# STATEMENT ON CORPORATE GOVERNANCE

**for the Financial Year ended 31 December 2016**

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 Board is pleased to report to the shareholders on the manner the Company has applied the principles of good corporate governance and the extent of compliance with the Best Practices of Good Governance as set out in the Code throughout the financial year ended 31 December 2016.

## 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, the entering into of 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. The last review and refinements of the limits of authority was conducted in November 2015 to improve operational effectiveness and efficiencies. 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 on achieving performance targets and long term business goals. The Chief Executive Officer also tables other reports and proposals and assurances as the Board considers necessary to confirm and ensure that the management authorities 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 Company's 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 Company draws on the services of CCM Group Risk Management Department ("GRMD") to provides the Board with a separate status report of enterprise risk on a quarterly basis. The CCM Group Internal Auditor also provides the assurance on the adequacy, efficiency and effectiveness of the internal control systems to the Audit and Risk Management Committee ("ARMC"), through issuance of the internal audit and investigation reports as well as quarterly reporting of significant audit issues.

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

The Board, through the ARMC, determines the level of risk tolerance and actively identifies, assesses and monitors key business risks to safeguard the Group's businesses. In managing 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. The CCM Group Enterprise Risk Management ("ERM") Framework and CCM Group's Risk Management Policy can be accessed on the Company's website.

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

**for the Financial Year ended 31 December 2016**

The internal control mechanism established by the Board is embedded within the organisation structure in all its processes. The internal control system is independently reviewed by the Group Internal Auditor to ensure its adequacy, effectiveness and integrity.

(iv) Succession Planning

The Board has entrusted the Nomination and Remuneration Committee ("NRC") with the responsibility to review and recommend to the Board, candidates for top management positions. The candidates go through 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. For the year under review, the NRC had deliberated and recommended to the Board the appointment of a new Chief Strategy Officer. The details on the incumbent can be found on page 41 of this report.

A talent management programme at the CCM Group level helps to ensure that the Company has sufficient talent bench strength to meet its future needs besides having a pipeline of successors for mission critical positions. The Company has identified at least eleven (11) employees throughout the organisation as its potential talents. These employees have undergone the appropriate training and are ready to take on new challenges as and when the need arises.

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

The Board values the dialogue with shareholders and appreciates the keen interest shown by shareholders 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. As part of the Company's effort to enhance its shareholder and investor communication, the Company has participated in the CCM Group's investor relations programme which was held twice for 2016. This is also part of the Company's effort to keep its shareholders and investors updated with the latest development of the Group.

(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 81 to 84.

**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 Practice addresses, among other things, include matters relating to the duties and conduct as Directors, conflict of interests and conduct in meetings. The Directors are also required to submit annually 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 on 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 and 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.

Apart from the normal reporting of concerns to the Head of the Group Integrity and Assurance Department, the reporting channel as prescribed in the Whistle-Blowing Policy, namely the Whistle Blowing hotline ***(ccmintegrity@gmail.com)***, is made available to the employees and external parties.

The reports from the whistleblowers were treated with utmost confidentiality and were investigated. Results of the investigations were shared with the CCM Group Integrity Committee and Audit and Risk Management Committee of the Board.

The Integrity Unit, which was established at the CCM Group level in September 2013, is tasked to manage integrity issues within the organisation as well as to further enhance its good corporate governance practices and strengthen the ethical standards within the CCM Group. The Integrity Unit reports to the Audit and Risk Management Committee ("ARMC") and 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 the criminal misconducts to the relevant enforcement agencies;
- Complaint management – to receive and take the necessary actions on all information/complaints received on criminal misconducts as well as violations of the Group's Code of Conduct and business ethics;
- Compliance – to ensure compliance with laws and regulations; and
- Disciplinary actions – to carry out the secretariat function to the Disciplinary/Integrity Board.

In 2016, the Integrity Unit continued to provide briefings on Integrity Pacts to the suppliers of the organisation. Integrity Pacts were signed with them to enhance transparency in the procurement activities. The whistle-blowing hotline was also shared with the suppliers to enable them to report on any wrongdoings involving the employees of the organisation.

**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. The details of the Company's effort to promote sustainability can be found in the Sustainability Report on the Company's website.

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

**for the Financial Year ended 31 December 2016**

**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 agenda 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 were held during the year. Additional meetings were 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 that 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, five (5) Board meetings were held. Details of the Directors' meeting attendance during the financial year are as follows:

| Name of Directors | No. of Meetings Attended |
|---|---|
| **Dato' Hajah Normala binti Abdul Samad**<br>Non-Independent Non-Executive Chairman<br>*(Appointed w.e.f. 26 May 2016)* | 2/2 |
| **Tan Sri Siti Sa'diah binti Sh. Bakir**<br>Senior Independent Non-Executive Director<br>*(Appointed w.e.f. 5 April 2016)* | 2/3 |
| **Dato' Mohamad Kamarudin bin Hassan**<br>Independent Non-Executive Director | 5/5 |
| **Dato' Azmi bin Mohd Ali**<br>Non-Independent Non-Executive Director<br>*(Appointed w.e.f. 5 April 2016)* | 3/3 |
| **Razalee bin Amin**<br>Independent Non-Executive Director<br>*(Appointed w.e.f. 1 June 2016)* | 2/2 |

| Name of Directors | No. of Meetings Attended |
|---|---|
| **Puan Sri Datuk Rohani Parkash binti Abdullah**<br>Independent Non-Executive Director<br>*(Appointed w.e.f. 2 August 2016)* | 2/2 |
| **Zaiton binti Jamaluddin**<br>Independent Non-Executive Director<br>*(Appointed w.e.f. 1 September 2016)* | 1/1 |
| **Dato' Eisah binti A. Rahman**<br>Independent Non-Executive Director<br>*(Appointed w.e.f. 16 November 2016)* | 1/1 |
| **Tan Sri Dato' Dr. Abu Bakar bin Suleiman**<br>Non-Independent Non-Executive Director<br>*(Retired w.e.f. 26 May 2016)* | 3/3 |
| **Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam**<br>Independent Non-Executive Director<br>*(Retired w.e.f. 26 May 2016)* | 3/3 |
| **Datuk Alias bin Ali**<br>Non-Independent Non-Executive Director<br>*(Resigned w.e.f. 10 August 2016)* | 2/3 |
| **Dato' Hj Ghazali bin Awang**<br>Senior Independent Non-Executive Director<br>*(Resigned w.e.f. 1 September 2016)* | 4/4 |
| **Dr. Byung-Geon Rhee**<br>Independent Non-Executive Director<br>*(Resigned w.e.f. 25 February 2017)* | 5/5 |

All Directors have the same right of access to all information within the Company. It is the Director's duty to make further enquiries which they may require in discharging their duties, including seeking independent professional advice either directly or through the Chief Executive Officer or the Company Secretary's office, 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. On the invitation of our former independent non-executive director, Dr. Byung-Geon Rhee, the Board of the Company visited Green Cross Korea in May 2016. Green Cross is a company specialising in the development and manufacturing of plasma derivatives, preventive vaccines, recombinant proteins and therapeutic antibodies.

