investment property

#### (i) Investment property carried at fair value

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. This includes land held for a currently undetermined future use.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-contracted investment property includes the cost of materials and direct labour, and any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

### (ii) Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

## (g) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is based on the weighted average cost formula and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and manufactured finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

#### (i) Impairment

#### (i) Financial assets

All financial assets (except for investment in a subsidiary) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset's is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

#### (ii) Other assets

The carrying amounts of other assets (except for inventories and investment property measured at fair value) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible asset that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i) Impairment (continued)

#### (ii) Other assets (continued)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cashgenerating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (groups of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

#### (j) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

#### (i) Issue expenses

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

#### (ii) Ordinary shares

Ordinary shares are classified as equity.

#### (iii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares and in the statement of changes in equity.

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

### (iv) Distribution of assets to owners of the company

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## (k) Employee benefits

### (i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profitsharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### (ii) State plans

The Group's contributions to the statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

## (l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

### (m) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

## (n) Revenue and other income

#### (i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

## (ii) Dividend income

Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

#### (iii) Interest income

Interest income is recognised as it accrues, using the effective interest method in profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## (o) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2(f), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### (p) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding adjusted for own shares held for the effects of all dilutive potential ordinary shares.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## (q) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer ("CEO") of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

### (r) Contingencies

### (i) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### (ii) Contingent assets

Where it is not probable that there is an inflow of economic benefits, or the amount cannot be estimated reliably, the asset is not recognised in the statements of financial position and is disclosed as a contingent asset, unless the probability of inflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets unless the probability of inflow of economic benefits is remote.

#### (s) Fair value measurement

From 1 January 2013, the Group adopted MFRS 13, *Fair Value Measurement* which prescribed that fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In accordance with the transitional provision of MFRS 13, the Group applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures. The adoption of MFRS 13 has not significantly affected the measurements of the Group's assets or liabilities other than the additional disclosures.

## 3. PROPERTY, PLANT AND EQUIPMENT

Group	Note	Freehold land	Buildings	Plant and machineries	Office equipment, furniture and fittings	Motor vehicles	Renovations	Capital work-in- progress	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost									
At 1 January 2012 Additions Reclassifications Disposals		12,897 _ _ _	53,647 186 –	66,119 7,379 419 (21)	2,778 2,217 	1,154 - - (687)	338 158 –	280 414 (419) –	137,213 10,354 - (708)
At 31 December 2012/		12,897	53,833	73,896	4,995	467	496	275	146,859
1 January 2013 Additions Disposals Transfer to investment		- -	420 (5)	7,139 -	133 (138)	103 -	233 -	834 (27)	8,862 (170)
property Transfer to intangible asset	4 5	-						(20) (1,062)	(20) (1,062)
At 31 December 2013		12,897	54,248	81,035	4,990	570	729	-	154,469
<b>Depreciation</b> At 1 January 2012 Depreciation for the year Disposals		- - -	712 1,079 –	37,290 5,580 (1)	2,325 236 -	624 71 (290)	285 8 –	- -	41,236 6,974 [291]
At 31 December 2012/ 1 January 2013 Depreciation for the year Disposals		-	1,791 1,088 –	42,869 6,276 -	2,561 343 (137)	405 46 -	293 32 -	- - -	47,919 7,785 (137)
At 31 December 2013		-	2,879	49,145	2,767	451	325		55,567
Carrying amounts									
At 1 January 2012		12,897	52,935	28,829	453	530	53	280	95,977
At 31 December 2012/ 1 January 2013		12,897	52,042	31,027	2,434	62	203	275	98,940
At 31 December 2013		12,897	51,369	31,890	2,223	119	404	-	98,902

## 4. INVESTMENT PROPERTY

	Gro	oup
	2013 RM'000	2012 RM'000
At 1 January Transfer from property, plant and equipment (Note 3) Costs associated to conversion of land to industrial status Change in fair value recognised in profit or loss	6,470 20 1,128 3,882	5,720 - - 750
At 31 December	11,500	6,470
Included in the above is: At fair value Freehold land	11,500	6,470
		0,470

## 4.1 Fair value information

Fair value of investment property is categorised as follows:

2013	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Land	-	-	11,500	11,500

### Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

## Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical investment properties that the entity can access at the measurement date.

## Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the investment property, either directly or indirectly.

Level 2 fair values of freehold land has been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

## 4. INVESTMENT PROPERTY (CONTINUED)

## 4.1 Fair value information (continued)

## Transfer between Level 1 and 2 fair values

There is no transfer between Level 1 and 2 fair values during the financial year.

### Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment property.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Comparison method of valuation which entails comparing the property with similar properties that were sold recently and those that are currently offered for sale in the vicinity.	Recent transactions of similar properties at or near reporting period with similar land usage, land size and location. The characteristics, merits and disadvantages of these properties are noted and diligent adjustments thereof are then made by valuer to reflect the differences and to arrive at the value of the property.	

## Valuation processes applied by the Group for Level 3 fair value

The fair value of investment property is determined by external, independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The valuation company provides the fair value of the Group's investment property portfolio every twelve months. Changes in Level 3 fair values are analysed by the management every twelve months after obtaining valuation report from the valuation company.

## Highest and best use

The Group's investment property is currently a freehold light industrial land. The highest and best use of the property should be an industrial land located nearby the Group's investment property.

## 5. INTANGIBLE ASSET

Group	Development costs RM'000
At 1 January 2012/31 December 2012/1 January 2013 Transfer from property, plant and equipment (Note 3)	_ 1,062
At 31 December 2013	1,062

The carrying amount of development costs represents costs incurred to jointly conduct clinical trials with its technology partner for the purpose of commercialisation of biosimilar products. The Group will hold the exclusive commercialisation rights for product marketing and distribution in Malaysia, Singapore and Brunei, as well as the exclusive and perpetual royalty-free license to use the technical information. The products have yet to be fully commercialised at year-end. The Group is of the opinion that the marketing rights have indefinite useful lives. The management made an assumption that the development costs will be recovered through future commercial activity when the products are fully commercialised in the future.

