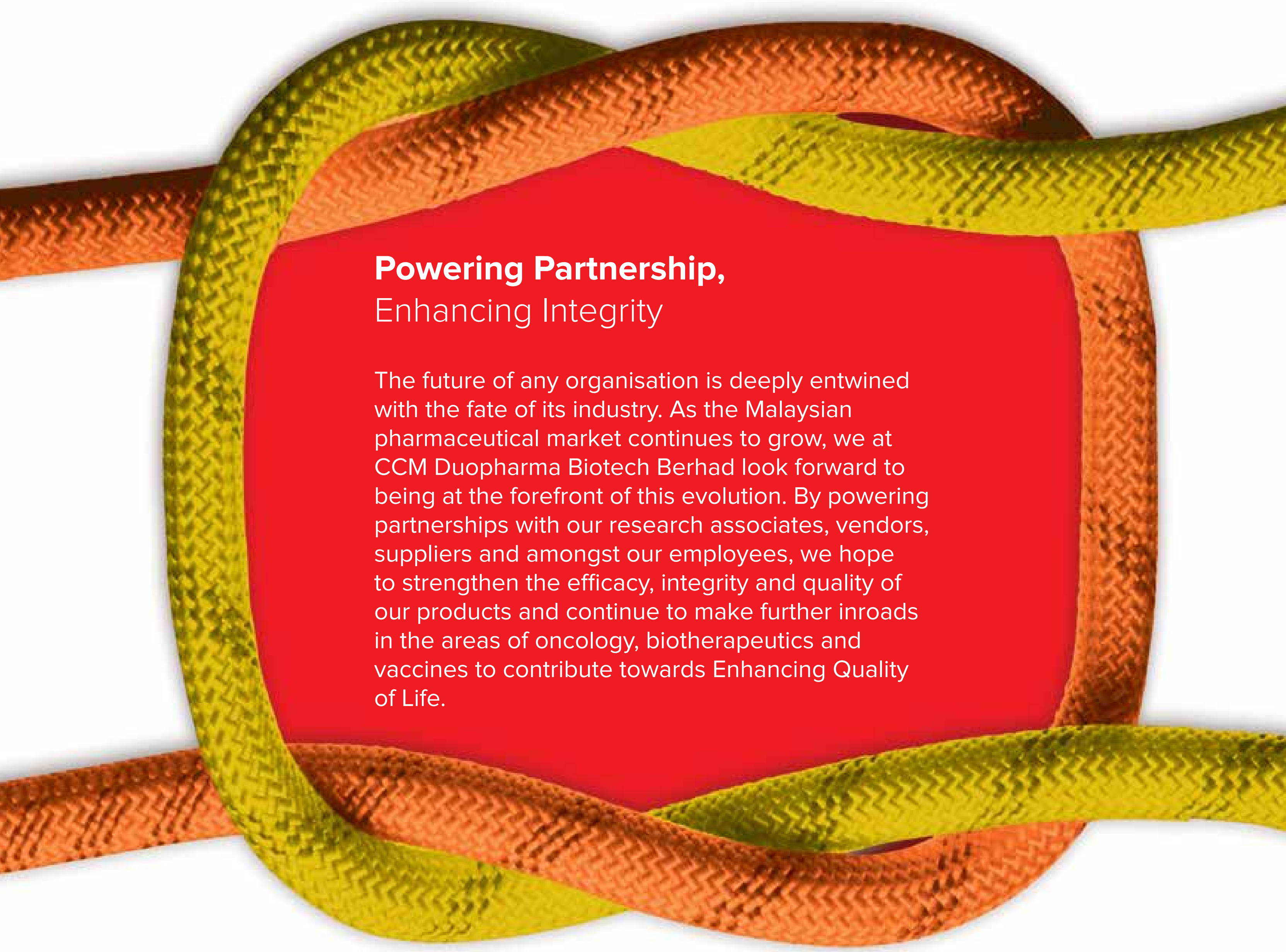
CCM DUOPHARMA
BIOTECH BERHAD
(524271-W)

Powering Partnership,
Enhancing Integrity

2014 Annual Report



Powering Partnership,
Enhancing Integrity

The future of any organisation is deeply entwined with the fate of its industry. As the Malaysian pharmaceutical market continues to grow, we at CCM Duopharma Biotech Berhad look forward to being at the forefront of this evolution. By powering partnerships with our research associates, vendors, suppliers and amongst our employees, we hope to strengthen the efficacy, integrity and quality of our products and continue to make further inroads in the areas of oncology, biotherapeutics and vaccines to contribute towards Enhancing Quality of Life.

Teamwork

Our employees and subsidiaries work in tandem to support the strategic direction of CCM Duopharma as well as the Group's vision of Enhancing Quality of Life, working together to achieve better performance and deliver greater shareholders' value.

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Financial Calendar

Financial year end	31 December 2014
Annual General Meeting	26 May 2015

DIVIDEND

(i)	**Interim Dividend**	
	Entitlement date	17 October 2014
	Payment date	7 November 2014
(ii)	**Proposed Final Dividend**	
	Entitlement date	29 May 2015
	Payment date	25 June 2015

ANNOUNCEMENT OF 2014 QUARTERLY RESULTS

Three months (1st Quarter)	20 May 2014
Six months (2nd Quarter)	26 August 2014
Nine months (3rd Quarter)	21 November 2014
Full year (4th Quarter)	24 February 2015

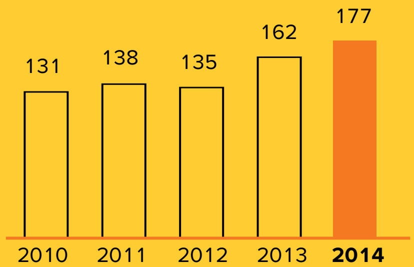
Financial Highlights

CONSOLIDATED BALANCE SHEET

(RM'000)	**2014**	**2013**
Non-current assets	**115,623**	111,464
Current assets	**106,854**	94,188
Total assets	**222,477**	205,652
Current liabilities	**23,347**	18,554
Financed by:		
Share capital	**69,739**	69,739
Treasury shares	**(1,578)**	(1,578)
Non-distributable reserves	**13,720**	13,720
Retained profits	**111,749**	100,768
Shareholders' funds	**193,630**	182,649
Deferred tax liabilities	**5,500**	4,449

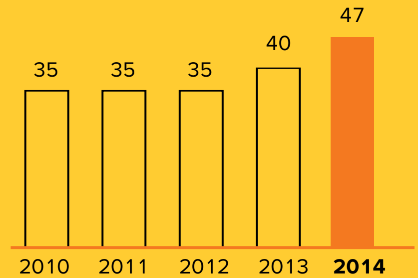
CONSOLIDATED INCOME STATEMENT

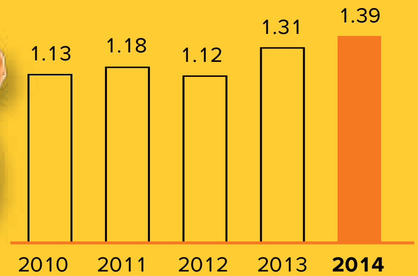
(RM'000)	**2014**	**2013**
Turnover	**176,961**	162,405
Profit before taxation	**46,501**	40,175
Taxation	**(11,226)**	(7,900)
Profit after taxation	**35,275**	32,275
Profit attributable to shareholders	**35,275**	32,275
Dividends	**(24,294)**	(20,129)
Transfer to retained profits	**10,981**	12,146



TURNOVER
(RM mil)

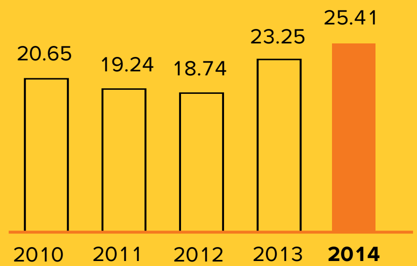
PROFIT BEFORE TAX
(RM mil)

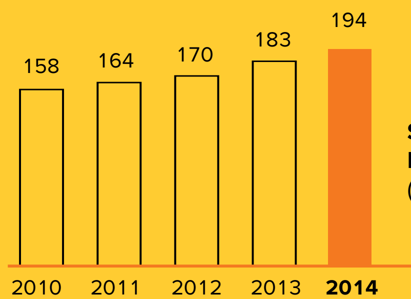




NET ASSETS PER SHARE
(RM)

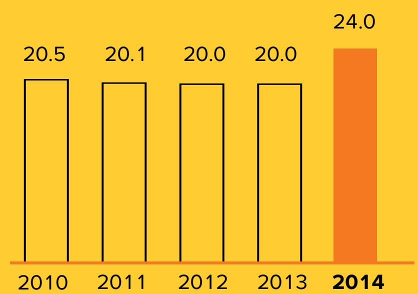
EARNINGS PER SHARE
(sen)





SHAREHOLDERS' FUND
(RM mil)

DIVIDEND PAID
(RM mil)



Partnership

Our global research and marketing partnerships help to expand our range of innovative products and create industry-leading competitive pharmaceuticals such as biosimilars and biotherapeutics.

TAN SRI DATO' DR. ABU BAKAR BIN SULEIMAN
CHAIRMAN

Dear Shareholders,

Global spending on prescription medicine is said to increase by USD205 - USD235 billion in the five years to 2017, reaching over USD1 trillion, according to research by IMS Institute of Healthcare Informatics. Innovation is also seen as the ultimate engine of growth for the global provision of medicines and it is deemed that there will be a number of global innovative launches in the near future. In Malaysia, the combined market capitalisation of the pharmaceutical sector is now RM2.7 billion, which is more than 70 percent larger than three years ago. The market is also expected to post strong growth with the government's budget allocation of RM23.3 billion for the health sector, allocated for Budget 2015.

Under the Healthcare National Key Economic Area ("NKEA"), the pharmaceutical sector is seen as one of the key focus areas. Among others, new investments and state-of-the-art technologies and compliance with international standards have enabled Malaysian companies to be sought after as strategic outsourcing partners for Multinational Corporations ("MNCs"). Enhanced awareness on health and wellness amongst Malaysians has also contributed positively to the growth of over-the-counter ("OTC") food and health supplements.

For the year under review, we closed our financial year with a double-digit growth. This stellar performance can be attributed to increased demand from all sectors coupled by enhanced focus on innovation and market penetration. As we did in previous years, we continued to develop our Biotherapeutics portfolio. In the latter part of the year, the Company also announced several strategic acquisition to enable us to both expand our capacity and product offerings. At the same time, we focused on Research and Development ("R&D") in collaboration with a number of Contract Research Organisations ("CROs") in India to help us consistently align ourselves with the needs of our customers and the market we operate in.

Our Safety, Health and Environment ("SHE") and Lean 6 Sigma initiatives also saw us doing better as we continuously focused on educating our workforce to ensure SHE and cost management remain at the forefront of all we do.

With this, I present to you the Annual Report and Financial Statements of the Company for the financial year ended 31 December 2014.

OUR FINANCIAL PERFORMANCE

The Group registered a strong growth for its full-year financial performance ended 31 December 2014 with a 9.0% increase in revenue to RM176.96 million compared to RM162.41 million in the previous year. Profit before tax ("PBT") for the Group jumped 15.7% to RM46.50 million compared to RM40.18 million in the corresponding period last year. The growth can be attributed to increased demand from all sectors including government hospitals and export markets. Our implementation of Lean 6 Sigma initiatives has also assisted us to keep operating cost at optimal levels and thus, increase profit and performance.

DIVIDEND PAYOUT

The Board of Directors is recommending a final dividend of 14.5 sen per ordinary share, tax exempt dividend under the single-tier tax system for the financial year ended 31 December 2014.

BUSINESS OUTLOOKS AND PROSPECTS

Global spending on medicines is forecasted to reach nearly USD1.0 trillion by 2017, an increase of about 30.0% over the 2013 level. The growth is said to be higher as the introduction of new speciality medicines and increase accessibility for patients coincides with lower impacts from patent expiries in developed market. At the same time, the global economic growth is expected to rise moderately to 3.0% in 2015, and averaging about 3.3% through 2017. In Malaysia, however, our economy is expected to expand at between 4.5% to 5.5%, when compared to 5.9% growth last year, amidst a more challenging external environment.

We are confident that despite the adversities against our economic backdrop, the demand in the pharmaceutical industry is expected to remain stable and there will be emphasis on proper medicinal care and greater demand for wellness products in Malaysia. At the same time, the cost of medicine is expected to be marginally affected by the implementation of the Goods and Services Tax ("GST") in Malaysia effective 1 April 2015. Despite all of these, we will strive to ensure growth and development is always at the forefront of our business and we continue to contribute towards the advancement of the industry and market in Malaysia.

Following our acquisition of six pharmaceutical units from our parent company, Chemical Company of Malaysia Berhad, which is expected to be completed in Q3 2015, we are confident that 2015 will see us enhancing our product offerings and scale via combined production facilities. These acquisitions, which were in the works for several years, would give us greater manufacturing capacity and flexibility to cater to the growing demand for generic medicines, allowing us to bid for larger contracts.

The Company also added a new product, *Duopidogrel* (Clopidogrel) for the treatment of vascular thrombosis to its portfolio of prescriptive drugs in 2014. Besides this, we will also enhance our focus on the Halal segment, leveraging on the growing awareness of the benefits of consuming Halal products. We will build our brand positioning and continue our efforts to become a leader in the Halal industry, both locally and internationally.

At the same time, we also continue our efforts with our parent company to work on our various Corporate Responsibility programmes to bring positive changes in the communities that we operate in. This year, 10 of our employees headed over to Kelantan as volunteers to assist with the distribution of donated items to the flood victims. The donated items such as food essentials and preloved clothes were contributed by our own employees to help alleviate the plight of the flood victims.

ACKNOWLEDGEMENT

I take this opportunity to thank all of our stakeholders for playing an important role in the growth of our Company. On behalf of the Board of Directors, I would like to thank our former Board member, Encik Amirul Feisal bin Wan Zahir who resigned from the Board in October 2014, for his invaluable contributions. A special note of thanks and appreciation to our dedicated team of managers and employees who have put in a lot of time and effort over the years to grow our Company.

I also extend my gratitude to my fellow Directors for their wisdom and guidance to help the Company steer to greater heights. My thanks to all of our shareholders, customers, business associates and partners who serve as the backbone of our Company and have always given us their support. We look forward to many more years of building rewarding relationships with all of you.
I wish you a fulfilling year ahead.

TAN SRI DATO' DR. ABU BAKAR BIN SULEIMAN
Chairman

Chief Executive Officer's
Operations Review

LEONARD ARIFF BIN ABDUL SHATAR
CHIEF EXECUTIVE OFFICER

Dear Shareholders,

The year in review saw the Company heightening our growth strategies to focus on penetration in the private, government and export sectors as well as introducing new products, among others, to ensure we are moving on the right track. In the midst of global uncertain economic times, the Company continued to see encouraging development in many sectors as we continued to innovate and expand to meet the evolving needs of our customers. We also worked to grow our business by acquiring and merging the capacities of our associated pharmaceutical units.

CCM Duopharma Biotech Berhad ("CCMD") recorded an improved performance for the financial year ended 31 December 2014 with a 9.0% increase in revenue to RM176.96 million compared to RM162.41 million in the previous year. Profit before tax ("PBT") for the Group jumped 15.7% to RM46.50 million compared to RM40.18 million in the corresponding period last year.