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

**for the Financial Year ended 31 December 2016**

**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 and the business are complied with. This includes compliance to the Main Market Listing Requirements, Companies Act 1965 and 2016, Securities Commission Act 1963, Capital Market and Services Act 2007 and other relevant requirements.

The Company Secretary also plays an important role as a gatekeeper of corporate governance. She is responsible in ensuring that the principles and practices of corporate governance are complied with, where possible. In addition to this, the Company Secretary also provides the relevant advice to the Board, when required. 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, which is reviewed on an annual basis, 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 Constitution stipulates that the minimum and maximum number of Directors on the Board shall not be less than three (3) and more than nine (9). An alternate director shall not be counted in the determination of the minimum or maximum number of Directors on the Board.

The Directors, with their different backgrounds and specialisations, collectively bring with them a wide range of experience and expertise to enable the Board to lead and control the Company effectively. A brief description on the background of the Directors is presented in the Board of Directors' Profile section of this Annual Report on pages 30 to 37.

During the year, two (2) Non-Independent Non-Executive Directors and two (2) Independent Non-Executive Directors resigned from the Company. Subsequently, seven new directors, two (2) of which are Non-Independent Non-Executive Directors and five (5) Independent Non-Executive Directors were appointed to the Board. As at 31 December 2016, the Board consists of nine (9) members comprising two (2) Non-Independent Non-Executive Directors and seven (7) Independent Non-Executive Directors.

On 25 February 2017, Dr Byung-Geon Rhee resigned from the Company. As a result, the current Board composition consists of eight (8) members comprising two (2) Non-Independent Non-Executive Directors and six (6) Independent Non-Executive Directors. The composition of the Board was maintained so that not less than one-third (1/3) were independent directors at all times, in line with the Main Market Listing Requirements. This balance enables the Board to provide clear and effective leadership to the Company and to bring informed and independent judgment to many aspects of the Company's strategies so as to ensure that the highest standards of conduct and integrity are maintained.

In accordance with the best practices in corporate governance, the Board appoints a Senior Independent Non-Executive Director to whom concerns of shareholders and stakeholders relating to the Company may be conveyed. At present, Tan Sri Siti Sa'diah binti Sh. Bakir is the Senior Independent Non-Executive Director. She is also the Chairman of the Nomination and Remuneration Committee ("NRC").

To ensure that the composition of the Board is strengthened, the Board has entrusted the NRC to implement policies and procedures with respect to the selection and nomination of candidates for Board and Board Committees, review of Board's succession plans and training programmes for the Board.

**Recommendation 2.1**
**Nomination and Remuneration Committee**

The Company has in place a Nomination and Remuneration Committee ("NRC") with specific terms of reference. The NRC comprises three (3) members, all of whom are Non-Executive Directors with the majority being independent directors. The Chair of the NRC is held by the Senior Independent Non-Executive Director, Tan Sri Siti Sa'diah binti Sh. Bakir.

Details pertaining to the NRC's composition and activities are set out in the Annual Report on pages 79 to 80. The NRC's terms of reference can be found on the Company's website.

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

(i) Recruitment/Appointment of Directors

One of the responsibilities of the Nomination and Remuneration Committee ("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 which has been approved by the Board. 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. In respect of the appointment of Razalee bin Amin, Puan Sri Datuk Rohani Parkash binti Abdullah, Zaiton binti Jamaluddin and Dato' Eisah binti A. Rahman as directors of the Company, the Company has observed the prescribed process as approved by the Board of the Company. Razalee bin Amin, Puan Sri Datuk Rohani Parkash binti Abdullah, Zaiton binti Jamaluddin and Dato' Eisah binti A. Rahman's nominations were deliberated by the NRC and subsequently tabled to the Board for approval. The Board Selection and Nomination Procedure can be accessed on the Company's website.

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 Constitution 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 Director retiring under this Article at the forthcoming AGM is Dato' Azmi bin Mohd Ali and having been eligible, has offered himself for re-election.

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

**for the Financial Year ended 31 December 2016**

In addition, Article 99 of the Company's Constitution 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 Directors who retire by rotation at the meeting. The Director retiring under this Article at the forthcoming AGM are Dato' Hajah Normala binti Abdul Samad, Razalee bin Amin, Puan Sri Datuk Rohani Parkash binti Abdullah, Zaiton binti Jamaluddin and Dato' Eisah binti A. Rahman and having been eligible, have offered themselves for re-election.

Prior to the implementation of the new Companies Act 2016 which took effect on 31 January 2017, 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. At the last AGM, Tan Sri Dato' Dr. Abu Bakar bin Suleiman and Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam, who were above seventy years old have not offered themselves for re-appointment and therefore have retired at the conclusion of the said 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 and the Group. 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. For the current year, visits to the Company's facilities in Klang and Bangi was conducted for the newly appointed directors.

(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.

In addition to the Board Evaluation Assessment, a Chairman Effectiveness Assessment is also conducted on an annual basis covering the areas of leadership, relationship, ethics and communication with stakeholders. Each Board Committee also conduct an annual self-evaluation in respect of the roles and functions as set out in the terms of reference of each Board Committee, interaction/participation at Board Committees activities, value adds, expertise and experience as well as areas of improvements required. A sample of the Board and Board Committee Effectiveness Assessment Forms are accessible on the Company's website.

For the financial year 2016, it was agreed that the detail Board Evaluation Assessment be deferred to 2017 in view of the fact that most of the directors were recently appointed to the Board. The deferment will allow a fair and reasonable assessment of the directors. Nevertheless, the Nomination and Remuneration Committee together with the Board have conducted a general assessment of the members of the Board and the respective Board Committees and were satisfied with their contribution and commitment, thus far.

(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 eight (8) Bumiputera Directors.

The Board at its meeting in February 2015 had also given their commitment on gender diversity by adopting a policy to ensure that at least 30% of its members comprise women directors by 2016. The Company has complied with its policy of at least 30% women directors on the Board. The Board now comprise of five (5) female directors and three (3) male directors.

(v) Remuneration Policy

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

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

(vi) Directors' Remuneration

The Non-Executive Directors are entitled to directors' fees. In addition, the Non-Executive Directors are also entitled to Board Committee fees on which they sit on. The Company had in 2014, sought the shareholders' approval to increase the ordinary remuneration payable to the Directors entitled to receive the ordinary remuneration with effect from 1 January 2014, in the manner as determined by the Board. Any further increase or review of the directors' remuneration will be tabled at the Annual General Meeting for shareholders' approval.

The Chief Executive Officer is not entitled to receive any directors' fees or Board Committee fees. However, the Chief Executive Officer is entitled to a token amount for his directorships in subsidiary companies. 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.