## 6. INVESTMENT IN A SUBSIDIARY

	Compar	Company		
	2013 RM'000	2012 RM'000		
Unquoted share, at cost	40,187	40,187		

Details of the subsidiary are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Effective ownersh interest	ip
			2013 %	2012 %
Duopharma (M) Sendirian Berhad	Malaysia	Manufacturing, distributing, importing and exporting of pharmaceutical products and medicines	100	100

## 7. TRADE AND OTHER RECEIVABLES

TRADE AND OTHER RECEIVABLES		Gro	up	Com	pany
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Non-current					
<b>Non-trade</b> Amount due from a subsidiary	7.1	-	_	62,749	54,523
Current					
<b>Trade</b> Trade receivables Amount due from related companies	7.2	33,264 425	32,460 1,619		-
		33,689	34,079	-	_
<b>Non-trade</b> Amount due from a subsidiary Other receivables, deposits and prepayments	7.3 7.4	- 5,289	3,019	2,000 -	5,372
		5,289	3,019	2,000	5,372
		38,978	37,098	2,000	5,372

- 7.1 The non-trade amount due from a subsidiary is unsecured, subject to interest at 5.1% (2012: 4.0%) per annum. The non-current amount is not repayable over the next 12 months.
- 7.2 The trade amount due from related companies is subject to the normal trade terms.
- 7.3 The non-trade amount due from a subsidiary is unsecured, interest free and repayable on demand.
- 7.4 Included in other receivables, deposits and prepayments is deposits for new plant and machineries amounting to RM3,843,232 (2012: RM2,770,348).

## 8. INVENTORIES

INVENTORIES	Gro	oup
	2013 RM'000	2012 RM'000
Raw materials and consumables Work-in-progress Packing materials Finished goods	13,276 2,462 6,731 13,862	12,740 1,557 6,390 20,696
	36,331	41,383
Recognised in profit or loss: Inventories recognised as cost of sales	95,509	72,230

In 2013, inventories amounting to RM7,802,000 (2012: RM4,327,000) were written off. The write-off is included in cost of sales.

## 9. CASH AND CASH EQUIVALENTS

	Gro	Group		any
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deposits placed with licensed banks Cash and bank balances	6,169 12,710	4,793 9,346	- 467	- 663
	18,879	14,139	467	663

## 10. CAPITAL AND RESERVES

CAPITAL AND RESERVES	Gro	Group Cor		mpany	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	
Share capital Non-distributable reserves	69,739	69,739	69,739	69,739	
Share premium Treasury shares	13,720 (1,578)	13,720 (1,578)	13,720 (1,578)	13,720 (1,578)	
Retained earnings (distributable)	12,142 100,768	12,142 88,622	12,142 22,458	12,142 18,013	
	182,649	170,503	104,339	99,894	

## 10. CAPITAL AND RESERVES (CONTINUED)

## 10.1 Share capital

	< Amount	Group and Number of shares	Company Amount	Number of shares
	2013 RM'000	2013 '000	2012 RM'000	2012 ′000
Ordinary shares of RM0.50 each				
Authorised	100,000	200,000	100,000	200,000
Issued and fully paid	69,739	139,479	69,739	139,479

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company and rank equally with regards to the Company's residual assets. In respect of the Company's treasury shares that are held by the Company (see below), all rights are suspended until those shares are reissued.

#### 10.2 Treasury shares

The shareholders of the Company, by a special resolution passed at the extraordinary general meeting held on 25 June 2004, approved the Company's plan to purchase its own shares and the authority was reviewed at the Fourth Annual General Meeting of the Company held on 29 June 2005. The renewal of authority for purchase of its own shares lapsed at the conclusion of the Fifth Annual General Meeting held on 18 May 2006 and no further renewal was sought.

There was no purchase of its issued share capital in the current financial year. The number of outstanding shares as at 31 December 2013 after deducting treasury shares held is 138,821,000 (2012: 138,821,000).

## **11. DEFERRED TAX LIABILITIES**

#### Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Asse	ets	Liabil	ities	N	et
Group	2013	2012	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	-	-	(7,261)	(6,269)	(7,261)	(6,269)
Receivables	71	97	-	_	71	97
Other items	2,741	513	-	_	2,741	513
Tax assets/(liabilities)	2,812	610	(7,261)	(6,269)	(4,449)	(5,659)
Set off of tax	(2,812)	(610)	2,812	610	–	_
Net tax assets/(liabilities)	-	_	(4,449)	(5,659)	(4,449)	(5,659)

## Movement in temporary differences during the year

Group	At 1.1.2012 RM'000	Recognised in profit or loss RM'000 (Note 19)	At 31.12.2012 RM'000	Recognised in profit or loss RM'000 (Note 19)	At 31.12.2013 RM'000
Property, plant and equipment Receivables Other items	6,473 (185) (704)	(204) 88 191	6,269 (97) (513)	992 26 (2,228)	7,261 (71) (2,741)
Total	5,584	75	5,659	(1,210)	4,449

## 12. LOAN AND BORROWING

	Gr	oup
	2013 RM'000	
<b>Current</b> Unsecured revolving loan	-	5,000

On 12 June 2013, the subsidiary entered into Revolving Credit Facility Agreement of RM10 million with Hong Leong Bank Berhad ("HLBB") to accommodate for working capital requirements.

Interest rates of the subsidiary's borrowings depend on the lender's effective cost of funds plus 0.35% p.a..

## 13. TRADE AND OTHER PAYABLES

		Grou	р	Comp	any
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Trade					
Trade payables		6,837	2,361	-	_
Amount due to related companies	13.1	31	-	-	-
		6,868	2,361	-	_
Non-trade					
Amount due to intermediate holding company	13.2	632	4,536	622	423
Amount due to related companies	13.2	44	470	-	-
Other payables		2,518	2,064	-	-
Accrued expenses		6,687	7,050	429	526
Provision		410	341	-	-
		10,291	14,461	1,051	949
		17,159	16,822	1,051	949

13.1 The trade amount due to related companies is subject to normal trade terms.

13.2 The non-trade amounts due to intermediate holding company and related companies are unsecured, interest free and repayable on demand.

## 14. REVENUE

	Gro	oup	Com	pany
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Sale of goods Dividend income from an unquoted subsidiary in Malaysia	162,405 -	135,310	- 23,205	- 19,822
	162,405	135,310	23,205	19,822

## **15. RESULTS FROM OPERATING ACTIVITIES**

	Gro	up	Comp	bany
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Operating profit is arrived at after charging:				
Auditors' remuneration: – Audit fees – Non-audit fees Depreciation on property, plant and equipment	78 14 7,785	73 14 6,974	20 14 -	18 14 -
Impairment loss: – Trade receivables Intermediate holding company management fees Inventories written off Loss on disposal of property, plant and equipment	1,113 6,089 4,704 1	37 5,649 1,891 65	- - -	- - -
Net realised foreign exchange loss Net unrealised foreign exchange loss Personnel expenses (including key management personnel):	43 -	435 11	-	-
<ul> <li>Contributions to state plans</li> <li>Wages, salaries and others</li> <li>Rental expenses of premises</li> <li>Research and development costs expensed as incurred</li> </ul>	2,198 22,177 80 3,035	2,133 21,297 90 1,760		-
and after crediting:				
Dividend income from – A subsidiary in Malaysia (unquoted) Gain on disposal of assets held for sales Gain on revaluation of investment property Net unrealised foreign exchange gain	- - 3,882 224	- 601 750 -	23,205 - - -	19,822 - - -

## 16. FINANCE INCOME

	Gro	up	Com	pany
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Interest income of financial assets that are not at fair value through profit or loss: – recognised before impairment	295	101	2,542	2,321

## **17. FINANCE COSTS**

	Gro	up	Comj	pany
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss: – loan and borrowing	307	401	1	_

## 18. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation is as follows:

	Gro	oup	Com	pany
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Directors</b> - Fees	242	242	242	242
Other key management personnel – Remuneration	2,019	1,705	-	_
Total short-term employee benefits	2,261	1,947	242	242

Other key management personnel comprise persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

The Group pays management fee to the intermediate holding company in relation to services of certain key management personnel of the Group as disclosed in Note 25.