Throughout the year, we focused on increasing our market penetration and for this reason, our continuous growth can be attributed to the increased demand from all sectors, including government hospitals and the export markets. Our performance has also been reinforced by our Operational Efficiency programmes in place such as the Lean Six Sigma projects which aims to maintain cost competitiveness and help employees diversify their way of thinking.

We have also set our sights to become Malaysia's largest pharmaceutical manufacturer following our purchase of six pharmaceutical units from our parent company, Chemical Company of Malaysia Berhad ("CCMS"). The deal, valued at RM245.1 million, will see CCMD taking over CCM's pharmaceutical arm which includes, CCM Pharmaceuticals Sdn. Bhd, CCM Pharma Sdn. Bhd, Innovax Sdn. Bhd., Upha Pharmaceutical Manufacturing (M) Sdn. Bhd., CCM International (Philippines) Inc. and CCM Pharmaceuticals (S) Pte. Ltd. We are confident that this acquisition will allow us to be more flexible in our operations to enhance our product offering and scale via the combined production facilities.

CCMD is also set to reap benefit from the launch of the recombinant human insulin in Malaysia, i.e. *INSUGEN*, by one of the acquired units. *INSUGEN* is developed by Biocon, India and is now exclusively distributed and marketed by our Company. This is the first biosimilar insulin to be introduced in the country and will enable greater access to quality biopharmaceuticals for a larger diabetic patient pool. The acquisition will enable us to centralise the development of our Biotherapeutics range.

The Company also intensified its focus on biologicals and biotherapies. In February last year, a new collaboration was formed with a South Korean company, PanGen Biotech Inc., who have developed, manufactured and is currently conducting a full scale Phase III Clinical Trial for Erythropoietin ("EPO") biosimilar treatment for anaemia and end-stage renal failure patients. We are the first local Malaysian pharmaceutical company to carry out a biosimilar EPO clinical trial in Malaysia and also a pioneer in leading this effort. The area of Biotherapeutics, dominated by global pharmaceutical players is expected to expand at a compounded average growth rate of 12% in Asia to an estimated RM8.0 billion in the South East Asia region by 2020.

We are also focused on the ASEAN export market backed by the knowledge that our products are developed to have a wider market footprint. We aspire to expand our offerings to international shores and continue our exports to over 20 countries with primary focus on Indonesia, Vietnam, Singapore, Brunei and the Philippines. Besides this, we are also targeting various therapeutic groups which are not well represented within the ASEAN community.

HALAL

For the year under review, we continued to leverage on our pioneering in the Halal segment as we strive to continue as a leader in this sector. The Company collaborated with IKIM.fm for the Kompas Kesihatan and JAKIM Media RTM1 on Halal Pharmaceutical programmes to create awareness as well as educate the public on the importance of Halal pharmaceuticals. The Company also participated in the Halal Industry Development Corporation ("HDC") Working Group, promoting Halal pharmaceuticals as one of the key drivers towards the aspiration for the Malaysia Global Halal Hub. We also participated in the 1st OIC Vaccine Manufacturers Group to ensure adequate supply of vaccine to the Organisation of Islamic Cooperation ("OIC") nations.

ACKNOWLEDGEMENT

I thank each and every person who has been directly or indirectly involved in the development of our Company. I am certain that with your continuous support, we will be on the right track towards success. My deepest gratitude also goes out to all members of the Board who have given their invaluable guidance to both myself and the Senior Management team throughout the year. Moving forward, 2015 will certainly see us exploring new frontiers and growing from strength to strength as we work to capture greater market share, both locally and regionally. On behalf of the Management team of CCMD, I thank all our staff, associates, partners, vendors, customers and stakeholders who have remained with us through the years. We look forward to your support in the coming years.

Thank you.

LEONARD ARIFF BIN ABDUL SHATAR
Chief Executive Officer

Sustainability and Corporate Responsibility

Year on year, we have placed Sustainability and Corporate Responsibility at the forefront of the CCM Group's culture. We work to ensure our business values and operations meet ethical standards and at the same time, meet the expectations of our shareholders. CCMD strives to play a pivotal role as active global citizens and make a positive difference in the community we operate in. CCMD jointly participated in all such initiatives with its parent company, Chemical Company of Malaysia Berhad ("CCM") towards lending our support to help enhance the quality of life.

MARKETPLACE

Minggu Saham Amanah Malaysia

CCMD once again participated together with the CCM Group at Minggu Saham Amanah Malaysia ("MSAM") held at the Rural Transformation Centre in Kota Bharu, Kelantan with the theme 'Pelaburan 360 PNB'. We made a prominent presence in the Sports Arena section with a Zorb Ball activity that attracted the younger generations in promoting healthy living. Other activities were the CCM Interschool Showdown, booth promotional sales and a Dikir Barat cultural competition.

CCM JATI (Jalinan Universiti dan Industri) Programme

In line with the Government's initiative to enhance collaboration between corporate bodies and universities, CCMD together with the CCM Group, worked with Malaysian public universities under the CCM JATI programme. Through this programme, we hope to groom undergraduates to take the lead among their peers as entrepreneurs in community pharmaceutical retail. This initiative is intended to encourage Bumiputera participation in this fast growing and evolving industry. Since its inception in 2011, the programme has enrolled over 200 undergraduates and has effectively offered students a holistic immersion into the industry as 'industry ready' graduates.

Innovations and Accreditations

With the ever-changing and growing pharmaceutical industry, CCMD has embarked on Research & Development ("R&D") as a pivotal aspect of our business. We have developed internal competencies and synergies in both methodology and approaches to ensure a stream of new generics for our future plans.

CCMD works actively with universities and collaborates with third party Research and Formulation organisations to help develop new innovations to improve our current product offerings.

We also constantly strive to ensure that our facilities are in compliance with the standards required. On this note, CCMD has been accredited with the ISO 9001:2008 Quality Management System and ISO 13485:2003 Quality Management System for Medical Devices.

COMMUNITY

Sahabat Korporat Tabung Haji

For the 11th consecutive year, CCMD was part of the sponsorship to provide health kits for Malaysian pilgrims performing their Haj. These health kits were handy for pilgrims to use during the course of their Haj. We believe our continuous support for the pilgrims is a testament of our commitment to ensure the good health and wellbeing of all. At the same time, CCMD also participated in the *Kursus Asas Haji* ("KAH") and *Kursus Haji Perdana* ("KHP") organised by Tabung Haji to assist pilgrims to better prepare for their Haj and also to educate them on our Halal certified products that were included in the health kits.

Humanitarian Efforts for flood victims

Besides the CCM Group's initiatives to alleviate the plight of the flood victims in the East Coast, a group of CCMD employees took personal effort to volunteer and distribute donations to the residents of Kampung Batu 11 & 12, Limau Kasturi which were inaccessible to any aid due to a landslide that cut off the road that leads to the village. CCMD employees generously contributed their preloved items and donated funds for this noble humanitarian effort.

Safety, Health and Environment

Safety, Health and Environment is a key aspect of CCMDs' business operations as we strive to achieve high Safety, Health and Environment standards. The Company worked towards meeting all regulatory requirements in our operations and premises as well as obtaining all mandatory licenses yearly. Besides this, we also carried out Gotong Royong, Fire Drill, First Aid, Safety Audit, Fire Squad training in the first half of the year. In the second half of the year, CCMD participated in the CCM Group SHE Week, implemented two Safety Audits, Blood Donation drive, health screening, refresher training for its Fire Squad and Fire Drill. Together with the business units of the CCM Pharmaceuticals Division, CCMD achieved a Total Recordable Case Frequency of 0.85 against our internal target of 1.42.

WORKPLACE

THE CCMD WORKFORCE

As at 31 December 2014, CCMD's workforce stood at 478 employees with the male to female ratio of employees at 52:48, while our executive and non-executive employee levels were at 14:86.

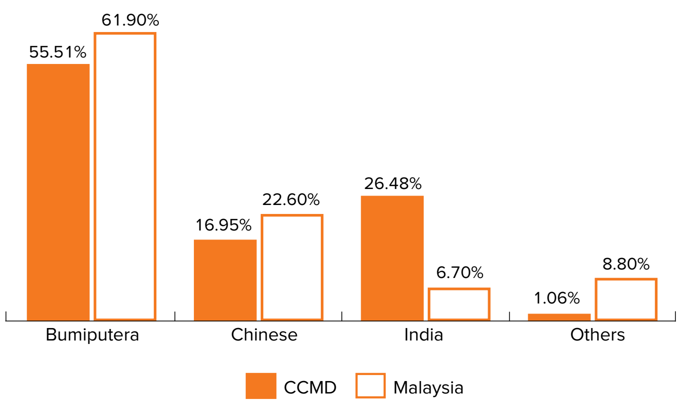
OUR STAND ON DIVERSITY

Our employees represent a talented and diverse workforce. At CCMD, diversity is our strength which also reflects the diversity of the Malaysian population, and we consider this as an invaluable trait when serving the varied needs of the marketplace in line with our vision of "Enhancing Quality of Life". We are committed to promoting equal opportunities and encouraging diversity and inclusiveness both in our workplace and marketplace. As such, policies and business initiatives such as recruitment, retention, training and development, as well as CCMD sponsored corporate and social activities are conducted in a manner that does not discriminate against ethnicity, gender, age, disability, or status.

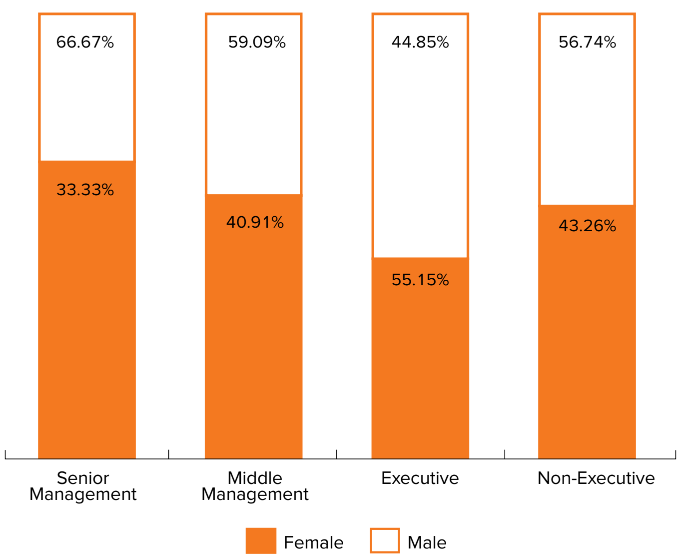
CCMD is an equal opportunity employer and employs, appoints, promotes, develops and rewards its employees based on the principles of meritocracy and fairness. We look to hire and promote people based on defined criteria in order to create a dynamic and innovative workplace which is necessary in the evolving pharmaceuticals industry.

The following charts illustrate the composition of CCMD's diverse workforce as at 31 December 2014:-

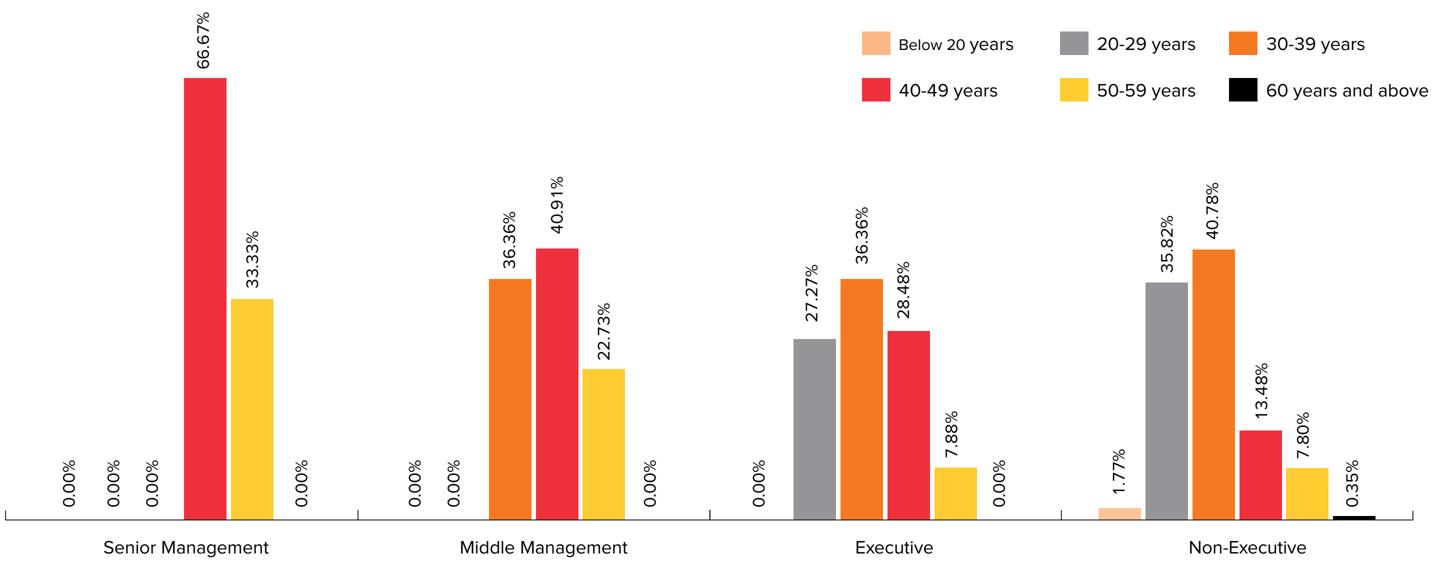
Ethnicity at Composition



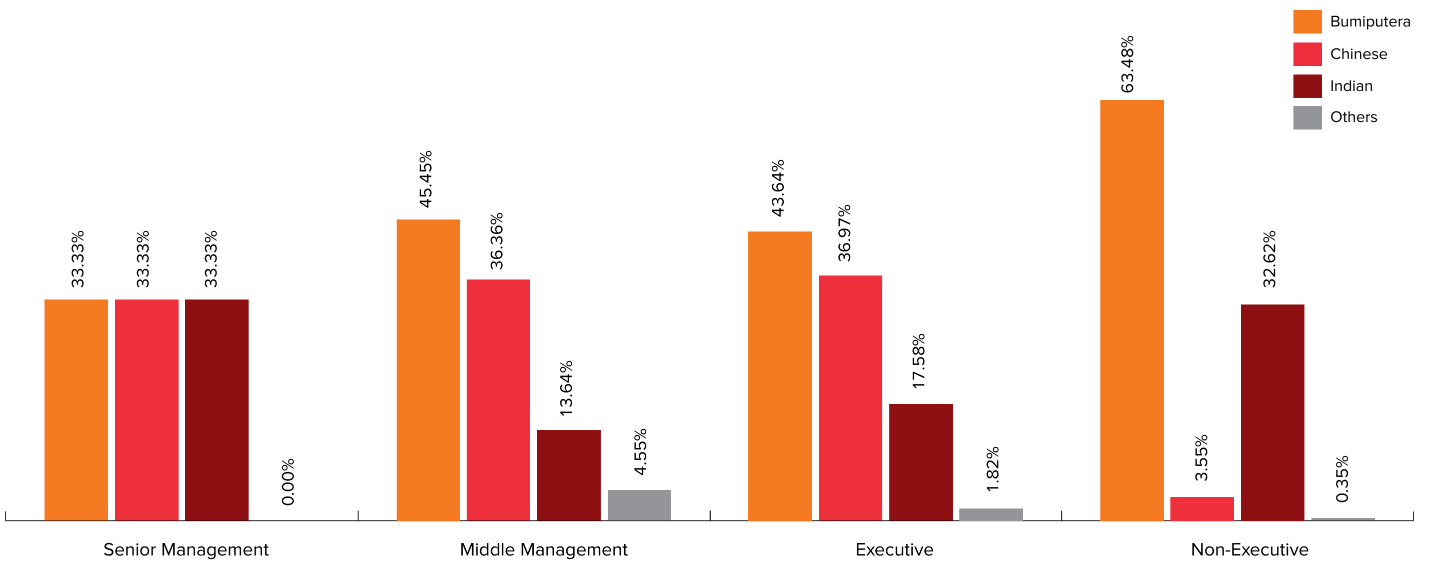
Breakdown by Gender



Breakdown by Age



Breakdown by Ethnicity



CCMD participated in a number of programmes and initiatives conducted by its parent company, Chemical Company of Malaysia Berhad ("CCM") at the Workplace:-

ACCELERATING NON-EXECUTIVE CAREERS

As part of our continuous effort to develop the strengths and capabilities of our employees, CCMD participated in collaboration with the CCM Group's My Career Acceleration Programme ("MyCAP") with the Department of Skills Development in line with the Performance Management and Delivery Unit ("PEMANDU") Workforce Transformation Roadmap to transform the Malaysian workforce. This programme is designed exclusively for our non-executive employees to strengthen their skills, competencies and capabilities with the aim of promoting greater career growth and mobility opportunities.