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

**for the Financial Year ended 31 December 2016**

The Board's remuneration is reviewed from time to time and is benchmarked against industry practice. Details of Directors' remuneration paid by the Company for the financial year ended 31 December 2016 are as follows:

| **Non-Executive Directors** | **(RM'000)** |
|---|---|
| Fees | 557 |

*Note: * Fees include Board Committee fees as well as two (2) retired and two (2) resigned directors*

The number of Directors whose remuneration falls within the following bands for the financial year ended 31 December 2016 is as follows:

| | **Executive Directors** | | **Non-Executive Directors** | | **Total** | |
|---|---|---|---|---|---|---|
| | **Company** | **Group** | **Company** | **Group** | **Company** | **Group** |
| Below RM50,000 | - | - | 9* | 9* | 9* | 9* |
| RM50,000 to RM100,000 | - | - | 4 | 4 | 4 | 4 |

*Note: * Includes two (2) retired and two (2) resigned directors*

The remuneration of directors for the financial year ended 31 December 2016 are as follows:

| | | **Director Fees (RM'000)** | | **Committee Fees (RM'000)** | | **Total (RM'000)** | |
|---|---|---|---|---|---|---|---|
| **Name** | **Category of Directors** | **Company** | **Group** | **Company** | **Group** | **Company** | **Group** |
| **Dato' Hajah Normala binti Abdul Samad** | Non-Executive | 51 | 51 | - | - | 51 | 51 |
| **Tan Sri Siti Sa'diah binti Sh. Bakir** | Non-Executive | 44 | 44 | 4 | 4 | 48 | 48 |
| **Dato' Mohamad Kamarudin bin Hassan** | Non-Executive | 65 | 65 | 7 | 7 | 72 | 72 |
| **Dato' Azmi bin Mohd Ali** | Non-Executive | 44 | 44 | 3 | 3 | 47 | 47 |
| **Razalee bin Amin** | Non-Executive | 35 | 35 | 4 | 4 | 39 | 39 |
| **Puan Sri Datuk Rohani Parkash binti Abdullah** | Non-Executive | 25 | 25 | - | - | 25 | 25 |
| **Zaiton binti Jamaluddin** | Non-Executive | 20 | 20 | 2 | 2 | 22 | 22 |
| **Dato' Eisah binti A. Rahman** | Non-Executive | 7 | 7 | - | - | 7 | 7 |
| **Tan Sri Dato' Dr. Abu Bakar bin Suleiman** *(Retired w.e.f. 26 May 2016)* | Non-Executive | 41 | 41 | 2 | 2 | 43 | 43 |

| Name | Category of Directors | Director Fees (RM'000) Company | Group | Committee Fees (RM'000) Company | Group | Total (RM'000) Company | Group |
|---|---|---|---|---|---|---|---|
| **Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam** *(Retired w.e.f. 26 May 2016)* | Non-Executive | 29 | 29 | 5 | 5 | 34 | 34 |
| **Datuk Alias bin Ali** *(Resigned w.e.f. 10 August 2016)* | Non-Executive | 41 | 41 | 4 | 4 | 45 | 45 |
| **Dato' Hj. Ghazali bin Awang** *(Resigned w.e.f. 1 September 2016)* | Non-Executive | 45 | 45 | 11 | 11 | 56 | 56 |
| **Dr. Byung-Geon Rhee** *(Resigned w.e.f. 25 February 2017)* | Non-Executive | 68 | 68 | - | - | 68 | 68 |
| **TOTAL** | | **515** | **515** | **42** | **42** | **557** | **557** |

*Note: That the shareholders, at the AGM held in 2015, had resolved that the ordinary resolution for foreign directors of the Company shall be USD15,000 per annum. The amount paid is based on USD exchange rate of RM4.201 to USD1 (average from Jan 2016 - Dec 2016).*

(vii) 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.

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

**for the Financial Year ended 31 December 2016**

**Recommendation 3.1**
**Annual Assessment of Independent Directors**

The Board currently consists of eight (8) Non-Executive Directors, six (6) 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.

For the current financial year, a detail, fair and reasonable assessment based on the Independent Director Assessment Form could not be undertaken due to the recent changes in the board. However, the Board and the Nomination and Remuneration Committee are generally satisfied with the level of independence demonstrated by the independent directors and their ability to act in the best interest of the Company. A sample of the Independent Director Assessment Form can be found on the Company's website.

**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 years interval. The Board may, upon the completion of the nine (9) years, re-designate the Independent Directors as a Non-Independent director if it is so determined that the expertise and experience of the Independent Director is still relevant to the Company or the Group (Recommendation 3.2). Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam and Dato' Haji Ghazali bin Awang who have served as Independent Directors of the Company for more than nine years have resigned from the Company on 26 May 2016 and 1 September 2016, respectively. Currently, the tenure of all Independent Directors on the Board have not exceeded nine (9) years.

**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 are clearly defined. As part of good corporate governance, the Chairman is responsible for ensuring the Board's effectiveness and proper conduct. She ensures that all relevant issue 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. Nevertheless, the board is comprised of a majority of independent directors to ensure balance of power and authority on the board. All Board members have the opportunity to participate and express their views in deliberations and decision making in the Board without fear or favour. (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, participation in training programmes and site visits 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 no 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 and business development.

During the year, the Group has organised the following trainings and breakfast talks, which were facilitated by industry experts, as part of the Continuing Education Programme:

(1) Time to Throw the Long (Carbon) Ball: Future Opportunities in Polymers
(2) Companies Bill 2015
(3) Corporate Liability Act: What's Next?
(4) Scenario Planning Workshop

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

**for the Financial Year ended 31 December 2016**

Listed below are the attendance of Directors at trainings organised by the Company or attended on their own initiatives during the year:

| Name | Training or Conference Attended |
|---|---|
| **Dato' Hajah Normala binti Abdul Samad**<br>*(Appointed w.e.f. 26 May 2016)* | 1. Time to Throw the Long (Carbon) Ball: Future Opportunities in Polymers by Fabian Boegershausen from Solidiance<br>2. Companies Bill 2015 by Messrs. Rahmat Lim & Partners.<br>3. Corporate Liability Act: "What's Next?" by Malaysian Anti-Corruption Commission<br>4. Mandatory Accreditation Programme ("MAP") by The Iclif Leadership and Governance Centre<br>5. How Effective Boards Engage on Succession Planning for the CEO and Top Management<br>6. Board Chairman Series Part 2: Leadership Excellence from the Chair<br>7. CG Breakfast Series with Directors: "The Cyberjaya Security Threat and How Board Should Mitigate the Risks"<br>8. Scenario Planning Workshop |
| **Tan Sri Siti Sa'diah binti Sh. Bakir**<br>*(Appointed w.e.f. 5 April 2016)* | 1. Companies Bill 2015 by Messrs. Rahmat Lim & Partners.<br>2. Corporate Liability Act: What's Next? by Malaysian Anti-Corruption Commission<br>3. The Direction of Global Competition Malaysia by Prof. Richard HK Vietor<br>4. Memperkasa Inovasi Kearah Kesejahteraan Johor by UTM Simposium Sinergi IPT, Industri & Kerajaan Johor (as Panelist)<br>5. Bursa Malaysia Independent Directors Programme – The Essence of Independence<br>6. The Institute of Internal Auditors Malaysia 2016 Audit Committee Conference - Setting the Right Tone by the Institute of Internal Auditors Malaysia<br>7. International Forum on Quality and Safety in Healthcare by Institute for Healthcare Improvement ("IHI") & BMJ<br>8. KPJUC 3rd International Conference on Multi-disciplinary Healthcare by KPJ Healthcare University College ("KPJUC")<br>9. 8th APHM International Healthcare Conference & Exhibition – Safe and Efficient Hospitals: Healthy Outcomes for both Patients and Shareholders by Association of Private Hospitals of Malaysia<br>10. Public Lecture CIMB-UUM Chair by Prof. Emeritus Dr. Salim Rashid _"Evaluating TPPA: Its Impact on the Banking Industry In Malaysia"<br>11. Companies Bill 2015: Key Amendment Relevant to Directors Talk by OSK Holdings Berhad<br>12. Fraud Risk Management – Whose Responsibility is it? by OSK Holdings Berhad<br>13. Learning & Development ("L&D") Conference – Learning to lead a new industry by Kerjaya One PLT (as Speaker)<br>14. Mesyuarat Jawatankuasa Teknikal Hospital Pengajar Universiti Kementerian Pendidikan Tinggi: Sesi Perkongsian Transformasi Hospital by Kementerian Pendidikan Tinggi (as Speaker)<br>15. 3rd Retirement Living & Senior Care SEA Conference – Advisory Board for Retirement Living & Senior Care World Southeast Asia 2016 – How can projects best leverage the unique expertise, knowledge and market insight that each partner offers (as Speaker) |

| Name | Training or Conference Attended |
|---|---|
| | 16. Program CEO @ FSK Fakulti Sains Kesihatan Universiti Teknologi MARA – The Future of Private Healthcare Services in Malaysia (as Speaker)<br>17. ISQua's 33rd International Conference Tokyo 2016 – Change and Sustainability in Healthcare Quality: the Future Challenges<br>18. INPUMA # UM 111 be Inspired UM-JCorp Carnival – Building a Dynamic and Entrepreneurial Youth Culture and A Life of Dedication: Personal Experience (as Speaker)<br>19. OYAGB UUM – JPA (JUSA) Excellence Leadership – Leadership, Change & Transformation For Sustainability (as Speaker)<br>20. Bursa Malaysia – Corporate Governance Breakfast Series with Directors – The Cyber Security Threat and How Board should Mitigate the Risks<br>21. Women's Institute Management (WIM) Conference 2016 – On Integrity and Governance for Company Directors (Public & Private Sectors) and Corporate Governance Practices in Private Sector Board (as Speaker)<br>22. MSQH Healthcare Summit 2016 – Enhancing Ethical, Safe and Quality Care Through Patient and Family Engagement and Do Malaysian Healthcare Service Provides Have the Values to Deliver Ethical, Safe and Quality Care?<br>23. Convention for Young Administration of ASEAN Universities 2016 – Jawatankuasa Latihan Universiti – Universiti Malaysia ("JALUMA") and Inculcating Culture Engagement in University Environment (as Speaker) |
| **Dato' Mohamad Kamarudin bin Hassan** | 1. Time to Throw the Long (Carbon) Ball: Future Opportunities in Polymers by Fabian Boegershausen from Solidiance<br>2. Comprehending Financial Statements for Directors and Management<br>3. Directors Tea Talk on Financial Statements: Number Tell a Story, What to Look Out For by Malaysian Alliance of Corporate Directors<br>4. Expectation on PLCs and Directors in Disclosure & Compliance Requirements under the Listing Requirements<br>5. Scenario Planning Workshop |
| **Dato' Azmi bin Mohd Ali**<br>*(Appointed w.e.f. 5 April 2016)* | 1. Time to Throw the Long (Carbon) Ball: Future Opportunities in Polymers by Fabian Boegershausen from Solidiance<br>2. Companies Bill 2015 by Messrs. Rahmat Lim & Partners.<br>3. Legal Forum for Tenaga Nasional Berhad's Legal Counsels<br>4. The Outlook of the World's Economy: Challenges and Opportunities for Malaysian Companies by Prof. Alan B Krueger, Bendheim Professor of Economics and Public Affairs at Princeton University, USA<br>5. MINDA's PowerTalk on "What Will Distinguish the Great Boards of Tomorrow?" by Beverly A. Behan<br>6. Briefing on the various methods of Liquidation & Insolvency by Encik Mohd Afrizan Husain (Managing Partner, Aftaas)<br>7. The Direction of Global Competition in Malaysia by Prof. Richard HK Vietor<br>8. "Talk on tax matters" by Mr Saravanan (Partner, Lee Hishammuddin Allen & Gledhill)<br>9. Breakfast Talk – Session 1 "Future Mega Trends Based On Malaysia Perspective" by Frost & Sullivan |

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

**for the Financial Year ended 31 December 2016**

| Name | Training or Conference Attended |
|---|---|
| | 10. The Cyber Security Threat and How Boards Should Mitigate the Risks by Dr. Jessie Barker<br>11. Corporate Liability Act: What's Next? by Malaysian Anti-Corruption Commission<br>12. Table Talk with Russian Lawyers<br>13. Scenario Planning Workshop |
| **Razalee bin Amin**<br>*(Appointed w.e.f. 1 June 2016)* | 1. Awareness on Sustainability Reporting<br>2. Briefing on Companies Act 2016<br>3. Corporate Tax Issues for 2016 & 2017<br>4. MIA International Accountants Conference 2016 |
| **Puan Sri Datuk Rohani Parkash binti Abdullah**<br>*(Appointed w.e.f. 2 August 2016)* | 1. Corporate Liability Act: "What's Next?" by Malaysian Anti-Corruption Commission<br>2. MINDA: Cyber Securities Risk Management for the Board Room and C-Suite<br>3. Mandatory Accreditation Program ("MAP") by The Iclif Leadership and Governance Centre |
| **Zaiton binti Jamaluddin**<br>*(Appointed w.e.f. 1 September 2016)* | 1. Corporate Liability Act: What's Next? by Malaysian Anti-Corruption Commission<br>2. Mandatory Accreditation Program ("MAP") by The Iclif Leadership and Governance Centre<br>3. Scenario Planning Workshop |
| **Dato' Eisah binti A. Rahman**<br>*(Appointed w.e.f. 16 November 2016)* | 1. Centre for Innovation in Regulatory Science ("CIRS") Benefit Risk Workshop & Annual Regulatons Forum – What are the Key Performance Metrics that Agencies and Companies should use to Measure the Regulatory Process and Practices to Facilitate the Licensing of New Medicines<br>2. Asia Pacific Regional Regulatory Partnership for Malaria Elimination Workshop co-hosted by Asia Pacific Leaders Malaria Alliance ("APLMA"), ADB, WHO, CoRE Duke-NUS Medical School, Australian TGA<br>3. Workshop on Development 2016 – 2025 ASEAN Consultative Committee for Standards and Quality ("ACCSQ") Action Plans and Key Performance Indicators ("KPIs")<br>4. Workshop on Patience Assistance Scheme ("PACs") by Pharmaceutical Services Division, Ministry of Health Malaysia & Malaysian Pharmaceutical Society ("MPS")<br>5. Talent Grooming Programme ("TGP") Inspirational Leadership Podium Series 2/2016 – Is The Sky The Limit<br>6. International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use ("ICH") Conference<br>7. Mandatory Accreditation Program ("MAP") by The Iclif Leadership and Governance Centre |
| **Dr. Byung-Geon Rhee** | 1. J.P. Morgan 34th Annual Healthcare Conference 2016 San Francisco (as Speaker)<br>2. BIO Korea 2016 International Convention (as Speaker)<br>3. Discussing key issues facing big pharma globally at AusBiotech Australia's Life Sciences Conference (as Speaker)<br>4. Edgar O'Rear Lecture at Rice University, Houston, US (as Speaker)<br>5. Scenario Planning Workshop |