## **19. TAX EXPENSE**

## Recognised in profit or loss

	Gro	up	Comj	pany
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Income tax expense	7,900	9,284	629	554
Major components of income tax expense include:				
<b>Current tax expense</b> Malaysian – current year – (over)/under provision	9,345 (235)	8,388 821	629 -	554
Total current tax recognised in profit or loss	9,110	9,209	629	554
<b>Deferred tax (benefit)/expense</b> Origination and reversal of temporary differences Over provision in prior year	(574) (636)	95 (20)	- -	-
Total deferred tax recognised in profit or loss	(1,210)	75	-	_
Total income tax expense	7,900	9,284	629	554
<b>Reconciliation of tax expense</b> Profit for the year Total income tax expense	32,275 7,900	26,014 9,284	24,574 629	20,924 554
Profit excluding tax	40,175	35,298	25,203	21,478
Income tax calculated using Malaysian tax rate of 25% (2012: 25%) Non-deductible expenses Tax exempt income Tax incentives Other items Non-taxable income (Over)/Under provided in prior years	10,044 503 - (759) (926) (91) (871)	8,825 316 - (440) (81) (137) 801	6,301 129 (5,801) - - - - -	5,370 140 (4,956) - - - -
	7,900	9,284	629	554

# **NOTES** to the Financial Statements

## 20. EARNINGS PER ORDINARY SHARE

### Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2013 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Grou	ıp
	2013 RM'000	2012 RM'000
Profit for the year attributable to ordinary shareholders	32,275	26,014
Weighted average number of ordinary shares		
	Grou	ıp
	2013 '000	2012 ′000
Issued ordinary shares at 1 January Effect of treasury shares held	139,479 (658)	139,479 (658)
Weighted average number of ordinary shares at 31 December	138,821	138,821
	Grou	ıp
	2013 sen	2012 sen
Basic earnings per ordinary share	23.25	18.74

## Diluted earnings per ordinary share

There is no dilution to the earnings per ordinary share as there are no dilutive potential ordinary shares, hence, the diluted earnings per share is the same of basic earnings per share.

## 21. DIVIDENDS

Dividends recognised by the Company:

	Sen per share	Total amount RM'000	Date of payment
<b>2013</b> Final 2012 ordinary (single-tier) Interim 2013 ordinary (single-tier)	10.50 4.00	14,576 5,553	12 July 2013 8 November 2013
Total amount		20,129	
2012			
Final 2011 ordinary (single-tier)	10.87	15,097	29 June 2012
Interim 2012 ordinary (single-tier)	3.50	4,859	9 November 2012
Total amount		19,956	

After the end of the reporting period, the following dividend was proposed by the Directors. This dividend will be recognised in subsequent financial period upon approval by the owners of the Company.

	Sen per share	Total amount RM'000
Final 2013 ordinary (single-tier)	13.50	18,741

## 22. FINANCIAL INSTRUMENTS

## 22.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loans and receivables ("L&R"); and
- (b) Financial liabilities measured at amortised cost ("FL").

	Carrying amount	L&R/ (FL)	Carrying amount	L&R/ (FL)
	2013 RM'000	2013 RM'000	2012 RM'000	2012 RM'000
Financial assets				
<b>Group</b> Trade and other receivables Cash and cash equivalents	34,533 18,879	34,533 18,879	37,098 14,139	37,098 14,139
	53,412	53,412	51,237	51,237
<b>Company</b> Trade and other receivables Cash and cash equivalents	64,749 467	64,749 467	59,895 663	59,895 663
	65,216	65,216	60,558	60,558
Financial liabilities				
<b>Group</b> Loan and borrowing Trade and other payables	_ (16,749)	_ (16,747)	(5,000) (16,481)	(5,000) (16,481)
	(16,749)	(16,747)	(21,481)	(21,481)
<b>Company</b> Trade and other payables	(1,051)	(1,051)	(949)	(949)

## 22.2 Net gains and losses arising from financial instruments

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Net gains/(losses) arising on: Loans and receivables Financial liabilities measured at amortised cost	295 (126)	101 (848)	2,542 (1)	2,321
	169	(747)	2,541	2,321

### 22.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

## 22.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counter party to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from amount due from a subsidiary.

## Receivables

## Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on new customers who require credit facility during the financial year. Depending on the nature of the transactions and the customer's risk profile, the Group may require upfront deposits as collateral.

### Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. For receivables from corporate, wholesale and government sectors, impairment loss will be generally provided for amounts aged more than 270 days based on historical payment trends and patterns unless there is objective evidence to show otherwise.

The Group has a lower exposure to international credit risk as most of its receivables are concentrated in Malaysia.

## 22.4 Credit risk (continued)

## Receivables (continued)

### Impairment losses

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000		Net RM'000
2013				
Not past due	31,035			31,035
Past due 0-30 days	2,039	(223)		1,816
Past due 31-120 days	1,120	(707)		413
Past due more than 120 days	408	(123)	(285)	-
	34,602	(1,053)	(285)	33,264
2012				
Not past due	28,733	-	_	28,733
Past due 0-30 days	3,138	-	_	3,138
Past due 31-120 days	589	-	-	589
Past due more than 120 days	274	-	(274)	-
	32,734	_	(274)	32,460

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	Gr	oup
	2013 RM'000	2012 RM'000
At 1 January Impairment loss recognised Impairment loss written off Impairment loss recovered	274 1,250 (49) (137)	351 37 (114) –
At 31 December	1,338	274

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the trade receivable directly.

### 22.4 Credit risk (continued)

#### **Receivables (continued)**

#### Impairment losses (continued)

At 31 December 2013, there is a significant individual impairment loss of RM1,053,000 relating to a customer with dispute invoices during the financial year.

### Investments and other financial assets

Risk management objectives, policies and processes for managing the risk

Investments are only allowed in placing deposits with licensed banks.

#### Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Group has only placed deposits in Malaysia. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

In view of that deposits are only placed with licensed banks, management does not expect the bank to fail to meet its obligation.

The deposits with licensed banks of the Group are unsecured.

#### Impairment losses

As at the end of the reporting period, there was no indication that the deposits with licensed banks were not recoverable.

#### Inter company loans and advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to a subsidiary. The Company monitors the results of the subsidiary regularly.

#### Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by its carrying amount in the statement of financial position.

Loans and advances are only provided to subsidiary which is wholly owned by the Company.

#### Impairment losses

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiary are not recoverable. The Company does not specifically monitor the ageing of the advances to the subsidiary.

## 22. FINANCIAL INSTRUMENTS (CONTINUED)

### 22.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its various payables, loan and borrowing.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

#### Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount i RM'000	Contractual nterest rate/ coupon	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Group							
<b>2013</b> Non-derivative financial liabilities							
Trade and other payables	16,749		16,749	16,749			
							$\square$
<b>2012</b> Non-derivative financial liabilities							
Unsecured revolving loan Trade and other payables	5,000 16,481	3.80% p.a. _	5,190 16,481	5,190 16,481	-	-	-
	21,481		21,671	21,671	_	_	-
Company							
<b>2013</b> Non-derivative financial liabilities							
Trade and other payables	1,051		1,051	1,051			
<b>2012</b> Non-derivative financial liabilities							
Trade and other payables	949	-	949	949	-	-	-

## 22.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Group's financial position or cash flows.

#### 22.6.1 Currency risk

The Group is exposed to foreign currency risk on sales, purchases and bank balance that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar (USD), Euro Dollar (EURO) and Singapore Dollar (SGD).

#### Risk management objectives, policies and processes for managing the risk

The Group ensures that the net exposure on foreign currency risk arising from commercial transactions is kept to an acceptable level by buying and selling foreign currencies at spot rates where necessary to address short-term imbalances.

#### Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	Denomi US	
Group	2013 RM'000	2012 RM'000
Trade receivables Trade payables Bank balance Other payables	1,273 (2,867) 18 (281)	1,798 (710) 242 (1,126)
Net exposure in the statement of financial position	(1,857)	204
	Denomi EU	
	2013 RM'000	2012 RM'000
Trade receivables Other payables	474 (3,170)	-
Net exposure in the statement of financial position	(2,696)	_

## 22. FINANCIAL INSTRUMENTS (CONTINUED)

## 22.6 Market risk (continued)

## 22.6.1 Currency risk (continued)

	Denomir SG	
	2013 RM'000	2012 RM'000
Trade payables	(346)	_
Net exposure in the statement of financial position	(346)	_
Currency risk sensitivity analysis		

The exposure to currency risk is not material and hence, sensitivity analysis is not presented.

## 22.6.2 Interest rate risk

The Group's fixed rate deposits with licensed banks are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in short-term receivables and payables are not significantly exposed to interest rate risk.

## Risk management objectives, policies and processes for managing the risk

The Group and the Company place cash balances with reputable banks to generate interest income for the Group and the Company. The Group and the Company manage their interest risk by placing such balances on varying maturities and interest rate terms.

### Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Fixed rate instruments</b> Financial assets	6,619	4,793	-	-
<b>Floating rate instruments</b> Financial liabilities	-	(5,000)	-	_

### 22.6 Market risk (continued)

## 22.6.2 Interest rate risk (continued)

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

#### (b) Cash flow sensitivity analysis for variable rate instruments

A change of 50 basis points ("bp") in interest rates at the end of the reporting period would have increased (decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	Equ	ity	Profit o	or loss
	50 bp	50 bp	50 bp	50 bp
C	increase	decrease	increase	decrease
Group	RM'000	RM'000	RM'000	RM'000
2013				
Floating rate instruments	-			-
<b>2012</b> Floating rate instruments	_	_	(19)	19

#### 22.7 Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term borrowings approximate fair values due to the relatively short-term nature of these financial instruments.

The carrying amount of unsecured non-revolving loan approximate fair values as they are subject to variable interest rates which in turn approximates the current market interest rates for similar facilities at the end of the reporting period.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices in an active market and the fair value cannot be reliably measured.

The fair value of other financial assets, together with the carrying amount shown in the statement of financial position, is as follows:

## 22. FINANCIAL INSTRUMENTS (CONTINUED)

## 22.7 Fair value information (continued)

	Carrying	Fair	Carrying	Fair
	amount	value	amount	value
Company	2013	2013	2012	2012
	RM'000	RM'000	RM'000	RM'000
Amount due from a subsidiary	64,749	64,749	59,895	59,895

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

Interest rate used to determine fair value

The interest rate used to discount estimated cash flows is 5.1% (2012: 4.0%).

## 22.7.1 Fair value hierarchy

Fair value hierarchy has not been presented as there are no financial instruments carried at fair value as at the end of the reporting period.

## 23. CAPITAL MANAGEMENT

The Group's objective when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to safeguard shareholders' interest within the Group and to sustain future development of the business.

The Group's strategy for capital management is to avoid unnecessary debts obligation and funding cost.

There were no changes in the Group's approach to capital management during the financial year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

The Group is also required to maintain a maximum debt-to-equity ratio of nil (2012: nil), total liabilities-to-net worth of 1.75 and minimum debt service cover ratio of 2.0 to comply with a debt covenant, failing which, the bank may call an event of default. The Group has complied with the covenants.

## 24. CAPITAL AND OTHER COMMITMENTS

	Gro	Group	
	2013 RM'000	2012 RM'000	
Plant and equipment			
Authorised but not provided for	22,199	20,200	
Contracted but not provided for	6,526	3,577	

## 25. RELATED PARTIES

### Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with its intermediate holding company, related companies and key management personnel.

### Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are shown below, except for key management personnel compensation which is shown in Note 18. The balances related to the below transactions are shown in Note 7 and 13.

		Gro	Group	
		2013 RM'000	2012 RM'000	
Α.	<b>Intermediate holding company</b> Management fees paid	(6,089)	(5,649)	
В.	<b>Immediate holding company</b> Dividends paid	(14,768)	(14,641)	

## 25. RELATED PARTIES (CONTINUED)

## Significant related party transactions (continued)

		Grou	Group	
		2013 RM'000	2012 RM'000	
С.	<b>Related companies</b> Sale of goods Purchases of goods Research and development costs paid to related company	13,962 (19,331) (3,035)	13,197 (1,429) (1,760)	
		Comp	Company	
		2013 RM'000	2012 RM'000	
Α.	<b>Immediate holding company</b> Dividends paid	(14,768)	(14,641)	
В.	<b>Related companies</b> Dividend income received from a subsidiary Interest income received from a subsidiary	23,205 2,542	19,822 2,321	

There is no impairment loss recognised in respect of these outstanding balances at year end.