MyCAP consists of a behavioural development programme, an internal certification programme and an education sponsorship programme. It empowers our employees with the right resources, skills and knowledge needed for leadership development while promoting networking opportunities to ensure the fulfilment of career aspirations. To date, 25 CCMD employees have been enrolled into the programme following a selection process that involved written tests and interviews.

INTEGRATING NEW EMPLOYEES INTO OUR CULTURE

With a view towards establishing unity within the CCM Group, the Group Human Resource has set up the New Employee Orientation ("NEO") programme to ensure new employees are seamlessly integrated into the Group's culture and are informed of their responsibilities and functions as well as CCM's history, vision and mission.

FAST-TRACKING GRADUATE CAREERS

In October 2014, CCMD participated in the CCM My Millennial Apprentice Programme ("MyMAP"), a development programme that aims to provide talented graduates a fast-tracked approach to achieving maximum potential while paving the way for them to establish a successful career with CCM. The 18-month programme has been structured to help graduates to explore, understand, develop and pursue their careers with CCM while experiencing self-realisation and self-improvement. To date, MyMAP participants have been involved in exciting programme such as the Apprentice Amazing Challenge, the Professional Development Series and the Leadership Development Series. This programme saw 6 participants being absorbed in CCMD for their apprenticeship.

A COHESIVE UNIONISED WORKFORCE

CCMD strongly believes people are the asset of the Company and a happy and united work force will ensure higher productivity and value-add to the performance of the Company. CCMD has successfully concluded the negotiation of its first Collective Agreement with the National Union of Petroleum & Chemical Industry Workers ("NUPCIW") so that the benefits and welfare of our employees are constantly being looked after.

UPHOLDING OPERATIONAL EXCELLENCE

CCMD is a strong advocate of using various Operational Excellence ("OE") tools in our operations and processes. We participated in the CCM's Lean Six Sigma programme which began in May 2012 which saw 31 employees completing the Green Belt training and 2 employees attending the more in-depth Black Belt training. As of December 2014, CCMD has registered a total of 40 projects, both on-going and completed, in various areas that enabled CCMD to save RM8.0 million in operating profits.

The inculcation of an OE culture has not only brought about significant savings but also helped foster a mind-set of continuous improvement among our people to strengthen internal processes which will allow us to sustain our market leadership position and business growth.

ENGAGING OUR EMPLOYEES

Employee Engagement is an important initiative undertaken by CCMD as we firmly believe constant interaction between management and staff could promote unity and a sense of belonging within the CCM family.

In line with this, CCMD organised numerous activities in 2014 such as Healthy Living Programme and Quarterly Town Hall sessions. During the Quarterly Town Halls, our senior management cascaded down the latest news and developments within the Group. Staff were also given the opportunity to share their ideas, suggestions and comments. We also recognised outstanding and deserving employees with the Small Miracles ("SMILE") Awards and continued our Employee Referral Programme ("ERP"). The CCM Pulse Survey initiative was also put to good use in measuring employees' satisfaction.

UPHOLDING WORKPLACE INTEGRITY

In line with our commitment to uphold integrity and transparency within the CCM Group, CCMD participated in several initiatives under the Group's Integrity Unit which was established in November 2013. Our Group-wide efforts included the publication of a Group Integrity Quarterly Newsletter, the designation of a Group Certified Integrity Officer, the conduct of the Group Empowering Integrity Series training for all levels of employees in the organisation and CCM's Integrity Hotline.

On 27 November 2014, CCMD participated at the Group's second Integrity Day to promote transparency in the workplace and to encourage a whistle-blowing culture. Themed "Excellence with Compliance", the event was co-organised by Group Integrity and Group HR where staff pledged their commitment to upholding integrity in conjunction with the signing of the Corporate Integrity Pledge ("CIP") with the Malaysian Anti-Corruption Commission ("MACC").

To ensure employees of CCM are beyond reproach in the area of receiving or giving gifts, CCMD has also adopted a Gift Policy that provides our people guidance on such matters. As a general rule, employees should not accept presents or gifts. However, under certain circumstances, token gifts (not cash) in line with custom and practice, are acceptable. The policy dictates that employees report all gifts received in a form with a copy provided to the Group Integrity Unit. All gifts received by the employees are to be re-distributed to all employees, where possible. For instance, festive hampers are to be placed in designated areas and to be enjoyed by all. The policy also provides guidance on the value of gifts that employees can receive and what they can give to external parties. This policy helps mitigate any preferential treatment to parties receiving gifts and to avoid any inducements or expectations of future favours that can be likened to corruption.

Support

CCM Duopharma supports the Group's vision of Enhancing Quality of Life by ensuring the integrity of our products and strengthening our leadership in Halal pharmaceuticals to capitalise on the growing demand for Halal products.

Corporate Information

BOARD OF DIRECTORS

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

Dato' Haji Ghazali bin Awang
Senior 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

Dato' Mohamad Kamarudin bin Hassan
Independent Non-Executive Director

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

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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 : info@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
G9, Ground Floor
Plaza Metro, Jalan Meru
41050 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

BOARD OF DIRECTORS

- Audit and Risk Management Committee
- Nomination and Remuneration Committee

Corporate Structure

CCM Duopharma Biotech Berhad
(524271-W)

100%

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

Tan Sri Dato' Dr. Abu Bakar bin Suleiman
Age: 71 years
Nationality: Malaysian

POSITION ON THE BOARD
Non-Independent Non-Executive Chairman

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
- IMU Foundation Berhad

SECURITIES HOLDINGS IN THE COMPANY AND ITS SUBSIDIARIES
- 286,400 ordinary shares directly as at 31 March 2015
- 22,000 ordinary shares indirectly as at 31 March 2015

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 in 2001, he was appointed President of the International Medical University, a position he currently holds. He is also the Chairman of IHH Healthcare Berhad.

Dato' Haji Ghazali bin Awang
Age: 68 years
Nationality: Malaysian

POSITION ON THE BOARD

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
- Chemara Palmea Holdings Berhad

SECURITIES HOLDINGS IN THE COMPANY AND ITS SUBSIDIARIES

105,000 ordinary shares directly as at 31 March 2015

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 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

Dato' 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.

Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam
Age: 71 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 31 March 2015

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 an Asian Games, repeating the feat at the next Games in 1966 and 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: 67 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 31 March 2015

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 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 his retirement in 2004. He has served as a member of the Securities Commission from 10 June 2004 to January 2006.

Dato' Mohamad Kamarudin bin Hassan
Age: 59 years
Nationality: Malaysian

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
- ManagePay Systems Berhad
- Malaysian Pacific Industries Berhad
- Lion Diversified Holding Berhad

SECURITIES HOLDINGS IN THE COMPANY AND ITS SUBSIDIARIES
None as at 31 March 2015

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 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.

LEONARD ARIFF BIN ABDUL SHATAR
Chief Executive Officer
Age: 50 years
Nationality: Malaysian

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 31 March 2015

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 as Group Managing Director of Chemical Company of Malaysia Berhad on 9 January 2015. He is also the Chief Executive Officer of CCM Duopharma Biotech Berhad and Director of CCM Pharmaceuticals Division since 1 January 2008. He was also appointed as Director of CCM Chemicals Division on 3 September 2014.

Leonard Ariff started his career in 1988 in various capacities in the legal professions 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 later joined ICI Paints Malaysia Sdn. Bhd. in 2003 as the General Manager and was subsequently appointed as Managing Director in 2005 until 2007, before re-joining the CCM Group.

He holds directorships on the boards of several companies within the CCM Group and PanGen Biotech Inc. (Korea). He also acts in an advisory capacity at International Medical University School of Pharmacy, Chair of the School of Business Advisory Board at Monash University Malaysia, member of the advisory board of Chemical Engineering Faculty at Monash University Malaysia, Industrial and Community Advisory panel of Institute for Research in Molecular Medicine ("INFORMM") at Universiti Sains Malaysia, and Committee Member of Good Governance for Medicines in the Ministry of Health, Malaysia and is a member of the Malaysian National Biotech Advisory Board.

IBRAHIM BIN ZAINUDIN

Chief Operating Officer/Chief Strategy Officer
Age: 57 years
Nationality: Malaysian

QUALIFICATIONS

- Bachelor of Science (Hons) Applied Biology, Liverpool, UK (Major in Microbiology & Biochemistry)
- Senior Management Development Programme, Harvard Business School

WORKING EXPERIENCE AND OCCUPATION

Ibrahim commenced his career at Glaxo Malaysia (now GSK) in 1983, gaining experience in production, quality control, quality assurance and materials planning of pharmaceuticals manufacturing. He then joined Baxter Malaysia (now Unomedical) in 1992, in the areas of regulatory affairs, quality assurance, R&D, human resource and operations of medical devices manufacturing. Ibrahim later moved to Pharmaniaga Manufacturing Berhad in 2001 as the plant's Director & Senior General Manager responsible for the overall operations of pharmaceuticals manufacturing and later became Head of International Manufacturing Development. In January 2008, he joined CCM Duopharma as General Manager, Operations, overseeing supply chain management, purchasing, manufacturing, engineering, safety and risk management. Ibrahim was appointed to his present capacity as Chief Operating Officer/Chief Strategy Officer on 1 January 2012. Ibrahim was elected the 1st President of the International Society for Pharmaceutical Engineering ("ISPE") Malaysia in 2012 and currently sits as a member on the School of Pharmacy Industry Advisory Panel of Taylor's University.

BILLY URUDRA

Chief Commercial Officer
Age: 54 years
Nationality: Malaysian

QUALIFICATIONS

- Bachelor of Science (Hons) in Mechanical Engineering, Middlesex University, United Kingdom
- Senior Management Development Programme, Harvard Business School

WORKING EXPERIENCE AND OCCUPATION

Billy Urudra joined the ICI/CCM Group on 2 June 1983 as Plant Engineer for CCM Fertilizers Sdn. Bhd. On 1 July 1989, he was transferred to CCM Chemicals Sdn. Bhd. as Product Manager. Subsequently on 1 October 1990, he was appointed Human Resource Planning Manager for CCM Group. He was transferred back to CCM Chemicals on 1 April 1992 and appointed Business Manager, Chlor-Alkali and Watercare. On 7 March 1996, he was appointed Director of CCM Chemicals Sdn. Bhd. On 1 February 2003, he was transferred to CCM Pharmaceuticals Sdn. Bhd. as Director and General Manager, Marketing. On 1 July 2004, he was transferred to CCM Berhad as Group Business Development Manager. Subsequently on 1 July 2007, he was appointed as Director, Group Strategic Planning & Business Development. Billy Urudra was appointed as Director, International Business Division on 1 January 2009. He was appointed Director, Group Transformation Office on 1 July 2011 and subsequently on 1 January 2012, he was transferred to CCM Pharmaceuticals Division as Chief Commercial Officer, the position he currently holds.

CHEK WU KONG

Chief Financial Officer
Age: 49 years
Nationality: Malaysian

QUALIFICATIONS

- Bachelor of Accounting (Hons), Universiti Malaya
- Malaysian Institute of Certified Public Accountants ("MICPA")
- Senior Management Development Programme, Harvard Business School

WORKING EXPERIENCE AND OCCUPATION

Chek commenced his career in an international firm of public accountants in 1990, gaining experience in taxation, auditing and accounting. He joined Komarkcorp Berhad in 1994 as Accountant and was responsible for corporate restructuring, group accounting and finance. He was later promoted to Group Finance Manager in 1995 and thereafter to Group Financial Controller in 1996 before starting his own business in January 2000. He joined CCM Duopharma in August 2000 as Financial Controller and was promoted to his current position in 2012 and is responsible for finance, secretarial, IT and human resources portfolios.

NG SU YEE

Chief Manufacturing & Technical Officer
Age: 47 years
Nationality: Malaysian

QUALIFICATION

- Bachelor of Pharmacy (Hons), University of London, United Kingdom
- Senior Management Development Programme, Harvard Business School

WORKING EXPERIENCE AND OCCUPATION

Su Yee did her pre-registration pharmacy training in CE Harrod Chemist, an independent retail pharmacy in London from 1990 to 1991. Upon her return to Malaysia, she joined Ekim Trading, a Bumiputra tendering agent in Kuala Lumpur as Pharmacist in 1992. She commenced her industrial career in Glaxo Malaysia (now GSK) in 1993 as Production Pharmacist and was later promoted to Section Manager overseeing pharmaceutical manufacturing. Su Yee joined the CCM Group in June 1997. Over the years, she has led various disciplines of plant operations including Production, Quality Assurance, Quality Control, Regulatory Affairs, Technical Support, Process Improvement, Business Excellence, Engineering, Plant Maintenance and Project Management. Su Yee was appointed as the Chief Manufacturing and Technical Officer on 1 January 2012, overseeing Manufacturing, Technical and Supply Chain, a position she currently holds. She is also a member of the Royal Pharmaceutical Society of Great Britain and the Malaysian Pharmaceutical Society.

NOOR AZWAH SAMSUDIN

Company Secretary
Age: 44 years
Nationality: Malaysian

QUALIFICATIONS

- LLB (Hons), University of Sheffield, United Kingdom
- Certificate in Legal Practice, Legal Qualifying Board, Malaysia

WORKING EXPERIENCE AND OCCUPATION

Noor Azwah joined the CCM Group in 2006 and was appointed the Company Secretary of CCM Duopharma Biotech Berhad in 2007. Prior to her appointment, Noor Azwah has served in the legal and corporate secretarial capacity in the automotive and insurance industries. She is also an affiliate member of the Malaysian Institute of Chartered Secretaries and Administrators.

Integrated

Our Lean Six Sigma programmes continue to enhance the operational efficiency of our business, leveraging synergies to realise substantial cost savings and improve our competitiveness in the market.

Statement on Corporate Governance
for the Financial Year ended 31 December 2014

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 statements set 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 the approval of annual and quarterly financial results, acquisitions and disposals, entering into material agreements, major capital expenditure, short term and long term plans and strategies and succession planning for Senior Management are reserved for the Board. Each Board Committee has its terms of reference approved by the Board. These Board 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 the key issues deliberated at the Committee level to the Board during 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. Management is appropriately empowered with clear limits of authority to manage the business of the Company. 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.