**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 its authority to the Audit and Risk Management Committee ("ARMC") to ensure that the preparation of financial statements complies with the Companies Act, 2016 and the 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 Company maintains a transparent relationship with its external auditors and seeks professional advice to ensure that the accounting standards are complied with. The ARMC discusses with the external auditors the scope of the audit and reporting obligations before the audit commences. The ARMC ensures that Management provides timely responses on all material queries raised by the external auditors.

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, before being released to Bursa Securities.

The ARMC, with the assistance of and assurance from the Group Internal Auditor, also reviews the internal control systems within the organisation to ensure that they are sufficient, efficient and effective in supporting the achievement of the Company's objectives; optimum utilisation of the Company's assets; and compliance with the rules and regulations. In addition, the ARMC also reviews any related-party transactions that may arise between the Company and the CCM Group. Dedicated ARMC meetings are held to discuss these matters to ensure they are properly and effectively deliberated.

Private meetings are also held with the Group Internal Auditor to discuss key audit and internal control matters.

**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. ARMC, in reviewing the re-appointment of external auditors for tabling at the 16th Annual General Meeting, had considered their independence (including obtaining the written assurance confirming their independence throughout the audit engagement), objectivity and effectiveness. The ARMC is satisfied with the external auditors' technical competency and audit independence.

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

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

**for the Financial Year ended 31 December 2016**

**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 the 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 Audit Risk Management Committee ("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 CCM Group Risk Management Department which reports the results of the risk management activities to the ARMC. The Department facilitates the risk management processes within the Company.

The Company has adopted the CCM Group Risk Management Manual and Guidelines specifying clear Risk Management framework, policy and procedures which are aligned with the methodologies of ISO 31000, the international standards on managing risks. It includes the guidelines on the identification, analysis, evaluation, monitoring, communication and consultation of risks for the organisations. A copy of the Risk Management framework, policy and procedures can be accessed from the Company's website.

**Recommendation 6.2**
**Internal Audit Function**

The internal audit function of the CCM Group Integrity and Assurance Department provided the internal audit services to the Company. The internal audit function reports directly to the ARMC and is independent of the activities it audits, and the audits are performed with impartiality, proficiency and due professional care. The Group Internal Auditor has direct access to the Board through the Chairman of the ARMC.

The Group Integrity and Assurance Department provides assurance to the ARMC on matters relating to the systems of internal control by performing regular review on compliance of operational and financial procedures using risk-based audit approach. Investigations are also conducted on specific areas or issues as directed by ARMC and Management.

The internal audit function is well resourced, which enables critical reviews on selected 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.

Details of the Company's internal control system and framework are set out in the ARMC Report and Statement on Risk Management and Internal Control of this Annual Report on pages 73 to 78 and 81 to 84 respectively.

**PRINCIPLE 7**

**ENSURE TIMELY AND HIGH QUALITY DISCLOSURE**

**Recommendation 7.1**
**Corporate Disclosure Policy**

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

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

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

The following material information and the material development thereof have been released to shareholders via the Bursa Malaysia link in a timely manner:

| **Date of Announcement** | **Subject Matter of Material Information** |
|---|---|
| 23 March 2016 | Construction of New Plant (including machineries) and a New Warehouse with Roof Top Car Park at Lot 2599, Jalan Seruling 59, Kawasan 3, Taman Klang Jaya and Lot 2707, Jalan Seruling 59, Kawasan 3, Taman Klang Jaya, at an estimated cost of RM103.7 million and RM37.1 million (excluding GST), respectively. |
| 7 December 2016 | USD4 million Revolving Credit Facility ("RC Facility") from Sumitomo Mitsui Banking Corporation Labuan Branch ("SMBC") for a USD4 million RC Facility to be cross utilised by its wholly owned subsidiary, CCM International (Philippines), Inc. ("CCMIP"), upon the terms and conditions as contained in the Bank's offer letter dated 18 November 2016. |
| 25 January 2017 | Acceptance of Tender Offer (hereinafter referred to as "Letter of Award") by Government of Malaysia from Biocon for the Manufacture and Supply, and for CCM Pharmaceuticals Sdn. Bhd. to deliver the Human Insulin Formulations (hereinafter referred to as "Products") under the Ministry of Health ("MOH") Off-Take Agreement Program. |
| 15 February 2017 | Successful Completion of Jointly Conducted Multinational Phase III Clinical Trial between Duopharma (M) Sdn. Bhd. and PanGen Biotech Inc. for Biosimilar Erythropoietin in Korea and Malaysia. |

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

**for the Financial Year ended 31 December 2016**

**Recommendation 7.2**
**Leverage on Information Technology for Effective Dissemination**

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

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

In addition to the corporate website, the Company also embraced the social media to keep its current and former employees and other stakeholders updated and connected with the latest development of the Company.

**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 Constitution 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 shall vote by poll for all resolutions in the notice of meeting 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.

Following the amendments to the Bursa Malaysia Listing Requirements in 2015 and Companies Act 2016, all voting of resolutions in the Notice of Meeting shall be conducted by poll. As such, voting of all resolutions at the Company's general meeting shall now be conducted by poll, henceforth.

**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 of 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 Chairman will brief on the overview of the performance and prospects of the Company while the Chief Executive Officer will present the details of the progress and performance of the business as contained in the Annual Report. Shareholders will be given the opportunity 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 260 shareholders and 264 proxies attended the AGM in 2016.