All the outstanding balances are unsecured and expected to be settled with cash.

Included in the management fees paid to the intermediate holding company is payment for services of a director and certain key management personnel of the Group amounting to RM1,322,000 (2012: RM1,441,000).

## 26. OPERATING SEGMENTS

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units target different markets, and are managed separately because they require different marketing strategies. For each of the strategic business units, the Group's Chief Executive Officer (the chief operating decision maker) reviews internal management reports at least on a quarterly basis.

Segment assets are not used to measure the financial position of the respective segments and not included in the internal management reports that are reviewed by the Group's CEO, as all assets within the Group, other than trade receivables, are attributed to the business activities in Malaysia.

## 26. OPERATING SEGMENTS (CONTINUED)

Information about reportable segment and reconciliation of reportable segment revenue, profit or loss and other material items

	Gro	Group	
	2013 RM'000	2012 RM'000	
Reportable revenue from external customers: Local Export	148,363 14,042	124,080 11,230	
Operating expense: Depreciation of property, plant and equipment Other operating expense Other operating income	162,405 (7,785) (118,401) 3,968	135,310 (6,974) (94,094) 1,356	
Profit from operations Finance income Finance cost	40,187 295 (307)	35,598 101 (401)	
Profit before tax Tax expense	40,175 (7,900)	34,298 (9,284)	
Profit after tax	32,275	26,014	
Reportable revenue from external trade receivables: Local Export	31,603 1,661	31,286 1,174	
	33,264	32,460	
Major customers			

Revenue from two major customers amount to approximately RM65,726,000 (2012: RM56,429,000) of the Group's total revenue.

### **NOTES** to the Financial Statements

#### **27. COMPARATIVE FIGURES**

The following comparatives have been restated in order to conform with current year presentation.

	20	12
Group	As restated RM'000	As previously stated RM'000
Statements of profit or loss and other comprehensive income		
Cost of sales	72,230	72,362
Distribution and marketing expenses	12,636	11,295
Administrative expenses	14,966	12,327
Other expenses	1,236	5,084
	101,068	101,068
Statements of cash flows		
Net realised foreign exchange loss	435	_
Net unrealised foreign exchange (gain)/loss	11	_
Trade and other payables	(699)	(253
	(253)	(253
Inventories		
Recognised in profit or loss:		
Inventories recognised as cost of sales	72,230	72,362
Results from operating activities		
Operating profit is arrived at after charging:		
Inventories written off	1,891	4,327
Net realised foreign exchange loss	435	261
Net unrealised foreign exchange (gain)/loss	11	-
Personnel expenses (including key management personnel):		
– Wages, salaries and others	21,297	17,490
Key management personnel		
Other key management personnel		
- Remuneration	1,705	1,443
	.,	.,
Financial instruments		
Net gains/(losses) arising on: Financial liabilities measured at amortised cost	(126)	(307
	(120)	(307

## 28. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings of the Group and of the Company as at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Gro	Group		pany
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Total retained earnings of the Company and its subsidiary – realised – unrealised	129,073 6,418	122,415 930	22,458 -	18,013
Less: Consolidation adjustments	135,491 (34,723)	123,345 (34,723)	22,458 -	18,013
Total retained earnings	100,768	88,622	22,458	18,013

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

# **ANALYSIS** of Shareholdings as at 19 March 2014

Authorised Share Capital	:	RM100,000,000.00
Issued and Fully Paid Share Capital	:	RM69,739,750.00
Class of Shares	:	Ordinary Shares of RM0.50 each
Voting Rights	:	One vote per Ordinary Share

#### ANALYSIS BY SIZE OF HOLDINGS AS AT 19 MARCH 2014

Size of Holdings	No. of holders	%	No. of Shares	%
1 – 99	167	7.31	4,702	0.003
100 – 1,000	470	20.57	360,836	0.258
1,001 - 10,000	1,279	55.97	5,652,950	4.052
10,001 - 100,000	331	14.49	9,711,220	6.962
100,001 – 6,973,974 (*)	37	1.62	21,416,900	15.354
6,973,975 and above (**)	1	0.04	102,332,892	73.367
	2,285	100	139,479,500	100

\* Less than 5% of issued shares

\*\* 5% and above of issued shares

#### DIRECTORS' SHAREHOLDINGS AS PER REGISTER OF DIRECTORS AS AT 19 MARCH 2014

		No. c	of Shares Held	
Name	Direct	* %	Indirect	%
Tan Sri Dato' Dr. Abu Bakar bin Suleiman Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam	286,400	0.21	22,000	0.01
ର Manikavasagam	34,120	0.02	-	-
Datuk Alias bin Ali	-	_	_	-
Haji Ghazali bin Awang	97,000	0.07	-	-
Amirul Feisal bin Wan Zahir	-	_	-	-
Dato' Mohamad Kamarudin bin Hassan	_	-	-	-

#### SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 19 MARCH 2014

		No. o	f Shares Held	
Name	Direct	* %	Indirect	%
CCM Marketing Sdn. Bhd.	102,332,892	73.37	_	_

### ANALYSIS of Shareholdings as at 19 March 2014

#### TOP 30 SHAREHOLDERS AS AT 19 MARCH 2014

No.	Name	Holdings	Percentage (%)
1.	CCM MARKETING SDN. BHD.	102,332,892	73.37
2.	AMANAHRAYA TRUSTEES BERHAD – Skim Amanah Saham Bumiputera	4,545,300	3.26
3.	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. – Employees Provident Fund Board	4,059,900	2.91
4.	PM NOMINEES (TEMPATAN) SDN. BHD. – For Bank Kerjasama Rakyat Malaysia Berhad	3,522,100	2.53
5.	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD. – As Beneficial Owner (PF)	1,995,300	1.43
6.	BERJAYA SOMPO INSURANCE BERHAD	1,000,000	0.72
7.	DUOPHARMA BIOTECH BHD. – Share Buy Back Account	658,000	0.47
8.	EMPLOYEES PROVIDENT FUND BOARD	500,000	0.36
9.	GAN TUAN BOON	300,000	0.22
10.	ABU BAKAR BIN SULEIMAN	286,400	0.21
11.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. – Pledged Securities Account for Chong Khong Shoong	270,000	0.19
12.	OOI KENG TAN	252,100	0.18
13.	AUN HUAT & BROTHERS SDN. BERHAD	251,800	0.18
14.	LIEW WAI KIAT	237,600	0.17
15.	MAYBAN NOMINEES (TEMPATAN) SDN. BHD. – Pledged Securities Account For Su Tiing Uh	232,700	0.17
16.	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. – Pledged Securities Account For Chong Khoong Shoong (E-IMO)	210,000	0.15
17.	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. – CIMB Bank for Chong Khong Shoong (MY1707)	209,000	0.15
18.	HSBC NOMINEES (TEMPATAN) SDN. BHD. – HSBC (M) Trutee Bhd. for Zurich Insurance Malaysia Berhad (Dana Seri Mulia)	200,000	0.14
19.	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. – Pledged Securities Account for Chong Khong Shoong (E-IMO/JSI)	200,000	0.14