The Chief Executive Officer routinely reports to the Board on the Company's progress towards achieving performance targets and long term business goals. The Chief Executive Officer also tables other reports, proposals and assurances as the Board considers necessary to confirm that the management limits of authority are being observed. The Board monitors the decisions and actions as well as the performance of the business to gain assurance that progress is being made towards the Company's objectives within the limits it has imposed through the governance framework.

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. On an annual basis, the Board is presented with the short and long term strategy of the Company together with the Company's proposed business plans for the oncoming 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. The Board is furnished with information relating to the running of the Company's operations through quarterly reports prepared by the Management. This allows 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 Company's 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 ensure that the Company's business is being properly managed. In this regard, the role of the Chief Executive Officer is critical to the performance of the Company to provide the leadership and realise the strategic vision of the Company. He is responsible for the day-to-day running of the business and operations of the Company including ensuring organisational effectiveness, implementing Board policies and strategies, and clarifying 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.

As check and balance, and to ensure independence, the CCM's Group Risk Department provides the Board with a separate status report of enterprise risk on a quarterly basis. The CCM's Group Internal Auditor also provides the Audit and Risk Management Committee of the Board with audit and risk reports as and when audit and risk assignments are completed.

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

In relation to the management of risks, the Board adopts 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 that an effective risk management programme and control system is in place in order to facilitate the Company to meet all its business objectives.

(iv) Succession Planning

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

A talent management programme at the CCM Group level helps to ensure that the Company has access to 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 dialogue with shareholders and appreciates the keen interest shown by shareholders of the Company's performance. A Shareholder and Investor Communication Policy sets out the guidelines for communication with the shareholders of the Company. 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 committed to maintain a sound system of internal control. 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 system of internal control and the review of its effectiveness are set out in the Statement on Risk Management and Internal Control in the Annual Report on pages 57 to 58.

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, respectively. The Directors' Code of Best Practise addresses, among other things, matters relating to the duties of and conduct as Directors, conflict of interests and conduct in meetings. The Directors are also required to annually submit a Directors' Confirmation Form to the Company, confirming their remuneration and benefits received, interest in shares and debentures and any related party transactions conducted with the Company.

The Company adopts 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 in conducting the Company's business and activities. The Code of Conduct covers, among other things, 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 adopts the CCM Group's Whistle-Blowing Policy ("Whistle-Blowing 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 Whistle-Blowing 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, among 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;
- Disciplinary actions – to carry out the secretariat function to the Disciplinary/Integrity Board Committee.

The function of the Integrity Unit is under the purview of the Audit and Compliance Committee of CCM Berhad. A hotline has been set up at ***ccmintegrity@gmail.com*** for any parties to whistle blow 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.

In ensuring a strong sustainable continuous business, the Company will continue to consolidate its efforts to ensure a strong culture of Continuous Improvement with Safety, Health and Environment in mind; implementing all Sustainability programme, as far as possible based on the Halal principles. This augurs well with the Company's core values, in particular, Integrity.

2014 saw the Company's Operational Excellence programme contributing RM4.6 million towards Operating Profit and a total of RM8.2 million since June 2012. The Company has also been certified with ISO 9001:2008 certification.

On Safety, Health and Environment, the Company has initiated various in house projects such as SHE Week, Fire Drill, First Aid Training, Safety Audit and In House Safety Awareness Training.

The Company together with CCM Pharmaceuticals Sdn. Bhd. also collaborated with IKIM.fm for the Kompas Kesihatan and JAKIM Media RTM1 on Halal Pharmaceutical programmes and as well as how Halal can be a competitive advantage moving forward. The Company also participated at national level, as part of the Halal Industry Development Corporation Working Group in promoting Halal Pharmaceuticals as one of the key drivers building up Malaysia Global Halal Hub aspiration. It also participated in the 1st OIC Vaccine Manufacturers Group to discuss on how to ensure adequate supply of vaccine is available in OIC.

A detailed report on sustainability and corporate responsibility is featured on page 12 to 15.

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 deliberations. 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. To this end, the Chairman liaises with the Chief Executive Officer and the Company Secretary to finalise the agendas for Board meetings. Board meetings are scheduled a year ahead in order to enable full attendance at Board meetings. 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 and quality information is available to assist the Board in its 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, eight (8) Board Meetings were held. Details of the Directors' meeting attendance during the financial year are as follows:-

Name of Director	No. of Meetings Attended
Tan Sri Dato' Dr. Abu Bakar bin Suleiman Non-Independent Non-Executive Chairman	8/8
Dato' Haji Ghazali bin Awang Senior Independent Non-Executive Director	8/8
Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam Independent Non-Executive Director	8/8
Datuk Alias bin Ali Non-Independent Non-Executive Director	8/8
Dato' Mohamad Kamarudin bin Hassan Independent Non-Executive Director	8/8
Amirul Feisal bin Wan Zahir Non-Independent Non-Executive Director (Resigned w.e.f. 1 October 2014)	5/5

All Directors have the same right of access to all information within the Company. It is a Director's duty to make further enquiries where they may require so to discharge 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 outlines the roles and responsibilities of the Board and Board Committees and the processes and procedures for convening their meetings. It serves as a reference for all Board members and is a primary induction literature for newly appointed Board members in providing insight 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 two (2) or 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 24.

As at 31 December 2014, the Board has five (5) members comprising two (2) Non-Independent Non-Executive Directors and three (3) Independent Non-Executive Directors. The composition of the Board was maintained so that not less than one-third (1/3) were independent 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, Dato' Haji Ghazali bin Awang, is the Senior Independent Non-Executive Director. He is also the Chairman of the Audit and Risk Management Committee ("ARMC") and the Nomination and Remuneration Committee ("NRC").

To ensure 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 the selection and nomination of candidates for the Board and Board Committees, review of the 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, Dato' Haji Ghazali bin Awang.

Details pertaining to the NRC and its terms of reference are set out in the Annual Report on pages 54 to 56.

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's Nomination and Selection Process. The Board's 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 re-election 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 provides 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 Directors retiring under this Article at the forthcoming AGM is Datuk Alias bin Ali 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.

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

In view of the current corporate exercise in respect of the proposed acquisition of CCM Pharmaceuticals Sdn. Bhd., Innovax Sdn. Bhd., CCM International (Philippines) Inc., CCM Pharmaceuticals (S) Pte. Ltd., CCM Pharma Sdn. Bhd. and UPHA Pharmaceutical Manufacturing (M) Sdn. Bhd. (collectively known as "Proposed Acquisition"), the Company is proposing that the two directors who have attained the age of 70 years i.e. Tan Sri Dato' Dr. Abu Bakar bin Suleiman and Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam be re-appointed to ensure continuity of strategy and plans as well as to provide stability to the Group post the Proposed Acquisition. Both directors have offered themselves for re-appointment to hold office until the next AGM.

To assist shareholders in their decision, sufficient information such as the personal profiles, 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 includes, inter alia, guidelines on appointment, training, fixing of compensation and replacement of Directors and Senior Management of the Company.

(ii) Induction Programme

As part of the familiarisation process of a newly appointed Director, he/she is 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 cover 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 annually review 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) Boardroom Diversity

The Board recognises the importance of diversity as an essential measure of good governance. Consequently, as part of the Board's selection and nomination process, due emphasis is given to ensure that the Board comprises members from a diverse background of skills, professional experience, age, ethnicity and culture to provide different perspective and view points for better decision making. The Board currently comprises four (4) Bumiputera Directors and one (1) Non-Bumiputera Director. Two (2) Directors are above the age of seventy (70).

The Board at its meeting in February 2015 had also given its commitment on gender diversity by adopting a policy to ensure that at least 30% of its Board members comprise women directors by 2016. At the moment, the Company is actively seeking 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, retain and motivate Directors to achieve the Company's objective as well as align the interest of Directors with the long term interest 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-Executives Directors are entitled to directors' fees. In addition, the Non-Executive Directors are also entitled to Board Committee fees on which they sit on. In 2014, the shareholders approved the revision to the directors fees to be in line with market and industry practice. The Chairman of the Board now receives a fee of RM85,000 per annum while other members receive RM60,000 per annum. In addition, the Chairman of each Board Committee receives RM7,000 per annum while members of each Board Committee receive RM5,000 per annum. 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 of a monthly salary and benefits-in-kind, and a variable component in the form of a performance bonus.

The Board's remuneration is reviewed from time to time and is benchmarked against industry practice. Details of the Directors' remuneration paid by the Company for the financial year ended 31 December 2014 are as follows:-

Non-Executive Directors	**RM'000**
Fees	408

*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	–	–	–
RM50,001 to RM100,000	–	5	5

(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

The Board currently consists of five (5) Non-Executive Directors, three (3) of whom are independent. In ensuring that independent judgments are not compromised, the Board adopts a policy on assessment of independence, whereby the independent directors are assessed annually and 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 most recent assessment, 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.

Recommendations 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 with intervals. The Board may, upon the completion of the nine (9) years, re-designate the Independent Director as a Non-Independent Director if it is so determined that the expertise and experience of the Director is still relevant to the Company or the Group (Recommendation 3.2). The Board may also justify and seek the shareholders' approval to otherwise retain the Independent Director who has served in that capacity for more than nine (9) years as Independent Director (Recommendation 3.3). Currently, Dato' Haji Ghazali bin Awang and Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam have reached the nine (9) years tenure as Independent Directors of the Company. The Company is proposing that both of them be retained as Independent Directors as both Dato' Haji Ghazali bin Awang and Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam have fulfilled the criteria of Independent Directors stated in the Main Market Listing Requirements. They have no business dealings with the Company other than being directors, and have performed their duties diligently and in the best interest of the Company. They have provided independent and balanced assessments of proposals from Management in the course of carrying out their obligations. Their continued services as independent directors is relevant to the Group especially in ensuring the continuity of strategy and plans as well as to provide stability to the Group post the Proposed Acquisition.

Recommendations 3.4 and 3.5
Position of Chairman and CEO 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 separated and clearly defined (Recommendation 3.4). As part of good corporate governance, the Chairman is responsible for ensuring the Board's effectiveness and proper conduct. He ensures that all relevant issues and quality information to facilitate decision making and the effective running of the Group's business are included in the Board meeting agendas. To do so, the Chairman liaises 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, thus ensuring that Board decisions are reflective of the collective decision of the Board and not merely the view of an individual or an interested group. The Chairman also chairs the Company's shareholders' meetings. At the general meetings (shareholders' meetings) of the Company, the Chairman ensures that the shareholders are given adequate opportunity to enquire on the Company's affairs. The Chief Executive Officer, on the other hand, focuses on the business and the day to day management of the Company. He acts as 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.

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-Independent Non-Executive 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 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 his or her duties as a Director of the Company. This includes the ability to attend 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 such as attending training sessions and also relevant Company events. In addition to the policy above, the time commitment required of the Directors is 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 restriction to have not more than five (5) directorships in 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 at Board meetings.

Recommendation 4.2
Continuing Education Programme

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

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 include sessions in the areas of law, corporate governance, finance, biotherapeutics, integrity and risk management.

In April 2014, a training session on "Corporate Integrity" was organised for the Directors and Senior Management. The training session served as an introduction to the creation and promotion of a corporate integrity culture and enhance awareness of issues related to corporate fraud.

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 authority to the Audit and Risk Management Committee ("ARMC") to ensure that the preparation of financial statements comply with the 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 Officer and the Group Internal Auditor prior to recommending them for Board approval.

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

Recommendation 5.2
Suitability and Independence of External Auditors

The ARMC reviews the performance of the External Auditor on an annual basis after the completion of the year-end audit, and assesses their suitability and independence. In evaluating the suitability and effectiveness of the 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 employed 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 annually review and assess the independence of the External Auditor 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 guidelines on independence. The ARMC further ensures that the policies governing the provision of non-audit fees are observed.

The ARMC held two (2) 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 the 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 controls 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 which 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 includes 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 in-house internal audit function that reports to the ARMC. The internal audit function is independent of the activities it audits, and the audits are 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 internal audit function 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 49 to 53 and 57 to 58 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:-

(i) 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;

(ii) raise awareness and provide guidance to the Board, Management, officers and employees on the Company's disclosure requirements and practices;

(iii) 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;

(iv) ensure that the Company observes best practices in relation to disclosure as illustrated in the Corporate Disclosure Guide by Bursa Malaysia; and

(v) 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 has been released, among others, as follows:-

(i) Annual Reports;

(ii) Quarterly Financial Results;

(iii) Bursa Malaysia Announcements;

(iv) Share price performance;

(v) Key financial data and dividend history; and

(vi) Press releases.

All timely disclosure and material information documents will be 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 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 had 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 for 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 had highlighted the right of the shareholders to demand for poll voting. However, the shareholders 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.

During the EGM held on 11 March 2015 to pass resolutions pertaining to the Proposed Acquisition, the first resolution on the Proposed Acquisition was carried out via poll voting. The shareholders were also informed of their right to demand for poll voting for the proposed rights issue and amendment to the Memorandum and Articles of Association. However, the shareholders opted for voting to be done 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 usual 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 109 shareholders and 118 proxies attended the AGM in 2014.

(ii) Extraordinary General Meetings

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

Notices of extraordinary 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 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.

On 11 March 2015, an Extraordinary General Meeting was conducted to approve the acquisition of the following companies:-

(a) the entire equity interest in CCM Pharmaceuticals Sdn. Bhd. ("CCM Pharmaceuticals") and Innovax Sdn. Bhd. ("Innovax") from Chemical Company of Malaysia Berhad ("CCMB") for an aggregate purchase consideration of RM17,600,000 together with the settlement of advances due from Innovax and CCM Pharmaceuticals to CCMB and its subsidiaries ("CCMB Group") amounting to RM10,655,000 based on 30 September 2014 to be settled via cash;

(b) the entire equity interest in CCM International (Philippines), Inc. ("CCM Philippines") from CCM Investments Ltd., a wholly-owned subsidiary of CCMB ("CCM Investments") for a purchase consideration of RM1,000 to be settled via cash;

(c) the entire equity interest in CCM Pharmaceuticals (S) Pte. Ltd. ("CCM Singapore") from CCM International Sdn. Bhd., a wholly-owned subsidiary of CCMB ("CCM International") for a purchase consideration of RM2,417,000 together with the settlement of advances due from CCM Singapore to the CCMB Group amounting to RM27,000 based on 30 September 2014 to be settled via cash;

(d) the entire equity interest in CCM Pharma Sdn. Bhd. ("CCM Pharma") and Upha Pharmaceutical Manufacturing (M) Sdn. Bhd. ("Upha Pharmaceutical") from CCMB for an aggregate purchase consideration of RM113,307,000 together with the settlement of advances due from CCM Pharma and Upha Pharmaceutical to the CCMB Group amounting to RM101,116,000 based on 30 September 2014 to be settled via cash;

The resolutions for a renounceable rights issue of up to 139,479,500 rights shares and an increase in the company's authorised share capital to RM250,000,000 were also passed at the Extraordinary General Meeting on 11 March 2015.