(ii) Extraordinary General Meetings

Extraordinary General Meetings ("EGM") are held as and when required. The Directors will consider requisitions by shareholders to convene an 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. Following the amendments to the Bursa Listing Requirements in 2015 and the Companies Act 2016, shareholders shall vote by poll for all resolutions in the notice of meetings and the detailed results showing the number of votes cast for and against each resolution will be announced through Bursa Malaysia.

In line with Chapter 9.21(2) of the Bursa Malaysia Listing Requirements, the Company has published the summary of its AGM minutes containing key matters discussed on the Company's website to provide greater transparency and expedience so that the public's investing decisions are always taken with the latest and most comprehensive information.

(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.

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

**for the Financial Year ended 31 December 2016**

(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 Company's website contains information on the Company, business activities, corporate governance, investor relations, corporate responsibility and media releases by the Company. The Board ensures the timely release of financial results on a 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 2016

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 2016 | Date of Announcement |
|---|---|
| 1st Quarter | 18 May 2016 |
| 2nd Quarter | 22 August 2016 |
| 3rd Quarter | 21 November 2016 |
| 4th Quarter | 24 February 2017 |

**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 2016.

This statement is made in accordance with a resolution of the Board of Directors dated 24 February 2017.

# REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

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 2016.

## COMPOSITION OF AUDIT AND RISK MANAGEMENT COMMITTEE AND MEETINGS

During the financial year ended 31 December 2016, Dato' Haji Ghazali bin Awang, Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam and Datuk Alias bin Ali resigned/retired from the Committee. They were replaced by Razalee bin Amin and Zaiton binti Jamaluddin. As at the end of the financial year, the composition of the ARMC stood at three (3), all of whom are independent.

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

| Members of ARMC | No. of Meetings Attended |
|---|---|
| **Razalee bin Amin**<br>Chairman, Independent Non-Executive Director<br>*(Appointed as Member w.e.f. 1 June 2016 and subsequently, as Chairman w.e.f. 1 September 2016)* | 2/2 |
| **Dato' Mohamad Kamarudin bin Hassan**<br>Member, Independent Non-Executive Director | 5/5 |
| **Zaiton binti Jamaluddin**<br>Member, Independent Non-Executive Director<br>*(Appointed w.e.f. 1 September 2016)* | 1/1 |
| **Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam**<br>Member, Independent Non-Executive Director<br>*(Retired w.e.f. 26 May 2016)* | 3/3 |
| **Datuk Alias bin Ali**<br>Member, Non-Independent Non-Executive Director<br>*(Resigned w.e.f. 10 August 2016)* | 2/3 |
| **Dato' Haji Ghazali bin Awang**<br>Chairman, Senior Independent Non-Executive Director<br>*(Resigned w.e.f. 1 September 2016)* | 3/4 |

Details on the Terms of Reference of the Risk Management Committee can be found on the Company's website at www.duopharma.com.my

# REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE (CONT'D)

**Summary of Work Done During the Year**

Below is a listing of the work done by the ARMC in discharging and meeting their functions, duties and responsibilities with regards to financial reporting, internal controls and risk management.

(i) Reviewed the Statement on Corporate Governance, Report of the Audit and Risk Management Committee, Statement on Internal Audit Function and Statement of Risk Management and Internal Control ("SORMIC") prior to approval by the Board for inclusion in the 2016 Annual Report. The SORMIC was supported by the Annual Assurance Statement on Risk Management and Internal Controls, which were signed off by the Chief Executive Officer and the Chief Financial Officer;

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

(iii) Reviewed and approved the Company's internal audit plan and budget for the year;

(iv) 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;

(v) Reviewed the summary of the internal audit reports prepared by Group Internal Auditor and deliberated on significant audit issues, audit recommendations, management action plans and the agreed timeline. Where necessary, provided input on improvement of processes and operations;

(vi) Monitored the status of corrective actions taken by the Management to ensure all audit issues and concerns are adequately addressed within the stipulated timeline;

(vii) Reviewed the internal audit report on corporate governance, work progress and Group Internal Auditor KPI Scorecard for the year;

(viii) Held private meetings and discussions with the Group Internal Auditor on significant audit and internal control matters;

(ix) Reviewed the summary of the risk assessment report prepared by the Group Risk Management Department Officer;

(x) Monitored the status of corrective actions taken by the Management to ensure all risk management issues and concerns are adequately resolved on timely basis;

(xi) Reviewed the Company's Risk Profile and the management process for identifying, evaluating and managing the significant risks faced by the Company;

(xii) Reviewed the external auditor's audit plan and engagement strategy for the financial year ended 31 December 2016, covering the audit focus area, which also included a review on the IT systems, audit materiality and methodology;

(xiii) Reviewed the external auditor's report for the financial year ended 31 December 2016, including matters relating to adjustments arising from the external audit review and adequacy of disclosures, prior to making recommendation to the Board for approval. No significant adjustments were required to the financial statements, which is presented in a true and fair manner;

(xiv) Deliberated on the observations highlighted by the external auditor's, and the respective management action plans and status updates;

(xv) Held private meetings and discussions with the external auditors to allow for discussions on matters of concern;

(xvi) Evaluated the performance and independence of the external auditors and made recommendations to the Board on their re-appointment and audit fees;

(xvii) Reviewed the quarterly reports in respect of the results to ensure compliance to the Malaysian Financial Reporting Standard and regulatory requirements, and recommended to the Board for subsequent release to Bursa Malaysia;

(xviii) Reviewed the notes to the draft announcements of the audited and unaudited financial statements to Bursa Malaysia, to ensure compliance to the regulatory requirements;

(xix) 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;

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

(xxi) Reviewed and recommended write-off of fixed assets to the Board of Directors for consideration and approval; and

(xxii) Monitored the progress and deliberated on the way forward of the Company's strategic projects and material litigations cases.

**STATEMENT ON INTERNAL AUDIT FUNCTION**

The audits on the Company's operations were undertaken by the internal audit function of its holding company. The Group Internal Auditor reports directly to the ARMC to promote independence and to enable it to maintain objectivity in rendering unbiased judgments.

(i) Reporting Line

The internal audit function's purpose, authority and responsibilities are stated in the Internal Audit Charter, which is approved by the ARMC and the Board. The internal audit function is responsible for undertaking 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.

(ii) Audit Planning and Work Done

The Group Internal Audit formulated the Annual Internal Audit Plan based on the risk assessment of the business operations and the audit cycle, which was then approved by the ARMC. Group Internal Audit adopts the COSO Internal Control Framework in conducting the audit assignments, which covered 5 elements of internal controls, namely Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring.

In 2016, the Group Internal Audit had conducted various operational audits on areas, amongst others, Sales, Distribution, Inventory Management, Engineering, Human Resource and Recurrent Related Party Transactions. The Internal Audit reports, which included issues and action plans, were presented to and discussed with Management. Group Internal Audit subsequently monitored the implementation of the agreed action plans to ensure full compliance. The reports together with follow-up action plans and implementation status were presented to the ARMC for their deliberation and subsequent approval.

The performance of the Group Internal Audit function was presented to the ARMC on a quarterly basis.

# REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE (CONT'D)

(iii) Internal Audit Cost

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 RM338,000.

**STATEMENT ON RISK MANAGEMENT FUNCTION**

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

**Risk Management Framework Review**

The Company adopts an Enterprise Risk Management ("ERM") framework which is consistent with the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers, and Bursa Malaysia's Corporate Governance Guide and in line with ISO 31000, Risk Management – Principles and Guidelines (which is a standard relating to risk management codified by the International Organisation for Standardisation. ISO 31000 provides a standard on the implementation of risk management). The ERM framework defines the policy and objectives and sets the risk reporting structure. The framework structure includes risk profiling of current and historical risk information to anticipate probable future exposures. The framework ties into the Company's governance policies and guidelines. The framework operates within the context of Strategic, Operational, Emerging and Project risks categories.

**Summary of Work done During the Year**

In December 2014, the Company had carried out a review on its existing Risk Management Framework. As a result, a 3 year (2015-2017) Risk Management Plan was developed. Based on the plan, 2016 activities focused on "Elevating Understanding" of risk. The following were implemented throughout 2016:

**A. Elevating Understanding on Risk Management**

A formalised Risk and Control Self-Assessment ("RCSA") was carried out; to develop understanding of the importance of risk management and at the same time ensuring appropriate coverage of risk identification, analysis, evaluation and treatment within the Company.

To further enhance risk knowledge in the Company, three personnel (3) attended an external enterprise risk management program that is well recognised internationally. They have completed the program with outstanding results. With this, the Company now have additional number of risk talent.

**B. Risk Reporting**

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.

The key risks for 2016 are in the following areas:

**1. Operational Risk**

The management of the operational risk (such as those relating to health and safety, production, distribution, compliance) is closely monitored by respective Risk Owners, with risk mitigation plans proposed and implemented. Risk Owners provide quarterly status report on the mitigation implementation plans for each risks to Group Risk Management Department ("GRMD") and a summary is presented to ARMC. Furthermore, continuous RCSA activities were conducted to ensure risk principles are in key operational processes and provide reasonable assurance that all risks are identified and addressed.

**2. Project Risk**

All projects that require the approval from the CCM Group Finance and Investment Committee ('FIC'), is subjected to risk assessments, where the risk registers resulting from the assessment together with the mitigation plans are mandatorily tabled as part of the projects' proposals. Project risk updates post implementations of the projects are tracked and reported as part of the risk management reporting process.

**3. Competition Risk**

The Company continue to review current business status against its competitors and market. Strategies are developed, reviewed and updated to ensure its relevance in maintaining CCM's competitive position. These strategies are explained in the Chief Executive Officer's operations review.

**4. Financial and Liquidity Risk**

The Company is exposed to various financial risks relating to credit, liquidity, foreign currency, interest rates and exchange rates. The Company's risk management objectives and policies coupled with the required quantitative and qualitative disclosures relating to its financial risks are explained in the financial statements.

**C. Culture Building**

Risk management culture is continuously inculcated throughout the organisation through continuous monitoring and planned risk review sessions by GRMD. Quarterly meetings with risk coordinator and various group discussion were held to brainstorm on existing and potential risks. Risk management refresher trainings on the use of risk system (RiSmart) were carried out during the year. Feedback from risk owners on how to improve the system was also collected after the training.

As part of risk culture building, the heads of departments signed a risk assurance statement that all risks are identified, addressed and reviewed. The heads of departments provide this assurance every quarter and presented to ARMC.

# REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE (CONT'D)

**D. Emerging Risk Monitoring**

Assessment and monitoring of emerging risk was started in April 2016 as part of our commitment towards proactively strengthening controls in the changing business climate. Seventeen emerging risks were taken from Global Risk Report 2016. The report is based on the annual Global Risks Perception Survey, completed by almost 750 members of the World Economic Forum's global multi stakeholder community. News and reports of the selected risks were tracked weekly and mapped against the proximity to the Company and frequency of occurrence. This assessment highlight the emerging risks that may have impact on the Company's businesses and operations to enable Management to proactively develop internal control necessary to manage these risks. From this assessment, the Company had identified the emerging risk of "Water Crisis" may have potential impact on plant operations. Controls were developed to mitigate the risk. This risk is now added into the risk register for continuous monitoring and updates.

# 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 2016.

## COMPOSITION OF THE NOMINATION AND REMUNERATION COMMITTEE

The Committee consists of three (3) members, all of whom are Non-Executive Directors.

The current composition of the Committee stands at three (3) members, and Tan Sri Siti Sa'diah binti Sh. Bakir is the Chairman and Senior Independent Director.

A total of two (2) 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 |
|---|---|
| **Tan Sri Siti Sa'diah binti Sh. Bakir**<br>Chairman, Senior Independent Non-Executive Director<br>*(Appointed w.e.f. 18 May 2016, appointed as Chairman w.e.f. 1 September 2016)* | 1/1 |
| **Dato' Azmi bin Mohd Ali**<br>Member, Non-Independent Non-Executive Director<br>*(Appointed w.e.f. 18 May 2016)* | 1/1 |
| **Dato' Mohamad Kamarudin bin Hassan**<br>Member, Independent Non-Executive Director<br>*(Appointed w.e.f. 1 September 2016)* | 1/1 |
| **Tan Sri Dato' Dr. Abu Bakar bin Suleiman**<br>Member, Non-Independent Non-Executive Director<br>*(Retired w.e.f. 26 May 2016)* | 1/1 |
| **Tan Sri Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam**<br>Member, Independent Non-Executive Director<br>*(Retired w.e.f. 26 May 2016)* | 1/1 |
| **Dato' Haji Ghazali bin Awang**<br>Chairman, Senior Independent Non-Executive Director<br>*(Resigned w.e.f. 1 September 2016)* | 1/1 |

Note: Two meetings were held during the year. There was full attendance for both meetings

# REPORT OF THE NOMINATION AND REMUNERATION COMMITTEE (CONT'D)

**Activities during the Year**

During the year, the Committee:

(i) Reviewed the result of the Board's Effectiveness Assessment (BEA) of the Board of Directors and the Audit and Risk Management Committee for 2015 and recommended improvement plans for the same. For 2016, the NRC was unable to review the BEA of the Board and Audit and Risk Management Committee due to the major changes at the board level. However, NRC had conducted a general assessment and was of the view that all Board and Audit and Risk Management Committee members had carried out their duties in accordance with their terms of reference. The NRC is also satisfied with their duties in accordance with their terms of reference. The NRC is also satisfied with their contribution and commitment at board and board committee meetings;

(ii) Evaluated, assessed and recommended to the Board, the appointment of Non-Executive Directors of the Company, based on the Company's selection criteria;

(iii) Reviewed and assessed the composition of Board Committees and recommend to the Board of Directors to fill the seats thereon;

(iv) Reviewed and recommended the re-election/re-appointment of non-executive directors to the Board;

(v) 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;

(vi) Reviewed and recommended to the Board the annual increment and bonus package for non-unionised employees of the Company;

(vii) Evaluated and recommended candidate for key positions/ Senior Management in the Group to the Board of Directors; and

(viii) 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.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

**Responsibility**

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

The risk management and control processes are implemented by the Management, led by the Chief Executive Officer and Senior Management of the Group, who collectively 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. During the year under review, the Group has adopted Chemical Company of Malaysia Berhad Group ("CCM Group") Risk Management Manual and Guidelines, which is based on ISO 31000, premised on international guideline for managing risk to ensure that the risk management process is consistent across the CCM Group.