## **ANALYSIS** of Shareholdings as at 19 March 2014

#### TOP 30 SHAREHOLDERS AS AT 19 MARCH 2014 (CONTINUED)

No.	Name	Holdings	Percentage (%)
20.	HSBC NOMINEES (TEMPATAN) SDN. BHD. – HSBC (M) Trustee Bhd. for Zurich Insurance Malaysia Berhad (Income Fund)	199,900	0.14
21.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. – Pledged Securities Account for Hugo Chong Jin Der	190,000	0.14
22.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. – Pledged Securities Account for Lim Chui Peng (85115163)	170,000	0.12
23.	HDM NOMINEES (ASING) SDN. BHD. – Philip Securities Pte. Ltd. for Chiang Hock Leng	163,000	0.12
24.	MAYBAN NOMINEES (TEMPATAN) SDN. BHD. – Lem Hon San	140,000	0.10
25.	OLIVE LIM SWEE LIAN	140,000	0.10
26.	LIM PENG HUAT	125,000	0.09
27.	HDM NOMINEES (ASING) SDN. BHD. – UOB Kay Hian Pte. Ltd. for Ali Asan Mohamed Abdul Kareem	124,400	0.09
28.	LIM PEK HAR	124,000	0.09
29	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. – Pledged Securities Account for Wai Siew Choong (8114933)	121,000	0.09
30	CITIGROUP NOMINEES (ASING) SDN. BHD. – Exempt AN for OCBC Securities Private Limited (Client A/C-NR)	114,400	0.08

## **LIST** of Properties

as at	19	March	2014
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No.	Company	Report Title	Details	Land Tenure	Land Area	Built Area	Latest Valuation as at 31 December 2013 (RM)
1	Duopharma (M) Sdn. Bhd. ("DMSB")	Lot No.2599 – Klang Selangor	<ol> <li>H.S.M 48648 PT No. 129880, Mukim and District of Klang, State of Selangor Darul Ehsan</li> <li>Lot 2599, Jalan Seruling 59, Kawasan 3, Taman Klang Jaya, 41200 Klang, Selangor Darul Ehsan</li> </ol>	<ul> <li>Freehold</li> <li>a. Industrial land built upon with a double storey factory building, a single storey pump house cum boiler house, 73 parking sheds, a guardhouse, a refilled chamber</li> <li>b. Four storey factory and office building</li> <li>c. 2-storey warehouse building with 2 mezzanine office levels of high specifications for specific pharmaceutical use with a single storey canteen building and water tank</li> </ul>	21,838 sq m	24,260.63 sq m	Land: 12,576,553.05 Building: 50,918,803.85 Total NBV as at 31 Dec 2013: 63,495,356.90
2	Duopharma (M) Sdn. Bhd. ("DMSB")	Lot No.74562 & 74561 (No. 51 & 53) – Klang Selangor	H.S. (M) 27455 and 27454 PT No. 48576 and 48575, Mukim and District of Klang, State of Selangor Darul Ehsan No. 51 & 53, Jalan Rebana 3, Off Jalan Seruling 59, Taman Klang Jaya, 41200 Klang, Selangor Darul Ehsan	Freehold Two units of double storey terrace light industrial buildings	No. 51 191 sq m No. 53 260 sq m	No. 51 380.80 sq m No. 53 454.29 sq m	Land: 320,000 Building: 449,766.86 Total NBV as at 31 Dec 2013: 769,766.86
3	Duopharma (M) Sdn. Bhd. ("DMSB")	Lot No. 2707 – Klang Selangor	GM 549 Lot No. 2707, Mukim and District of Klang, State of Selangor Darul Ehsan	Freehold Vacant industrial land	4.38 acres	Nil	Land: 11,500,000 Total: 11,500,000 Valuation Date: 10 June 2013

## **RECURRENT** Related Party Transactions

of a Revenue or Trading Nature

At the Annual General Meeting held on 13 June 2013, the Company had obtained a shareholders' mandate to allow the Company to enter into Recurrent Related Party Transaction of a Revenue or Trading Nature.

In accordance to the Bursa Malaysia Securities Berhad's Main Market Listing Requirements, details of the Recurrent Related Party Transactions audited during the financial year ended 31 December 2013, pursuant to the shareholders mandate are as follows:-

Na	ature of RRPTs	Vendor/ Provider	Purchaser/ Recipient	Aggregate Value (RM'000)	Related Parties
1)	Purchase of raw material for pharmaceutical	CCM Chemicals Sdn. Bhd. (CCMC)	Duopharma (M) Sdn. Bhd. (DMSB)	0	Interested Major Shareholder: CCM <sup>1</sup>
	products				Interested Directors/ Interested Persons Connected: Amirul Feisal bin Wan Zahir <sup>2</sup> Leonard Ariff bin Abdul Shatar <sup>3</sup>
2)	Sale of pharmaceutical products	DMSB	CCM Pharmaceuticals (S) Pte. Ltd.	1,326	Interested Major Shareholder: CCM <sup>1</sup>
			(CCMPS)		Interested Directors/ Interested Persons Connected: Amirul Feisal bin Wan Zahir <sup>2</sup> Leonard Ariff bin Abdul Shatar <sup>3</sup>
3)	Sale of pharmaceutical/ health care products	DMSB	CCM Marketing Sdn. Bhd. (CCMM)	217	Interested Major Shareholder: CCM <sup>1</sup>
					Interested Directors/ Interested Persons Connected: Amirul Feisal bin Wan Zahir <sup>2</sup> Leonard Ariff bin Abdul Shatar <sup>3</sup>
4)	Purchase of pharmaceutical products and raw	CCM Pharmaceuticals Sdn. Bhd.	DMSB	1,180	Interested Major Shareholder: CCM <sup>1</sup>
	materials	(CCMP)			Interested Directors/ Interested Persons Connected: Amirul Feisal bin Wan Zahir <sup>2</sup> Leonard Ariff bin Abdul Shatar <sup>3</sup>
5)	Sales of pharmaceuticals products and raw	DMSB	CCMP	10,374	Interested Major Shareholder: CCM <sup>1</sup>
	materials				Interested Directors/ Interested Persons Connected: Amirul Feisal bin Wan Zahir <sup>2</sup> Leonard Ariff bin Abdul Shatar <sup>3</sup>
6)	Sales of pharmaceuticals products and raw	DMSB	UPHA Pharmaceuticals (M) Sdn. Bhd.	2,034	Interested Major Shareholder: CCM <sup>1</sup>
	materials		(UPHA)		Interested Directors/ Interested Persons Connected: Amirul Feisal bin Wan Zahir <sup>2</sup> Leonard Ariff bin Abdul Shatar <sup>3</sup>