(iii) Annual Report

The Directors believe that an important channel to reach shareholders and investors is through the Annual Report. The Annual Report contains comprehensive financial performance and information on business activities of the Company. The Company continuously 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 2014

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 2014	Date of Announcement
1st Quarter	20 May 2014
2nd Quarter	26 August 2014
3rd Quarter	21 November 2014
4th Quarter	24 February 2015

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 of Corporate Governance 2012 (the "Code") throughout the financial year ended 31 December 2014 save for Recommendations 3.2 and 3.5 on tenure of independent director and non-independent Chairman, respectively, (Principle 3) which are explained earlier.

This statement is made in accordance with a resolution of the Board of Directors dated 9 March 2015.

ADDITIONAL COMPLIANCE INFORMATION

1. **Non-Audit Fees**
   During the financial year ended 31 December 2014, the non-audit fees paid to the external auditors or a firm or a company affiliated to the Auditor's firm amounted to approximately RM15,640.00.

2. **Material Contracts**
   Save for the following, there were no material contracts entered into by the Company involving Directors or major shareholders' interest, either subsisting at the end of the financial year ended 31 December 2014 or entered into since the end of the previous financial year, other than contracts entered into in the ordinary course of business:-

   (a) On 27 November 2014, the Company had entered into the following Share Sale Agreements ("SSA") (hereinafter referred to as the "Proposed Acquisition") in relation to the following:

   (i) The proposed acquisition of the entire equity interest in CCM Pharmaceuticals Sdn. Bhd. ("CCM Pharmaceuticals") and Innovax Sdn. Bhd. ("Innovax") by CCM Duopharma Biotech Berhad from Chemical Company of Malaysia Berhad ("CCMB") for an aggregate purchase consideration of RM17,600,000 together with the settlement of advances due from Innovax, and CCM Pharmaceuticals and its subsidiaries to CCMB and its subsidiaries ("CCMB Group") amounting to RM10,655,000 based on 30 September 2014 to be settled via cash ("CCMD SSA");

   (ii) The proposed acquisition of the entire equity interest in CCM International (Philippines), Inc. ("CCM Philippines") by CCM Duopharma Biotech Berhad from CCM Investments Ltd., a wholly-owned subsidiary of CCMB ("CCM Investments") for a purchase consideration of RM1,000 to be settled via cash ("Philippines Company SSA");

   (iii) The proposed acquisition of the entire equity interest in CCM Pharmaceuticals (S) Pte. Ltd. ("CCM Singapore") by CCM Duopharma Biotech Berhad from CCM International Sdn. Bhd, a wholly-owned subsidiary of CCMB ("CCM International"), for a purchase consideration of RM2,417,000 together with the settlement of advances due from CCM Singapore to the CCMB Group amounting to RM27,000 based on 30 September 2014 to be settled via cash ("Singapore Company SSA");

   (iv) The proposed acquisition of the entire equity interest in CCM Pharma Sdn. Bhd. ("CCM Pharma") and Upha Pharmaceutical Manufacturing (M) Sdn. Bhd. ("Upha Pharmaceutical") by CCM Duopharma Biotech Berhad's wholly-owned subsidiary, Duopharma (M) Sdn. Bhd. from CCMB, for an aggregate purchase consideration of RM113,307,000 together with the settlement of advances due from CCM Pharma and Upha Pharmaceutical to the CCMB Group amounting to RM101,116,000 based on 30 September 2014 to be settled via cash ("DMSB SSA");

   (b) On 24 December 2014, the Company had entered into a supplementary share sale agreement with CCMB ("Supplementary CCMD SSA") to vary the terms of the CCMD SSA in relation to the Proposed Acquisition; and

   (c) On 24 December 2014, the Company had also entered into two supplementary share sale agreements between CCMD and CCMB, respectively, to vary the terms of the DMSB's SSA in relation to the Proposed Acquisition.

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 2014.

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

   The Company has not approved any ESOS during the financial period ended 31 December 2014.

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 2014.

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

   During the financial period ended 31 December 2014, 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 2014 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 Transactions of Revenue or Trading Nature**

    During the Annual General Meeting held on 20 May 2014, the Company obtained a shareholders' mandate to allow the Company to enter into recurrent related party transactions of 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 20 May 2014 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 2014 is set out on pages 120 to 121 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 with new related parties 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 30 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 2014.

COMPOSITION OF AUDIT AND RISK MANAGEMENT COMMITTEE AND MEETINGS

For the financial year ended 31 December 2014, the composition of the ARMC stood at four (4) members of whom three (3) are Independent Directors. On 26 February 2014, Dato' Mohamad Kamarudin bin Hassan was appointed as the fourth (4th) member of the ARMC. The current composition of the ARMC stands at four (4) members of whom three (3) are Independent Directors.

A total of six (6) 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
Dato' Haji Ghazali bin Awang Chairman, Senior Independent Non-Executive Director	6/6
Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam Member, Independent Non-Executive Director	6/6
Datuk Alias bin Ali Member, Non-Independent Non-Executive Director	6/6
Dato' Mohamad Kamarudin bin Hassan Member, Independent Non-Executive Director (appointed w.e.f. 26 February 2014)	5/5

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 (1) 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 not 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 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;
- The Secretary to the Committee shall be the Group Company Secretary or 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;

(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 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;

(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 co-ordination where more than one audit firm is involved;

(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;

(g) Take cognisance of resignations of internal audit staff/members and provide the resigning staff/member an opportunity to submit his reasons for resigning.

(vii) 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;

(ii) 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;

(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; and

(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;

(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 re-appointment and audit fees;

(vii) Reviewed and recommended the quarterly reports in respect of the results to the Board for subsequent release to Bursa Malaysia;

(viii) Reviewed and recommended the Annual Report of the Company prior to the submission to the Board for consideration and approval;

(ix) 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;

(x) Reviewed and recommended to the Board dividends to be declared to the Shareholders of the Company;

(xi) Reviewed and recommended bad debts to be written off and disposal of fixed assets to the Board of Directors for consideration and approval; and

(xii) Reviewed and recommended to the Board the proposals related to the business restructuring of the Pharmaceuticals Division including proposed acquisitions and rights issuance, and submissions to Bursa Malaysia and/or other authorities thereto.

STATEMENT ON INTERNAL AUDIT FUNCTION

The audits on the Company's operations were 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 estimated at RM172,000.00.

Activities during the year

The Group Internal Audit 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 2014. Among the areas covered were the operations of Human Resource Management, Logistics Management, Finance and Recurrent Related Party Transactions.

STATEMENT ON RISK MANAGEMENT FUNCTION

The Company has a dedicated in-house risk management function at CCM Group level to facilitate the overall risk management process within the Company. Significant risks are identified, assessed, and reported to the ARMC throughout the year on a quarterly basis based on the Group's approved risk management framework. The quarterly risk reports highlight 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

In 2014, risks were fully identified and reported by risk owners via the online ERM system "RiSmart". The risk information was reviewed by CCM Group Risk Management Department at holding company level and then reported to the ARMC. The reporting captured updates of risk decisions made based on defined risk appetite, controls and treatment measures undertaken by risk owners.

Quarterly reports to the ARMC highlighted the Company's Risk Profile by reviewing the significant risks comprising Strategic, Operational and Emerging risk categories. The review included movements from Gross to Residual Risk Levels which monitors Management's progress in implementing controls and assessing the effectiveness of measures in mitigating the risk.

In summary, the range of risk issues deliberated by the Company during 2014 included revenue growth, working capital management, operational efficiency, business expansion through sales and marketing, sustainability, human capital development, employee engagement, strategic directions, corporate exercises and regulatory compliance.

Report of the Nomination and Remuneration Committee

The Board is pleased to issue the following report on the Nomination and Remuneration Committee ("Committee" or "NRC") and its activities during the financial year ended 31 December 2014.

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;

(ii) 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

(i) 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 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 minutes 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's meetings 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 of and the Principles of the Malaysian Code on Corporate Governance and the Bursa Malaysia Listing Requirements;

(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 current composition of the Committee stands at three (3) members, and Dato' Haji Ghazali bin Awang is the Chairman and Senior Independent Non-Executive Director.

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
Dato' Haji Ghazali bin Awang Chairman, Senior Independent Non-Executive Director	3/3
Tan Sri Dato' Dr. Abu Bakar bin Suleiman Member, Non-Independent Non-Executive Director	3/3
Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam Member, Independent Non-Executive Director	3/3

Terms of Reference

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

(i) To recommend to the Board, candidates for all directorships. In making the recommendations, the Committee should also consider candidates proposed by 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 has 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;

(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;

(iii) 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 related industries and changes in the relevant statutory requirements;

(v) 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;

(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;

(viii) Reviewed and recommended to the Board the mandate for the 1st Collective Agreement negotiation with the National Union of Petroleum & Chemical Industry Workers ("NUPCIW") for Duopharma (M) Sdn. Bhd.

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 are 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 practised 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 implemented an improved Enterprise Risk Management System (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 ("ARMC") to provide oversight and added impetus to the risk management process.

Management from each business or operations area 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 at the holding company level by the Chemical Company of Malaysia Berhad Group ("CCMB Group") Risk Management Department which is dedicated to the role.

The Management liaises and maintains regular communication and consultation with CCMB Group Risk Management Committee which also facilitates risk analysis of strategic business objectives, operational initiatives and emerging issues in the Group.

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 ("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. Additionally, at the holding company level, the CCMB Group has established the Project Review Committee and the Finance and Investment Committee to provide added assurance to the Board on 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.

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 Group's Senior Management and CCMB Group's Finance and Investment Committee before it is recommended to the Board for approval. Monthly review is carried out by the 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 law 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").

The Group has implemented Enterprise Resource Planning system ("SAP") as part of the Group 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 programmes 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 includes breach of integrity and other misconduct in violation of the terms and conditions of service whether expressed or implied.

Internal Audit

The CCMB Group Internal Audit functions to independently review 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.

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities, 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 activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to owners of the Company	35,275	22,722

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 13.5 sen per share, tax exempt under the single-tier system totalling RM18,741,000 in respect of the financial year ended 31 December 2013 on 20 June 2014; 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 2014 on 7 November 2014.

The final ordinary dividend recommended by the Directors in respect of the financial year ended 31 December 2014 is 14.5 sen (2013 : 13.5 sen) per ordinary share, tax exempt under the single-tier tax system, totalling RM20,225,000.

DIRECTORS OF THE COMPANY

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

Tan Sri Dato' Dr. Abu Bakar bin Suleiman
Dato' Haji Ghazali bin Awang
Tan Sri Dato' Dr. Jegathesan a/l N. M. Vasagam @ Manikavasagam
Datuk Alias bin Ali
Dato' Mohamad Kamarudin bin Hassan
Amirul Feisal bin Wan Zahir (resigned on 1 October 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 1.1.2014	**Bought**	**Sold**	**At 31.12.2014**
Interest in the Company:				
Tan Sri Dato' Dr. Abu Bakar bin Suleiman				
– own	286,400	–	–	286,400
– others#	22,000	–	–	22,000
Dato' Haji Ghazali bin Awang				
– own	97,000	8,000	–	105,000
Tan Sri Dato' Dr. Jegathesan a/l N. M. Vasagam @ Manikavasagam				
– own	34,120	–	–	34,120

	Number of ordinary shares of RM1.00 each			
	At 1.1.2014	**Bought**	**Sold**	**At 31.12.2014**
Interest in the intermediate holding company:				
Dato' Haji Ghazali bin Awang				
– own	10,000	–	–	10,000

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 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 CCM Duopharma Biotech Berhad has an interest.

None of the other Directors holding office at 31 December 2014 had any interest in the shares of the Company and of its related corporations during the financial year.

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 corporation 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. 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.

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 2014 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.

SUBSEQUENT EVENTS

Subsequent event after the financial year is disclosed in Note 26 to the financial statements.

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

Dato' Haji Ghazali bin Awang

Kuala Lumpur,
Date: 9 March 2015

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 66 to 114 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 2014 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 27 on page 115 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

Dato' Haji Ghazali bin Awang

Kuala Lumpur,
Date: 9 March 2015

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 66 to 115 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 9 March 2015.

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 2014 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 financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 66 to 114.

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 2014 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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) The audit report 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 27 on page 115 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: 2583/08/16(J)
Chartered Accountant

Petaling Jaya,
Date: 9 March 2015

Statements of Financial Position
as at 31 December 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Assets					
Property, plant and equipment	3	**101,060**	98,902	**–**	–
Investment property	4	**11,500**	11,500	**–**	–
Intangible asset	5	**3,063**	1,062	**–**	–
Investment in a subsidiary	6	**–**	–	**40,187**	40,187
Trade and other receivables	7	**–**	–	**62,503**	62,749
Total non-current assets		**115,623**	111,464	**102,690**	102,936
Current tax assets		**–**	–	**26**	–
Inventories	8	**44,644**	36,331	**–**	–
Trade and other receivables	7	**43,907**	38,978	**637**	2,000
Cash and cash equivalents	9	**18,303**	18,879	**130**	467
Total current assets		**106,854**	94,188	**793**	2,467
Total assets		**222,477**	205,652	**103,483**	105,403
Equity					
Share capital	10.1	**69,739**	69,739	**69,739**	69,739
Reserves		**12,142**	12,142	**12,142**	12,142
Retained earnings		**111,749**	100,768	**20,886**	22,458
Equity attributable to owners of the Company	10	**193,630**	182,649	**102,767**	104,339
Liabilities					
Deferred tax liabilities	11	**5,500**	4,449	**–**	–
Total non-current liability		**5,500**	4,449	**–**	–
Current tax liabilities		**1,723**	1,395	**–**	13
Trade and other payables	12	**21,624**	17,159	**716**	1,051
Total current liabilities		**23,347**	18,554	**716**	1,064
Total liabilities		**28,847**	23,003	**716**	1,064
Total equity and liabilities		**222,477**	205,652	**103,483**	105,403

The notes on pages 71 to 115 are an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2014

	Note	Group		Company	
		2014	**2013**	**2014**	**2013**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	13	**176,961**	162,405	**22,440**	23,205
Cost of sales		**(95,328)**	(95,509)	**–**	–
Gross profit		**81,633**	66,896	**22,440**	23,205
Other income		**141**	3,968	**–**	–
Distribution and marketing expenses		**(16,718)**	(17,128)	**–**	–
Administrative expenses		**(16,572)**	(12,952)	**(1,579)**	(543)
Other expenses		**(1,710)**	(597)	**–**	–
Results from operating activities	14	**46,774**	40,187	**20,861**	22,662
Finance income	15	**165**	295	**2,453**	2,542
Finance costs	16	**(438)**	(307)	**(2)**	(1)
Profit before tax		**46,501**	40,175	**23,312**	25,203
Tax expense	18	**(11,226)**	(7,900)	**(590)**	(629)
Profit for the year		**35,275**	32,275	**22,722**	24,574
Total comprehensive income for the year attributable to owners of the Company		**35,275**	32,275	**22,722**	24,574
Basic and diluted earnings per ordinary share (sen)	19	**25.41**	23.25		

The notes on pages 71 to 115 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2014

Group	Note	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000
		Attributable to owners of the Company				
		Non-distributable			*Distributable*	
At 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		–	–	–	32,275	32,275
Contributions by and distributions to owners						
– Dividends to owners of the Company	20	–	–	–	(20,129)	(20,129)
Total distribution to owners of the Company		–	–	–	(20,129)	(20,129)
At 31 December 2013/ 1 January 2014		**69,739**	**13,720**	**(1,578)**	**100,768**	**182,649**
Profit and total comprehensive income for the year		**–**	**–**	**–**	**35,275**	**35,275**
Contributions by and distributions to owners						
– Dividends to owners of the Company	20	**–**	**–**	**–**	**(24,294)**	**(24,294)**
Total distribution to owners of the Company		**–**	**–**	**–**	**(24,294)**	**(24,294)**
At 31 December 2014		**69,739**	**13,720**	**(1,578)**	**111,749**	**193,630**
		Note 10.1	Note 10.2	Note 10.3		

Statement of Changes in Equity
for the year ended 31 December 2014

Company	Note	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000
		Attributable to owners of the Company				
		Non-distributable			*Distributable*	
At 1 January 2013		69,739	13,720	(1,578)	18,013	99,894
Profit for the year		–	–	–	24,574	24,574
Profit and total comprehensive income for the year		–	–	–	24,574	24,574
Contributions by and distributions to owners						
– Dividends to owners of the Company	20	–	–	–	(20,129)	(20,129)
Total distribution to owners of the Company		–	–	–	(20,129)	(20,129)
At 31 December 2013/ 1 January 2014		**69,739**	**13,720**	**(1,578)**	**22,458**	**104,339**
Profit and total comprehensive income for the year		**–**	**–**	**–**	**22,722**	**22,722**
Contributions by and distributions to owners						
– Dividends to owners of the Company	20	**–**	**–**	**–**	**(24,294)**	**(24,294)**
Total distribution to owners of the Company		**–**	**–**	**–**	**(24,294)**	**(24,294)**
At 31 December 2014		**69,739**	**13,720**	**(1,578)**	**20,886**	**102,767**
		Note 10.1	Note 10.2	Note 10.3		

The notes on pages 71 to 115 are an integral part of these financial statements.

Statements of Cash Flows

for the year ended 31 December 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Cash flows from operating activities					
Profit before tax		**46,501**	40,175	**23,312**	25,203
Adjustments for:					
Depreciation of property, plant and equipment	3	**8,268**	7,785	**–**	–
Dividend income		**–**	–	**(22,440)**	(23,205)
Finance income	15	**(165)**	(295)	**(2,453)**	(2,542)
Finance cost	16	**438**	307	**2**	1
Net unrealised foreign exchange gain		**(173)**	(224)	**–**	–
Provision for warranty		**348**	69	**–**	–
Gain on revaluation of investment property		**–**	(3,882)	**–**	–
(Gain)/loss on disposal of property, plant and equipment		**(7)**	1	**–**	-
Operating profit/(loss) before changes in working capital		**55,210**	43,936	**(1,579)**	(543)
Change in inventories		**(8,313)**	5,052	**–**	–
Change in trade and other receivables		**(4,929)**	(1,880)	**1,609**	(4,854)
Change in trade and other payables		**4,290**	492	**(335)**	102
Cash generated from/(used in) operations		**46,258**	47,600	**(305)**	(5,295)
Interest paid		**(438)**	(307)	**(2)**	(1)
Tax paid		**(9,847)**	(7,815)	**(629)**	(572)
Tax refund		**–**	54	**–**	54
Net cash from/(used in) operating activities		**35,973**	39,532	**(936)**	(5,814)
Cash flows from investing activities					
Acquisition of property, plant and equipment	3	**(12,427)**	(8,842)	**–**	–
Costs associated to conversion of land to industrial status		**–**	(1,148)	**–**	–
Dividends received		**–**	–	**22,440**	23,205
Interest received		**165**	295	**2,453**	2,542
Proceeds from disposal of plant and equipment		**7**	32	**–**	–
Net cash (used in)/from investing activities		**(12,255)**	(9,663)	**24,893**	25,747
Cash flows from financing activities					
Dividends paid to owners of the Company	20	**(24,294)**	(20,129)	**(24,294)**	(20,129)
Repayment of loan and borrowing		**–**	(5,000)	**–**	–
Net cash used in financing activities		**(24,294)**	(25,129)	**(24,294)**	(20,129)
Net (decrease)/increase in cash and cash equivalents		**(576)**	4,740	**(337)**	(196)
Cash and cash equivalents at 1 January		**18,879**	14,139	**467**	663
Cash and cash equivalents at 31 December	9	**18,303**	18,879	**130**	467

The notes on pages 71 to 115 are an integral part of these 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 the principal place of business and registered office of the Company are as follows:

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

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

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2014 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 2014 do not include other entities.

The Company is principally engaged in investment holding activities, 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. 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 9 March 2015.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of 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 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)*

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 (continued)

- 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 Property (Annual Improvements 2011-2013 Cycle)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to MFRS 10, *Consolidated Financial Statements, MFRS 12, Disclosure of Interests in Other Entities and MFRS 128, Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment and MFRS 138, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment and MFRS 141, Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- MFRS 15, *Revenue from Contracts with Customers*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

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

- 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 Amendment to MFRS 2 and Amendments to MFRS 119 which are not applicable to the Group and the Company.

- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for Amendments to MFRS 11, MFRS 14, Amendments to MFRS 119 and Amendments to MFRS 127 which are not applicable to the Group and the Company.

- from the annual period beginning on 1 January 2017 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2017.

- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material impacts to the financial statements of the Group and the Company except as mentioned below:

MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts,* MFRS 118, *Revenue,* IC Interpretation 13, *Customer Loyalty Programmes,* IC Interpretation 15, *Agreements for Construction of Real Estate,* IC Interpretation 18, *Transfer of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services.*

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

(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 judgments

The preparation of the financial statements in conformity with MFRSs requires management to make judgments, 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 judgments 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 structured 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 controls an entity when it 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. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

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 intra-group 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise and measure 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(j)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost.

(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 control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. 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, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment

(i) Recognition and measurement

Freehold land and capital work-in-progress are stated at cost. 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. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing cost.

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.

(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 or the Company, 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 from the date that they are available for use. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

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

• buildings	50 years
• plant and machineries	5 - 10 years
• office equipment, furniture and fittings	5 - 20 years
• motor vehicles	4 - 10 years
• renovations	10 years

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

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating lease

Leases where the Group or the Company does not assume substantially all the risks and rewards of the ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) 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 overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred.

An intangible asset with an indefinite useful life should not be amortised.

Its useful life should be reviewed at each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite should be accounted for as a change in an accounting estimate.

(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.

(g) Investment property

(i) Investment property carried at fair value

Investment properties are properties which are owned or held under leasehold interest 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-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investment property (continued)

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

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.

(h) Inventories

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

The cost of inventories is calculated using the weighted average method 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 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.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes on fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(j) 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 investment in 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 is estimated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment (continued)

(i) Financial assets (continued)

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.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the other assets in the cash-generating unit (or a group of cash-generating units) on a *pro rata* basis.

In respect of other assets, 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 financial year in which the reversals are recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) 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 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 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.

(l) 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 profit-sharing 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) 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 pretax 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.

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 Group or 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.

(o) Tax expense

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Tax expense (continued)

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 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(g), 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 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 not presented as the Group has no shares or other instruments with potential dilutive effects.

(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. Operating segment 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

(s) Fair value measurement

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.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. PROPERTY, PLANT AND EQUIPMENT

Group	Note	Freehold land RM'000	Buildings RM'000	Plant and machineries RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Renovations RM'000	Capital work-in-progress RM'000	Total RM'000
Cost									
At 1 January 2013		12,897	53,833	73,896	4,995	467	496	275	146,859
Additions		–	420	7,139	133	103	233	834	8,862
Disposals		–	(5)	–	(138)	–	–	(27)	(170)
Transfer to investment property	4	–	–	–	–	–	–	(20)	(20)
Transfer to intangible asset	5	–	–	–	–	–	–	(1,062)	(1,062)
At 31 December 2013/ 1 January 2014		**12,897**	**54,248**	**81,035**	**4,990**	**570**	**729**	**–**	**154,469**
Additions		**–**	**1,152**	**8,774**	**189**	**210**	**1**	**2,101**	**12,427**
Disposals		**–**	**–**	**(19)**	**–**	**–**	**–**	**–**	**(19)**
Write off		**–**	**–**	**(2)**	**(219)**	**–**	**–**	**–**	**(221)**
Transfer to intangible asset	5	**–**	**–**	**–**	**–**	**–**	**–**	**(2,001)**	**(2,001)**
At 31 December 2014		**12,897**	**55,400**	**89,788**	**4,960**	**780**	**730**	**100**	**164,655**
Depreciation									
At 1 January 2013		–	1,791	42,869	2,561	405	293	–	47,919
Depreciation for the year		–	1,088	6,276	343	46	32	–	7,785
Disposals		–	–	–	(137)	–	–	–	(137)
At 31 December 2013/ 1 January 2014		**–**	**2,879**	**49,145**	**2,767**	**451**	**325**	**–**	**55,567**
Depreciation for the year		**–**	**1,100**	**6,699**	**355**	**66**	**48**	**–**	**8,268**
Disposals		**–**	**–**	**(19)**	**–**	**–**	**–**	**–**	**(19)**
Write off		**–**	**–**	**(2)**	**(219)**	**–**	**–**	**–**	**(221)**
At 31 December 2014		**–**	**3,979**	**55,823**	**2,903**	**517**	**373**	**–**	**63,595**
Carrying amounts									
At 31 December 2013/ 1 January 2014		**12,897**	**51,369**	**31,890**	**2,223**	**119**	**404**	**–**	**98,902**
At 31 December 2014		**12,897**	**51,421**	**33,965**	**2,057**	**263**	**357**	**100**	**101,060**

4. INVESTMENT PROPERTY

	Note	Group 2014 RM'000	Group 2013 RM'000
At 1 January		**11,500**	6,470
Transfer from property, plant and equipment	3	**–**	20
Costs associated to conversion of land to industrial status		**–**	1,128
Change in fair value recognised in profit or loss		**–**	3,882
At 31 December		**11,500**	11,500
Included in the above is:			
At fair value			
Freehold land		**11,500**	11,500

4.1 Fair value information

Fair value of investment property is categorised as follows:

	Level 2 RM'000	Level 3 RM'000	Total RM'000
2014			
Land	**–**	**11,500**	**11,500**
2013			
Land	–	11,500	11,500

Level 2 fair value

Level 2 fair value of freehold land have 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.

Level 3 fair value

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

4. INVESTMENT PROPERTY (CONTINUED)

4.1 Fair value information (continued)

Level 3 fair value (continued)

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.

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Sales comparison approach: Sales price of comparable land and buildings 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.	Recent transactions of similar properties at or near reporting date 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.	The estimated fair value would increase (decrease) if recent transactions of similar properties at or near reporting date with similar land usage, land size and location were higher (lower).

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 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

	Note	Development costs RM'000
Group		
At 1 January 2013		–
Transfer from property, plant and equipment	3	1,062
At 31 January 2013/1 January 2014		**1,062**
Transfer from property, plant and equipment	3	**2,001**
At 31 December 2014		**3,063**

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 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

	Company	
	2014 RM'000	2013 RM'000
Unquoted share, at cost	**40,187**	40,187

Details of the subsidiary are as follows:

Name of subsidiary	Country of corporation	Principal activities	Effective ownership interest 2014 %	Effective ownership interest 2013 %
Duopharma (M) Sendirian Berhad	Malaysia	Manufacturing, distributing, importing and exporting of pharmaceutical products and medicines	**100**	100

7. TRADE AND OTHER RECEIVABLES

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Non-current					
Non-trade					
Amount due from a subsidiary	7.1	**–**	–	**62,503**	62,749
Current					
Trade					
Trade receivables		**34,219**	33,264	**–**	–
Amount due from related companies	7.2	**2,099**	425	**–**	–
		36,318	33,689	**–**	–
Non-trade					
Amount due from intermediate holding company	7.3	**637**	–	**637**	–
Amount due from a subsidiary		**–**	–	**–**	2,000
Other receivables, deposits and prepayments	7.4	**6,952**	5,289	**–**	–
		7,589	5,289	**637**	2,000
		43,907	38,978	**637**	2,000

7.1 The non-trade amount due from a subsidiary is unsecured, subject to interest at 5.6% (2013: 5.1%) per annum. The non-current amount is not repayable over the next 12 months.

7.2 The trade amount due from related companies is unsecured, interest free and subject to the normal trade terms.

7.3 The non-trade amount due from the intermediate holding company 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 RM6,862,626 (2013 : RM3,843,232).

8. INVENTORIES

	Group 2014 RM'000	Group 2013 RM'000
Raw materials and consumables	**15,152**	13,276
Work-in-progress	**3,014**	2,462
Packing materials	**5,603**	6,731
Finished goods	**20,875**	13,862
	44,644	36,331

	Group 2014 RM'000	Group 2013 RM'000
Recognised in profit or loss:		
Inventories recognised as cost of sales	**90,002**	90,805
Write-down to net realisable value	**9,261**	1,229
(Reversal)/provision for obsolete stocks	**(3,935)**	3,475

9. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deposits placed with licensed banks	**7,173**	6,169	**–**	–
Cash and bank balances	**11,130**	12,710	**130**	467
	18,303	18,879	**130**	467

10. CAPITAL AND RESERVES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Share capital	**69,739**	69,739	**69,739**	69,739
Non-distributable reserves				
Share premium	**13,720**	13,720	**13,720**	13,720
Treasury shares	**(1,578)**	(1,578)	**(1,578)**	(1,578)
	12,142	12,142	**12,142**	12,142
Retained earnings (distributable)	**111,749**	100,768	**20,886**	22,458
	193,630	182,649	**102,767**	104,339

10. CAPITAL AND RESERVES (CONTINUED)

10.1 Share capital

	Group and Company			
	Number of shares 2014 ’000	**Amount 2014 RM’000**	**Number of shares 2013 ’000**	**Amount 2013 RM’000**
Authorised				
Ordinary shares of RM0.50 each	**200,000**	**100,000**	200,000	100,000
Issued and fully paid:				
Ordinary shares of RM0.50 each	**139,479**	**69,739**	139,479	69,739

Ordinary shares

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. In respect of the Company’s treasury shares that are held by the Group, all rights are suspended until those shares are reissued.

10.2 Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

10.3 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 2014 after deducting treasury shares held is 138,821,000 (2013 : 138,821,000).