## **RECURRENT** Related Party Transactions of a Revenue or Trading Nature

Nature of RRPTs	Vendor/ Provider	Purchaser/ Recipient	Aggregate Value (RM'000)	Related Parties
7) Purchase of pharmaceuticals products and raw materials	UPHA	DMSB	18,151	Interested Major Shareholder: CCM <sup>1</sup> Interested Directors/ Interested Persons Connected: Amirul Feisal bin Wan Zahir <sup>2</sup> Leonard Ariff bin Abdul Shatar <sup>3</sup>
8) Professional services & construction of water treatment plant, etc	CCM Water Systems Sdn. Bhd. (CCMWS)	DMSB	0	Interested Major Shareholder: CCM <sup>1</sup> Interested Directors/ Interested Persons Connected: Amirul Feisal bin Wan Zahir <sup>2</sup> Leonard Ariff bin Abdul Shatar <sup>3</sup>
9) Provision of Shared/ Management Services <sup>4</sup>	Chemical Company of Malaysia Berhad (CCM)	CCMD	1,380	Interested Major Shareholder: CCM <sup>1</sup> Interested Directors/ Interested Persons Connected: Amirul Feisal bin Wan Zahir <sup>2</sup> Leonard Ariff bin Abdul Shatar <sup>3</sup>
10) Provision of Shared/ Management Services <sup>4</sup>	ССМ	DMSB	873	Interested Major Shareholder: CCM <sup>1</sup> Interested Directors/ Interested Persons Connected: Amirul Feisal bin Wan Zahir <sup>2</sup> Leonard Ariff bin Abdul Shatar <sup>3</sup>

\* There was no deviation from the Actual Value exceeding the Estimated Aggregate Value by 10% or more in the Existing Mandate.

### **RECURRENT** Related Party Transactions

of a Revenue or Trading Nature

#### Notes:-

- CCMP and UPHA are wholly-owned subsidiaries of Chemical Company of Malaysia Berhad (CCM). CCMM, the holding company of CCMD, is also a wholly-owned subsidiary of CCM. Therefore, CCM is deemed to have indirect interest of 73.37% of the issued share capital of CCMD. CCM also has direct interest of 80% in the issued share capital of CCMC.
- 2. Amirul Feisal bin Wan Zahir is the Group Managing Director of CCM and is a Non-Independent Non-Executive Director of CCMD, CCMP and UPHA. He has no direct interest in CCMD and is an interested director and an interested "Person(s) connected" as defined in the Definitions Section of this Circular. Therefore, he is deemed interested in the Proposed Shareholders Mandate by virtue of him being an interested Director and an interested person connected to CCM.
- 3. Leonard Ariff bin Abdul Shatar is the Chief Executive Officer of CCMD and is a Director of CCMD, as defined under the Definitions Section of the Circular to Shareholders dated 25 April 2014. He is also a Non-Independent Non-Executive Director of CCMP and UPHA. He is also the Director of CCM's Pharmaceuticals Division. He has no direct interest in CCMD and is an interested director and an interested "Person(s) connected" as defined in the Definitions Section of the Circular to Shareholders dated 25 April 2014. Therefore, he is deemed interested in the Proposed Shareholders Mandate by virtue of him being an interested Director and an interested person connected to CCM.
- 4. Provision of Shared/Management Services refers to support services covering areas of accounting, treasury, procurement, security, company secretarial, corporate affairs, legal, internal audit, human resource, information technology services, etc.

## **NOTICE** of Annual General Meeting

5,000.00

NOTICE IS HEREBY GIVEN that the Thirteenth Annual General Meeting of the Company will be held at Premiere Hotel, Bandar Bukit Tinggi, 1/KS6, Jalan Langat, 41200 Klang, Selangor Darul Ehsan on Tuesday, 20 May 2014 at 10.00 a.m. for the following purposes:-

#### AGENDA

#### As Ordinary Business

1.		receive and adopt the Audited Financial Statements for the fina December 2013 together with the Reports of the Directors and A	-	Ordinary Resolution 1
2.		approve a Final Dividend of 13.5 sen per ordinary share, tax der the single-tier tax system for the financial year ended 31 De	-	Ordinary Resolution 2
3.		re-elect Amirul Feisal bin Wan Zahir who retires in accordance v Articles of Association of the Company.	vith Article 93 of	Ordinary Resolution 3
4.		re-elect Dato' Mohamad Kamarudin bin Hassan who retires in icle 99 of the Articles of Association of the Company.	accordance with	Ordinary Resolution 4
5.		consider, and if deemed fit, to pass the following resolution pur ?(6) of the Companies Act, 1965:-	suant to Section	
	(i)	That Tan Sri Dato' Dr. Abu Bakar bin Suleiman, who is over th (70), be hereby re-appointed as Director of the Company an until the next Annual General Meeting of the Company.	0	Ordinary Resolution 5
	(ii)	That Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manika over the age of seventy (70), be hereby re-appointed as Director and to hold office, until the next Annual General Meeting of th	of the Company	Ordinary Resolution 6
6.	To a 201	approve the payment of Directors' Fees for the financial year end 3.	ed 31 December	Ordinary Resolution 7
7.	rec	approve the increase in the Directors' Fees payable to the Dire eive the Directors' Fees with effect from 1 January 2014, in such nner as the Directors may determine as follows:		Ordinary Resolution 8
	(i)	Chairman of the Board	<b>RM per annum</b> 85,000.00	
	(i) (ii)	Member of the Board	60,000.00	
	(ii) (iii)		7,000.00	
	(III)	Chairman of the Board Committees	/,000.00	

AND FURTHER THAT the amount of the Directors' Fees which is increased as aforesaid shall continue to be in force until varied by resolution passed by the shareholders in a general meeting.

(iv) Member of the Board Committees

#### **NOTICE** of Annual General Meeting

- 8. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the **Ordinary Resolution 9** Directors to fix their remuneration.
- 9. To transact any other business of which due notice shall have been received.

#### AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Resolutions:-

#### 10. Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Ordinary Resolution 10 Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")

"That subject to the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company and/or its subsidiary shall be mandated to enter into the recurrent related party transactions of a revenue or trading nature with the related party as specified in Section 2.2.1 of the Circular to Shareholders dated 25 April 2014 which are necessary for the Company and/or its subsidiary's day-to-day operations subject further to the following:-

- the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public, and the transactions are undertaken on arm's length basis and are not to the detriment of the minority shareholders;
- (ii) the approval is subject to annual renewal and shall continue to be in force until:-
  - (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the forthcoming AGM at which the Proposal is approved, at which time it will lapse, unless further renewed by a resolution passed at the next AGM;
  - (b) the expiration of the period within the next AGM of the Company after the forthcoming AGM is required to be held pursuant to Section 143[1] of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143[2] of the Companies Act, 1965); or
  - (c) revoked or varied by resolution passed by the shareholders in a general meeting of the Company,

whichever is earlier; and

(iii) the disclosure is made in the Annual Report of the aggregate value of transactions conducted pursuant to the Proposed Shareholders' Mandate during the financial year.

And that the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

#### NOTICE OF BOOKS CLOSURE

**NOTICE IS HEREBY GIVEN** that subject to the approval of the Shareholders at the forthcoming AGM, a Final Dividend of 13.5 sen per ordinary share, tax exempt dividend under the single-tier tax system, in respect of the Company's financial year ended 31 December 2013 will be paid on 20 June 2014 to shareholders whose names appear in the Record of Depositors on 26 May 2014.

A Depositor shall qualify for entitlement to the Dividend only in respect of:-

- (a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 26 May 2014 in respect of ordinary transfer; and
- (b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

NOOR AZWAH BINTI SAMSUDIN (LS 0006071)

Company Secretary Kuala Lumpur Date: 25 April 2014

#### NOTES:

- A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
- 2. Where a member of the Company appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
- 3. Where a member of the company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- 4. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

- 5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
- 6. The instrument appointing a proxy must be deposited at the Registrars of the Company at Tricor Investor Services Sdn. Bhd., Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for holding the meeting.
- 7. Only depositors whose names appear in the Record of Depositors as at 9 May 2014 shall be regarded as members and entitled to attend and vote at the meeting.

#### Explanatory Notes on Special Business

**Ordinary Resolution 10** – Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.

The explanatory note on Resolution 10 is set out in the Circular to Shareholders dated 25 April 2014.

## **STATEMENT** Accompanying the Notice of the Thirteenth Annual General Meeting of CCM Duopharma Biotech Berhad

Pursuant to Paragraph 8.27(2), Appendix 8A of the Listing Requirements of Bursa Malaysia Securities Berhad.

The details of the four (4) Directors of the Company seeking re-election/re-appointment are set out in their respective profiles which appear in the Directors' Profiles on pages 20, 21, 24 and 25 of this Annual Report.

The details of their interest in the securities of the Company are set out in the Analysis of Shareholdings which appear on page 110 of this Annual Report.

#### CCM Duopharma Biotech Berhad (524271-w)

(Incorporated in Malaysia)

## PROXY FORM

I/We \_\_\_\_\_

(Full name in capital letters)

of

of

(Address)

being \*a shareholder/shareholders of CCM DUOPHARMA BIOTECH BERHAD ("the Company") hereby appoint: \_\_\_\_

(Full name in capital letters)

(Full address)

as my/our proxy to vote for me/us at the Thirteenth Annual General Meeting of the Company to be held at Premiere Hotel, Bandar Bukit Tinggi, 1/KS6, Jalan Langat, 41200 Klang, Selangor Darul Ehsan on Tuesday, 20th May 2014 at 10.00 a.m. and at any adjournment thereof. My/Our Proxy is to vote as indicated below:

No.	ORDINARY BUSINESS	RESOLUTION NO.	FOR	AGAINST
1.	To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2013 together with the Reports of the Directors and Auditors thereon.	Ordinary Resolution 1		
2.	To approve a Final Dividend of 13.5 sen per ordinary share, tax exempt dividend under the single-tier tax system for the financial year ended 31 December 2013.	Ordinary Resolution 2		
3.	To re-elect Amirul Feisal bin Wan Zahir who retires in accordance with Article 93 of the Articles of Association of the Company.	Ordinary Resolution 3		
4.	To re-elect Dato' Mohamad Kamarudin bin Hassan who retires in accordance with Article 99 of the Articles of Association of the Company.	Ordinary Resolution 4		
5.	To re-appoint Tan Sri Dato Dr. Abu Bakar bin Suleiman who is over the age of seventy (70) as Director, to hold office until the next Annual General Meeting in accordance with Section 129(6) of the Companies Act, 1965	Ordinary Resolution 5		
6.	To re-appoint Tan Sri Dato' Sri Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam who is over the age of seventy (70) as Director, to hold office until the next Annual General Meeting in accordance with Section 129(6) of the Companies Act, 1965.	Ordinary Resolution 6		
7.	To approve the Directors' Fees for financial year ended 31 December 2013.	Ordinary Resolution 7		
8.	To approve the increase in the Directors' Fees payable to the Directors entitled to receive the Directors' Fees with effect from 1 January 2014, in such proportions and manner as the Directors may determine as follows:	Ordinary Resolution 8		
	RM per annum(i) Chairman of the Board85,000.00(ii) Member of the Board60,000.00(iii) Chairman of the Board Committees7,000.00(iv) Member of the Board Committees5,000.00			
	AND FURTHER THAT the amount of the Directors' Fees which is increased as aforesaid shall continue to be in force until varied by resolution passed by the shareholders in a general meeting.			
9.	To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration.	Ordinary Resolution 9		
No.	SPECIAL BUSINESS	<b>RESOLUTION NO.</b>	FOR	AGAINST
10.	To approve the Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")	Ordinary Resolution 10		
Please	e indicate with an "X" on how you wish to cast your vote)			

(Please indicate with an "X" on how you wish to cast your vote)

day of \_\_\_\_ Signed this

Signature/Seal

Notes:

A member entitled to attend and vote at the meeting is entitled to appoint not more than two [2] proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
 Where a member of the Company appoints two [2] proxies, the appointment shall be invalid unless he specifies the proportion of his shareholding to be

2014

- 2. where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one
- 3. securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- An exempt authorised nominee refers to an authorised nominee defined under Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA. 4
- The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a 5 corporation, either under seal or under the hand of an officer or attorney duly authorised.
- The instrument appointing a proxy must be deposited at the Registrars of the Company at Tricor Investor Services Sdn. Bhd., Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for holding the meeting.
   Only depositors whose names appear in the Record of Depositors as at 9 May 2014 be regarded as members and entitled to attend and vote at the meeting.

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Affix Postage Stamp

The Registrar **CCM Duopharma Biotech Berhad** (524271-W) Level 17, The Gardens North Tower Mid Valley City, Lingkaran Syed Putra 59200 Kuala Lumpur Malaysia

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## www.duopharma.com.my

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