11. DEFERRED TAX LIABILITIES

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Property, plant and equipment	**–**	–	**(7,700)**	(7,261)	**(7,700)**	(7,261)
Provisions	**76**	71	**–**	–	**76**	71
Other items	**2,124**	2,741	**–**	–	**2,124**	2,741
Tax assets/(liabilities)	**2,200**	2,812	**(7,700)**	(7,261)	**(5,500)**	(4,449)
Set off of tax	**(2,200)**	(2,812)	**2,200**	2,812	**–**	–
Net tax liabilities	**–**	–	**(5,500)**	(4,449)	**(5,500)**	(4,449)

Movement in temporary differences during the year

Group	**At 1.1.2013 RM'000**	**Recognised in profit or loss (Note 18) RM'000**	**At 31.12.2013/ 1.1.2014 RM'000**	**Recognised in profit or loss (Note 18) RM'000**	**At 31.12.2014 RM'000**
Property, plant and equipment	(6,269)	(992)	**(7,261)**	(439)	**(7,700)**
Provisions	97	(26)	**71**	5	**76**
Other items	513	2,228	**2,741**	(617)	**2,124**
Total	(5,659)	1,210	**(4,449)**	(1,051)	**(5,500)**

12. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Trade					
Trade payables		**4,473**	6,837	**–**	–
Amount due to related companies	12.1	**3,106**	31	**–**	–
		7,579	6,868	**–**	–
Non-trade					
Amount due to intermediate holding company	12.2	**1,748**	632	**–**	622
Amount due to related companies	12.2	**753**	44	**–**	–
Other payables		**2,891**	2,518	**–**	–
Accrued expenses		**7,895**	6,687	**716**	429
Provision		**758**	410	**–**	–
		14,045	10,291	**716**	1,051
		21,624	17,159	**716**	1,051

12.1 The trade amount due to related companies is unsecured, interest free and subject to normal trade terms.

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

13. REVENUE

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Sale of goods	**176,961**	162,405	**–**	–
Dividend income from an unquoted subsidiary in Malaysia	**–**	–	**22,440**	23,205
	176,961	162,405	**22,440**	23,205

14. RESULTS FROM OPERATING ACTIVITIES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Operating profit is arrived at after charging:				
Auditors' remuneration:				
– Audit fees	78	78	20	20
– Non-audit fees	14	14	14	14
Depreciation on property, plant and equipment	8,268	7,785	–	–
Impairment loss:				
– Trade receivables	20	1,113	–	–
Inventories write-down	9,261	1,229	–	–
Loss on disposal of property, plant and equipment	–	1	–	–
Net realised foreign exchange loss	220	43	–	–
Personnel expenses (including key management personnel):				
– Contributions to state plans	2,499	2,198	–	–
– Wages, salaries and others	23,847	22,177	–	–
Rental expenses of premises	46	80	–	–
Research and development costs expensed as incurred	2,463	3,035	–	–
Provision for obsolete stocks	–	3,475	–	–
and after crediting:				
Dividend income from				
– A subsidiary in Malaysia (unquoted)	–	–	22,440	23,205
Gain on disposal of property, plant and equipment	7	–	–	–
Gain on revaluation of investment property	–	3,882	–	–
Net unrealised foreign exchange gain	173	224	–	–
Reversal of provision for obsolete stocks	3,935	–	–	–

15. FINANCE INCOME

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Interest income of financial assets that are not at fair value through profit or loss:				
– recognised before impairment	165	295	2,453	2,542

16. FINANCE COSTS

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest expense of financial liabilities that are not at fair value through profit or loss:				
– other borrowings	**438**	307	**2**	1

17. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation is as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Directors				
– Fees	**408**	242	**408**	242
Other key management personnel				
– Remuneration	**2,031**	2,019	**–**	–
Total short-term employee benefits	**2,439**	2,261	**408**	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.

18. TAX EXPENSE

Recognised in profit or loss

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Current tax expense				
– current year	**10,474**	9,345	**603**	629
– over provision in prior year	**(299)**	(235)	**(13)**	–
Total current tax recognised in profit or loss	**10,175**	9,110	**590**	629
Deferred tax (benefit)/expense				
Origination and reversal of temporary differences	**1,165**	(574)	**–**	–
Over provision in prior year	**(114)**	(636)	**–**	–
Total deferred tax recognised in profit or loss	**1,051**	(1,210)	**–**	–
Total income tax expense	**11,226**	7,900	**590**	629

Reconciliation of tax expense

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Profit for the year	**35,275**	32,275	**22,722**	24,574
Total income tax expense	**11,226**	7,900	**590**	629
Profit excluding tax	**46,501**	40,175	**23,312**	25,203
Income tax calculated using Malaysian tax rate of 25% (2013:25%)	**11,625**	10,044	**5,828**	6,301
Non-deductible expenses	**590**	503	**385**	129
Tax exempt income	**(41)**	(91)	**(5,610)**	(5,801)
Tax incentives	**(616)**	(759)	**–**	–
Other items	**81**	(926)	**–**	–
Over provision in prior years	**(413)**	(871)	**(13)**	–
	11,226	7,900	**590**	629

19. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2014 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2014	**2013**
	RM'000	**RM'000**
Profit attributable to ordinary shareholders	**35,275**	32,275

	Group	
	2014	**2013**
	'000	**'000**
Issued ordinary shares at 1 January	**139,479**	139,479
Effect of treasury shares held	**(658)**	(658)
Weighted average number of ordinary shares at 31 December	**138,821**	138,821

	Group	
	2014	**2013**
	Sen	**Sen**
Basic earnings per ordinary share	**25.41**	23.25

Diluted earnings per ordinary share

Diluted earnings per ordinary share is not presented as the Group has no shares or other instruments with potential dilutive effects as at 31 December 2014.

20. DIVIDENDS

Dividends recognised by the Company:

2014	**Sen per share**	**Total amount RM'000**	**Date of payment**
Final 2013 ordinary (single-tier)	**13.50**	**18,741**	20 June 2014
Interim 2014 ordinary (single-tier)	**4.00**	**5,553**	7 November 2014
Total amount		**24,294**	

20. DIVIDENDS (CONTINUED)

2013	Sen per share	Total amount RM'000	Date of payment
Final 2012 ordinary (single-tier)	10.50	14,576	12 July 2013
Interim 2013 ordinary (single-tier)	4.00	5,553	8 November 2013
Total amount		20,129	

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 2014 ordinary (single-tier)	**14.50**	**20,225**

21. 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 Chief Executive Officer ("CEO"), who is the chief operating decision maker reviews internal management reports regularly.

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 CEO, as all assets within the Group, other than trade receivables, are attributed to the business activities in Malaysia.

21. OPERATING SEGMENTS (CONTINUED)

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

	Group	
	2014	**2013**
	RM'000	**RM'000**
Reportable revenue from external customers:		
Local	**162,385**	148,363
Export	**14,576**	14,042
	176,961	162,405
Operating expense:		
Depreciation of property, plant and equipment	**(8,268)**	(7,785)
Other operating expense	**(122,060)**	(118,401)
Other operating income	**141**	3,968
Profit from operations	**46,774**	40,187
Finance income	**165**	295
Finance cost	**(438)**	(307)
Profit before tax	**46,501**	40,175
Tax expense	**(11,226)**	(7,900)
Profit after tax	**35,275**	32,275
Reportable revenue from external trade receivables:		
Local	**29,317**	31,603
Export	**4,902**	1,661
	34,219	33,264

Major customers

Revenue from two major customers amount to approximately RM96,330,000 (2013 : RM65,726,000) of the Group's total revenue.

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").

2014	Carrying amount RM'000	L&R/ (FL) RM'000
Financial assets		
Group		
Trade and other receivables	36,864	36,864
Cash and bank balances	18,303	18,303
	55,167	55,167
Company		
Trade and other receivables	63,140	63,140
Cash and bank balances	130	130
	63,270	63,270
Financial liabilities		
Group		
Trade and other payables	(20,866)	(20,866)
Company		
Trade and other payables	(716)	(716)

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.1 Categories of financial instruments (continued)

2013	Carrying amount RM'000	L&R/ (FL) RM'000
Financial assets		
Group		
Trade and other receivables	34,533	34,533
Cash and bank balances	18,879	18,879
	53,412	53,412
Company		
Trade and other receivables	64,749	64,749
Cash and bank balances	467	467
	65,216	65,216
Financial liabilities		
Group		
Trade and other payables	(16,749)	(16,749)
Company		
Trade and other payables	(1,051)	(1,051)

22.2 Net gains and losses arising from financial instruments

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Net gains/(losses) on:				
Loans and receivables	**165**	295	**2,453**	2,542
Financial liabilities measured at amortised cost	**(485)**	(126)	**(2)**	(1)
	(320)	169	**2,451**	2,541

22. FINANCIAL INSTRUMENTS (CONTINUED)

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 counterparty 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. FINANCIAL INSTRUMENTS (CONTINUED)

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	Collective impairment RM'000	Net RM'000
2014				
Not past due	**31,620**	**–**	**–**	**31,620**
Past due 1 - 30 days	**1,529**	**–**	**–**	**1,529**
Past due 31 - 120 days	**900**	**–**	**–**	**900**
Past due more than 120 days	**1,367**	**(1,197)**	**–**	**170**
	35,416	**(1,197)**	**–**	**34,219**
2013				
Not past due	31,035	–	–	31,035
Past due 1 - 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

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

	Group 2014 RM'000	Group 2013 RM'000
At 1 January	**1,338**	274
Impairment loss recognised	**78**	1,250
Impairment loss written off	**(161)**	(49)
Impairment loss recovered	**(58)**	(137)
At 31 December	**1,197**	1,338

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 receivable directly.

At 31 December 2014, there is a significant individual impairment loss of RM1,004,000 (2013 : RM1,004,000) relating to a customer with dispute invoices during the previous financial year.

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.4 Credit risk (continued)

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.

22.5 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 exposure to liquidity risk arises principally from its various payables, loans and borrowings.

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.

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.5 Liquidity risk (continued)

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 RM'000	Contractual interest rate %	Contractual Cash flows RM'000	Under 1 Year RM'000
2014				
Group				
Non-derivative financial liabilities				
Trade and other payables	**20,866**	**–**	**20,866**	**20,866**
Company				
Non-derivative financial liabilities				
Trade and other payables	**716**	**–**	**716**	**716**
2013				
Group				
Non-derivative financial liabilities				
Trade and other payables	16,749	–	16,749	16,749
Company				
Non-derivative financial liabilities				
Trade and other payables	1,051	–	1,051	1,051

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices 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 ("EURO"), Singapore Dollar ("SGD") and Great Britain Pound ("GBP").

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 functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	***Denominated in* USD**	
	2014 RM'000	**2013 RM'000**
Group		
Trade receivables	**4,821**	1,273
Trade payables	**(914)**	(2,867)
Bank balance	**33**	18
Other receivables/(payables)	**214**	(281)
Net exposure in the statement of financial position	**4,154**	(1,857)

	***Denominated in* EURO**	
	2014 RM'000	**2013 RM'000**
Trade receivables	**498**	474
Other receivables/(payables)	**4,985**	(3,170)
Net exposure in the statement of financial position	**5,483**	(2,696)

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.6 Market risk (continued)

22.6.1 Currency risk (continued)

Exposure to foreign currency risk (continued)

	Denominated in **SGD**	
	2014	**2013**
	RM'000	**RM'000**
Trade payables	**(22)**	(346)
Net exposure in the statement of financial position	**(22)**	(346)

	Denominated in **GBP**	
	2014	**2013**
	RM'000	**RM'000**
Other receivables	**14**	–
Net exposure in the statement of financial position	**14**	–

Currency risk sensitivity analysis

A 10% (2013: 10%) strengthening of the Ringgit Malaysia against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Profit or loss	
	2014	**2013**
	RM'000	**RM'000**
Group		
USD	**(312)**	139
EURO	**(411)**	202
SGD	**2**	26
GBP	**(1)**	–

A 10% (2013: 10%) weakening of Ringgit Malaysia against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.6 Market risk (continued)

22.6.2 Interest rate risk

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

	Group	
	2014	**2013**
	RM'000	**RM'000**
Fixed rate instruments		
Financial assets	**7,173**	6,169

Interest rate risk sensitivity analysis

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, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.7 Fair value information

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

The carrying amount of unsecured non-revolving loan reasonably approximate their 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:

Company	Carrying amount 2014 RM'000	Fair value 2014 RM'000	Carrying amount 2013 RM'000	Fair value 2013 RM'000
Amount due from a subsidiary	**62,503**	**62,503**	62,749	62,749

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 5.6% (2013: 5.1%).

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.7 Fair value information (continued)

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 (2013: 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

	Group	
	2014	**2013**
	RM'000	**RM'000**
Capital expenditure commitments		
Plant and equipment		
Authorised but not provided for	**10,014**	22,199
Contracted but not provided for	**14,934**	6,526

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 or jointly 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 17. The balances related to the below transactions are shown in Note 7 and 12.

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
A. Intermediate holding company				
Management fees paid	**(6,545)**	(6,089)	**–**	–
B. Immediate holding company				
Dividends paid	**(17,908)**	(14,768)	**(17,908)**	(14,768)
C. Related companies				
Sale of goods	**16,454**	13,962	**–**	–
Purchases of goods	**(19,210)**	(19,331)	**–**	–
Research and development costs paid to related company	**(2,463)**	(3,035)	**–**	–
Dividend income received from a subsidiary	**–**	–	**22,440**	23,205
Interest income received from a subsidiary	**–**	–	**2,453**	2,542

25. RELATED PARTIES (CONTINUED)

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 RM754,000 (2013 : RM1,322,000).

26. SUBSEQUENT EVENT

Subsequent to the financial year end, the Company re-issued its entire 658,000 treasury shares by resale in the open market for a total consideration of approximately RM2,172,000. The average resale price of treasury shares was RM3.30 per share. The proceeds from the resale will be utilised as working capital of the Company.

Details of the resale of treasury shares were as follows:

2015	Average selling price RM	Highest selling price RM	Lowest selling price RM	Number of treasury shares resold	Total consideration received RM
February	3.30	3.37	3.09	658,000	2,172,000

27. 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:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total retained earnings of the Company and its subsidiary				
– realised	**145,336**	129,073	**20,886**	22,458
– unrealised	**1,137**	6,418	**–**	–
	146,473	135,491	**20,886**	22,458
Less: Consolidation adjustments	**(34,724)**	(34,723)	**–**	–
Total retained earnings	**111,749**	100,768	**20,886**	22,458

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 31 March 2015

Authorised Share Capital	:	RM250,000,000.00
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 SIZE OF HOLDINGS AS AT 31 MARCH 2015

Size of Holdings	No. of holders	%	No. of shares	%
1 – 99	195	7.86	4,796	0.003
100 – 1,000	588	23.41	437,168	0.313
1,001 – 10,000	1,334	53.01	5,806,174	4.164
10,001 – 100,000	354	14.09	11,117,870	7.970
100,001 – 6,973,974(*)	40	1.59	19,780,600	14.18
6,973,975 and above (**)	1	0.04	102,332,892	73.37
TOTAL	2,512	100.00	139,479,500	100.00

* Less than 5% of issued shares
** 5% and above of issued shares

DIRECTORS' SHAREHOLDINGS AS PER REGISTER OF DIRECTORS AS AT 31 MARCH 2015

Name	No. of Shares Held			
	Direct	* %	Indirect	%
Tan Sri Dato' Dr. Abu Bakar bin Suleiman	286,400	0.21	22,000	0.01
Dato' Hj Ghazali bin Awang	105,000	0.07	–	–
Datuk Alias bin Ali	–	–	–	–
Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam	34,120	0.02	–	–
Dato' Mohamad Kamarudin bin Hassan	–	–	–	–

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2015

Name	No. of Shares Held			
	Direct	* %	Indirect	%
CCM Marketing Sdn. Bhd.	102,332,892	73.37	–	–

TOP 30 SHAREHOLDERS AS AT 31 MARCH 2015

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.	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD. – As Beneficial Owner (PF)	1,676,800	1.20
5.	BERJAYA SOMPO INSURANCE BERHAD	1,000,000	0.72
6.	HSBC NOMINEES (ASING) SDN. BHD. – Exempt AN for Skandinaviska Eskilda Banken AB (Swedish Clients)	971,700	0.70
7.	EMPLOYEES PROVIDENT FUND BOARD	500,000	0.36
8.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. – Pledged Securities Account for Chong Khong Shoong	500,000	0.36
9.	HSBC NOMINEES (ASING) SDN. BHD. – Exempt AN for Skandinaviska Enskilda Banken AB (AIF Swedish Res)	427,000	0.31
10.	UOBM NOMINEES (TEMPATAN) SDN. BHD. – UOB Asset Management (Malaysia) Berhad for Gibraltar BSN Aggressive Fund	336,200	0.24
11.	HSBC NOMINEES (TEMPATAN) SDN. BHD. – HSBC (M) Trustee Bhd. for Pertubuhan Keselamatan Sosial (UOB AMM6939-406)	330,000	0.24
12.	PM NOMINEES (TEMPATAN) SDN. BHD. – For Bank Kerjasama Rakyat Malaysia Berhad	317,500	0.23
13.	MALAYSIAN NOMINEES (TEMPATAN) SENDIRIAN BERHAD – RHB Trustees Berhad for KAF Vision Fund (00-10035-000)	300,000	0.22
14.	OOI KENG TAN	300,000	0.22
15.	ABU BAKAR BIN SULEIMAN	286,400	0.21
16.	AUN HUAT & BROTHERS SDN. BERHAD	251,800	0.18
17.	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. – Pledged Securities Account for Chong Khong Shoong (E-IMO/JSI)	250,000	0.18
18.	LIEW WAI KIAT	237,600	0.17
19.	CITIGROUP NOMINEES (ASING) SDN. BHD. – Exempt AN for Citibank NA (Citigrp Priv Bk)	235,000	0.16

TOP 30 SHAREHOLDERS AS AT 31 MARCH 2015 (CONTINUED)

No.	Name	Holdings	Percentage (%)
20.	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. – CIMB Bank for Chong Khong Shoong (MY1707)	200,000	0.14
21.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD – Hong Leong Asset Management Berhad for Program Pertukaran Fellowship Perdana Menteri Malaysia (1085)	200,000	0.14
22.	HSBC NOMINEES (TEMPATAN) SDN. BHD. – HSBC (M) Trustee Bhd. for Zurich Insurance Malaysia Berhad (Dana Seri Mulia)	200,000	0.14
23.	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. – Pledged Securities Account for Chong Khong Shoong (E-IMO)	200,000	0.14
24.	HSBC NOMINEES (TEMPATAN) SDN. BHD. – HSBC (M) Trustee Bhd. for Zurich Insurance Malaysia Berhad (Income Fund)	199,900	0.14
25.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. – Pledged Securities Account for Hugo Chong Jin Der	180,000	0.13
26.	DB (MALAYSIA) NOMINEES (TEMPATAN) SENDIRIAN BERHAD – Deutsche Trustees Malaysia Berhad for Hong Leong Dividend Fund	157,000	0.11
27.	LIM PENG HUAT	150,000	0.10
28.	DB (MALAYSIA) NOMINEES (TEMPATAN) SENDIRIAN BERHAD – Hong Leong Asset Management Berhad for Gibraltar BSN Life Berhad (Lifefund-Parpif)	148,000	0.10
29.	OLIVE LIM SWEE LIAN	140,000	0.10
30.	DIANA GOH HOON SUAT	136,000	0.09

No.	Company	Report Title	Details	Land Tenure	Land Area	Built Area	Latest Valuation as at 31 December 2014 (RM)
1	Duopharma (M) Sdn. Bhd. ("DMSB")	Lot No.2599 – Klang Selangor	1. H.S.M 48648 PT No. 129880, Mukim and District of Klang, State of Selangor Darul Ehsan 2. Lot 2599, Jalan Seruling 59, Kawasan 3, Taman Klang Jaya, 41200 Klang, Selangor Darul Ehsan	Freehold 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 b. Four storey factory and office building 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	21,838 sq m	24,260.63 sq m	Land: 12,576,553.05 Building: 50,981,171.06 Total NBV as at 31 Dec 2014: 63,557,724.11
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: 440,214.29 Total NBV as at 31 Dec 2014: 760,214.29
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: 31 Dec 2014

Recurrent Related Party Transactions of a Revenue or Trading Nature

At the Annual General Meeting held on 20 May 2014, the Company had obtained a shareholders' mandate to allow the Company to enter into Recurrent Related Party Transactions 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 2014, pursuant to the shareholders mandate are as follows:-

Nature of RRPTs	Vendor/Provider	Purchaser/ Recipient	Aggregate Value (RM'000)	Related parties
1) Purchase of raw materials for pharmaceutical products	CCM Chemicals Sdn. Bhd. ("CCMC")	Duopharma (M) Sdn. Bhd. ("DMSB")	8	*Interested Major Shareholder:* CCM[1] *Interested Director/ Interested Person Connected:* Leonard Ariff bin Abdul Shatar[2]
2) Sales of pharmaceuticals products	DMSB	CCM Pharmaceuticals (S) Pte. Ltd. ("CCMPS")	1,435	*Interested Major Shareholder:* CCM[1] *Interested Director/ Interested Person Connected:* Leonard Ariff bin Abdul Shatar[2]
3) Sale of pharmaceutical/ healthcare products	DMSB	CCM Marketing Sdn. Bhd. ("CCMM")	97	*Interested Major Shareholder:* CCM[1] *Interested Director/ Interested Person Connected:* Leonard Ariff bin Abdul Shatar[2]
4) Purchase of pharmaceutical products and raw materials	CCM Pharmaceuticals Sdn. Bhd. ("CCMP")	DMSB	652	*Interested Major Shareholder:* CCM[1] *Interested Director/ Interested Person Connected:* Leonard Ariff bin Abdul Shatar[2]
5) Sales of Pharmaceuticals products and raw materials	DMSB	CCMP	14,677	*Interested Major Shareholder:* CCM[1] *Interested Director/ Interested Person Connected:* Leonard Ariff bin Abdul Shatar[2]
6) Sales of Pharmaceuticals products and raw materials	DMSB	UPHA Pharmaceutical Manufacturing (M) Sdn. Bhd. ("UPHA")	20	*Interested Major Shareholder:* CCM[1] *Interested Director/ Interested Person Connected:* Leonard Ariff bin Abdul Shatar[2]
7) Purchase of Pharmaceuticals products and raw materials	UPHA	DMSB	18,551	*Interested Major Shareholder:* CCM[1] *Interested Director/ Interested Person Connected:* Leonard Ariff bin Abdul Shatar[2]

Nature of RRPTs	Vendor/Provider	Purchaser/ Recipient	Aggregate Value (RM'000)	Related parties
8) Professional services & construction of water treatment plant, etc.	CCM Water Systems Sdn. Bhd. ("CCMWS")	DMSB	–	*Interested Major Shareholder:* CCM[1] *Interested Director/ Interested Person Connected:* Leonard Ariff bin Abdul Shatar[2]
9) Provision of Shared/ Management Services[3]	CCM	CCMD	141	*Interested Major Shareholder:* CCM[1] *Interested Director/ Interested Person Connected:* Leonard Ariff bin Abdul Shatar[2]
10) Provision of Shared/ Management Services[3]	CCM	DMSB	3,800	*Interested Major Shareholder:* CCM[1] *Interested Director/ Interested Person Connected:* Leonard Ariff bin Abdul Shatar[2]

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

Notes:-

1. 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. Leonard Ariff bin Abdul Shatar is the Group Managing Director of CCM. He is also the Chief Executive Officer of CCMD and a Director of CCMD as defined under the Definitions Section of the Circular to Shareholders dated 30 April 2015. 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 30 April 2015. 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. 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

NOTICE IS HEREBY GIVEN that the Fourteenth 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, **26 May 2015 at 2.30 p.m.** for the following purposes:-

AGENDA

As Ordinary Business

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2014 together with the Reports of the Directors and Auditors thereon. **Ordinary Resolution 1**

2. To approve a Final Dividend of 14.5 sen per ordinary share, tax exempt dividend under the single tier tax system for the financial year ended 31 December 2014. **Ordinary Resolution 2**

3. To re-elect Datuk Alias bin Ali who retires in accordance with Article 93 of the Articles of Association of the Company. **Ordinary Resolution 3**

4. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 4**

5. To consider, and if deemed fit, to pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965:-

   (i) That Tan Sri Dato' Dr. Abu Bakar bin Suleiman, who is over the age of seventy (70), be hereby re-appointed as Director of the Company, and to hold office until the next Annual General Meeting of the Company. **Ordinary Resolution 5**

   (ii) That Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam, who is over the age of seventy (70), be hereby re-appointed as Director of the Company, and to hold office until the next Annual General Meeting of the Company. **Ordinary Resolution 6**

6. To transact any other business of which due notice shall been received.

As Special Business

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

7. **Proposed Renewal of Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")** **Ordinary Resolution 7**

"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 and 2.2.5 of the Circular to Shareholders dated 30 April 2015 which are necessary for the Company and/or its subsidiary's day-to-day operations subject further to the following:-

(i) 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."

8. **Retention of Dato' Haji Ghazali bin Awang and Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam as Independent Directors of the Company**

   To consider, and if deemed fit, to approve the retention of the following Directors of the Company who have served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as Independent Non-Executive Directors of the Company:-

   (i) Dato' Haji Ghazali bin Awang; and **Ordinary Resolution 8**

   (ii) Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam. **Ordinary Resolution 9**

9. **Authority Pursuant to Section 132D of the Companies Act, 1965 ("Act") for the Directors to Issue and Allot New Ordinary Shares of RM0.50 each in the Company ("Rights Shares") Pursuant to the Renounceable Rights Issue Approved at the Extraordinary General Meeting of the Company on 11 March 2015 ("EGM") ("Rights Issue Resolution")** **Ordinary Resolution 10**

   "**THAT**, authority be and is hereby given to the Directors of the Company pursuant to Section 132D(1) of the Act to provisionally allot and issue the Rights Shares on the terms and in accordance with the Rights Issue Resolution as passed at the EGM, and such authority to be in force until the conclusion of the next annual general meeting of the Company."

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN that subject to the approval of the Shareholders at the forthcoming AGM, a Final Dividend of 14.5 sen per ordinary share, tax exempt dividend under the single tier tax system in respect of the Company's financial year ended 31 December 2014 will be paid on 25 June 2015 to shareholders whose names appear in the Record of Depositors on 29 May 2015.

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

(a) Shares transferred into the Depositor's Securities Account before 5.00 p.m. on 29 May 2015 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: 30 April 2015

NOTES:

1. 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 19 May 2015 be regarded as members and entitled to attend and vote at the meeting.

Explanatory Notes on Special Business

(i) **Ordinary Resolutions 5 and 6:** Re-appointment of Directors pursuant to Section 129(6) of the Companies Act, 1965.

The re-appointment of Tan Sri Dato' Dr. Abu Bakar bin Suleiman and Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam who have attained the age of 71 years, as Directors of the Company to hold office until the conclusion of the next AGM, shall take effect if the proposed Ordinary Resolutions 5 and 6 are passed by a majority of not less than three-fourths (3/4) of such members as being entitled to vote in person or by proxy at the Fourteenth AGM of the Company.

(ii) **Ordinary Resolution 7:** Proposed Renewal of Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.

The explanatory note on Resolution 7 is set out in the Circular to Shareholders dated 30 April 2015.

(iii) **Ordinary Resolutions 8 and 9:** Retention of Dato' Haji Ghazali bin Awang and Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam as Independent Directors of the Company.

The Nomination and Remuneration Committee has assessed the independence of Dato' Hj. Ghazali bin Awang and Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam, who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years, and recommends that they continue to act as Independent Non-Executive Directors of the Company based on the following justification:-

(a) They have fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") and thus, they would be able to function as check and balance, provide a broader view and bring with them elements of objectivity to the Board;

(b) They bring to the Board a diverse set of experience, skills and expertise;

(c) They have performed their duty diligently in the best interest of the Company and provided a broader view as well as independent and balance assessment of proposals from Management;

(d) They have no business dealings with the Company save and except as being a member of the Board of Directors of the Company.

(iv) **Ordinary Resolution 10:** Authority Pursuant to Section 132D of the Companies Act, 1965 ("Act) for the Directors to Issue and Allot New Ordinary Shares of RM0.50 each in the Company ("Rights Shares") pursuant to the Renounceable Rights Issue Approved at the Extraordinary General Meeting of the Company on 11 March 2015 ("EGM") ("Rights Issue Resolution").

The shareholders of the Company had, at the EGM held on 11 March 2015 approved the Rights Issue Resolution including the authorization for the Board to provisionally allot and issue by way of a renounceable rights issue of up to 139,479,500 Rights Shares, on the basis of one (1) Rights Share for every one (1) existing ordinary share of RM0.50 each held in the Company, by way of provisional allotment to shareholders whose names appear in the Record of Depositors at the close of business on an entitlement date to be determined and announced later by the Board ("**Entitlement Date**").

The authority given to the Directors to provisionally allot the Rights Shares in accordance with the Rights Issue Resolution will, pursuant to Section 132D(3)(a) of the Act, lapse at the Annual General Meeting of the Company to be held on 26 May 2015.

As at the date of this Notice, the Proposed Rights Issue has yet to be completed. By virtue of section 132D(3) of the Act, the resolution approved at the EGM shall lapse at the forthcoming AGM and will therefore need to be extended for the purpose of completion of the Proposed Rights Issue.

This mandate for issuance of shares under the Proposed Rights Issue, unless revoked or further varied at a General Meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

Statement Accompanying the Notice of the Fourteenth 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 three (3) Directors of the Company seeking re-election/re-appointment as well as the directors who are proposed to be retained as Independent Directors of the Company are set out in their respective profiles which appear in the Directors' Profiles on pages 20, 21, 22 and 23 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 116 of this Annual Report.

CCM Duopharma Biotech Berhad (524271-W)
(Incorporated in Malaysia)

Proxy Form

I/We ______________________________ NRIC No./Passport No./Company No.______________________

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

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
Address		No. of shares	%

*and/or *delete if not applicable

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
Address		No. of shares	%

or failing him/her, the Chairman of the Meeting *my/our proxy to vote for *me/our behalf at the Fourteenth 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, 26th May 2015 at 2.30 p.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 2014 together with the Reports of the Directors and Auditors thereon.	Ordinary Resolution 1		
2.	To approve a Final Dividend of 14.5 sen per ordinary share, tax exempt dividend under the single tier tax system for the financial year ended 31 December 2014.	Ordinary Resolution 2		
3.	To re-elect Datuk Alias bin Ali who retires in accordance with Article 93 of the Articles of Association of the Company.	Ordinary Resolution 3		
4.	To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration.	Ordinary Resolution 4		
5.	To re-appoint Tan Sri Dato' Dr. Abu Bakar bin Suleiman in accordance with Section 129(6) of the Companies Act, 1965.	Ordinary Resolution 5		
6.	To re-appoint Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam in accordance with Section 129(6) of the Companies Act, 1965.	Ordinary Resolution 6		
No.	**SPECIAL BUSINESS**	**RESOLUTION NO.**	**FOR**	**AGAINST**
7.	Proposed Renewal of Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate").	Ordinary Resolution 7		
8.	Retention of Dato' Haji Ghazali bin Awang as Independent Director of the Company.	Ordinary Resolution 8		
9.	Retention of Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam as Independent Director of the Company.	Ordinary Resolution 9		
10.	Authority Pursuant to Section 132D of the Companies Act, 1965 ("Act") for the Directors to Issue and Allot New Ordinary Shares of RM0.50 each in the Company ("Rights Shares") Pursuant to the Renounceable Rights Issue Approved at the Extraordinary General Meeting of the Company on 11 March 2015 ("EGM") ("Rights Issue Resolution").	Ordinary Resolution 10		

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

Signed this ______________ day of ________________ 2015.

CDS Account No.	
No. of ordinary shares	

____
Signature/Seal

Notes:
1. 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 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 19 May 2015 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

Fold here

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