Risk owners across the Group define, highlight, report on and manage the key business and operational risks anticipated by them, and the 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 conduct risk assessments to identify the risks relating to their areas of supervision and control, analyse the likelihood of these risks occurring and the consequences if they do occur and evaluate the risk level by comparing against the approved risk criteria, as well as determine the actions being and/or to be taken to manage these risks to an acceptable level. The risk profiles and risk treatment measures determined from this process are documented in risk registers with each business or operations area having its respective risk register.

The overall process is facilitated by the CCM Group Risk Management Department which is dedicated to the role.

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

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

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

The Board, through the Audit & Risk Management Committee ("ARMC") has approved a Management Control Policy which dictates the responsibilities of the ARMC, the Management and the Internal Audit function with regards to internal controls.

The ARMC is responsible for monitoring, overseeing and evaluating the duties and responsibilities of Management, the internal and external auditors as those duties and responsibilities relate to the Group's processes for controlling its operations. The ARMC is also responsible for determining that all major issues reported by the Group Internal Auditor, the external auditors and other outside advisors have been satisfactorily resolved. Finally, the ARMC is responsible for reporting to the Board of Directors all important matters pertaining to the Group's controlling processes.

Management is entrusted with the responsibility of establishing an internal control framework with the objective of controlling the operations of the Group in a manner which provides the Board of Directors with reasonable assurance that the control objectives will be achieved.

The internal audit function is entrusted with the responsibility for ascertaining that the ongoing processes for controlling operations throughout the Group are adequately designed and are functioning in an effective manner. The Group Internal Auditor is also responsible for reporting to Management and the ARMC on the adequacy and effectiveness of the Group's systems of internal control, together with ideas, counsel and recommendations to improve the systems.

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 CCM Group Management and the Group 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 Group and CCM 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 Management Systems ("IMS").

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.

***Code of Conduct***

The Group adopted the CCM Group's Code of Conduct, which incorporates the vision, mission and core values. The Code of Conduct also embodies several of the principles contained in various policies adopted by CCM Group; and gives guidance on the application of the core values to the CCM Group's businesses and activities.

Amongst the policies included in the Code of Conducts are Conflict of Interest, Anti-Bribery and Corruption, Gift and Entertainment, Competition Law, Securities and Insider Trading, Risk Management, Information Communication Technology, Intellectual Property, Sustainability, Quality and Halal policies.

The Code of Conduct also includes the Whistle Blowing Policy, which aims to encourage the employees to feel confident in raising serious concerns and to provide a formal channel for them to raise these concerns and receive feedback on any actions taken. The Policy also provides assurance that the whistle blower will be protected from possible reprisals or victimisation if they have a reasonable belief that they have made any disclosure in good faith. A whistleblowing hotline has been established to further facilitate the employees and external parties to raise their concerns on possible misconduct or violation of the rules and regulations.

***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 include breach of integrity and other misconduct which do not comply with the terms and conditions of service, whether expressed or implied.

***Internal Audit***

The CCM Group Internal Audit ("GIA") function independently reviews the adequacy and integrity of the system of internal control in managing the key risks, and reports accordingly to the ARMC on a quarterly basis. Where weaknesses have been identified as a result of the reviews, improvement measures are recommended to strengthen controls; and follow-up audits are conducted by the Group Internal Auditor 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.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

The Board remains committed towards maintaining a sound system of internal control and believe 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.

## BOARD'S ASSESSMENT

The Board is of the view that the Company's overall risk management and internal control system is operating adequately and effectively, in all material aspects, and have received the same assurance from both the Chief Executive Officer and Chief Finance Officer of the Company.

The Board confirms that the risk management process in identifying, evaluating and managing significant risks faced by the Group has been in place throughout 2016 up to date of approval of this statement.

For the financial year 2016, the Board is of the view that the system of internal controls was adequate and effective and, has not resulted in any material loss, contingency or uncertainty that would require disclosure in the Annual Report 2016.

## REVIEW OF STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised 2015), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2016, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or

(b) is factually inaccurate.

RPG 5 (Revised 2015) does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The statement has been approved by the Board of Directors on 24 February 2017.

# OTHER DISCLOSURES

## 1. Utilisation of Proceeds from Corporate Proposals

The status of the utilisation of proceeds pursuant to the rights issue exercise of the Company which was completed on 22 July 2015 are as follow:

| Details of Utilisation | Proceeds Utilisation RM'000 | Actual Utilisation RM'000 | Balance Unutilised RM'000 |
|---|---|---|---|
| Repayment of bank borrowing | 140,000 | 133,695 | 6,305 |
| Expansion of factory | 106,963 | 8,327 | 98,636 |
| Estimated expenses | 4,100 | 4,100 | - |
| Total | 251,063 | 146,122 | 104,941 |

## 2. Audit and Non-Audit Fees for Services Rendered to the Listed Issuer or its Subsidiaries for the Financial Year

During the year ended 31 December 2016, the following amount have been paid or are payable to the auditors for services rendered to the Company and Group:

| | Audit Work (RM'000) | Non-Audit Work (RM'000) |
|---|---|---|
| Company level | 30 | 17 |
| Group level | 197 | 17 |

## 3. Material Contracts Involving Interest of Directors, Chief Executive Officers Who is Not a Director or Major Shareholder

Save for the following, there were no material contracts entered into by the CCMD Group during the two (2) years preceding the date of this Annual Report, other than contracts entered into in the ordinary course of business:

(i) Supplementary letter entered into between the Company and CCM Investments Ltd. on 25 May 2015 in relation to the 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 CCM Berhad ("CCM Investments") for a purchase consideration of RM1,000 to be settled via cash ("Philippines Company SSA") dated 27 November 2014.

(ii) Underwriting agreement entered into between the Company and RHB Investment Bank Berhad on 5 June 2015 to underwrite 37,146,608 Rights Shares representing approximately 26.63% of the total Rights Shares, for which no undertaking has been obtained from shareholders of the Company, in relation to the Rights Issue Exercise.

(iii) Facility Agreement for Commodity Murabahah Term Financing of up to RM245,123,000.00 ("Facility") entered into between the Company and RHB Islamic Bank Berhad ("Bank") on 26 June 2015.

# OTHER DISCLOSURES (CONT'D)

**4. 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 revalued assets is expected to differ materially from their carrying amount.

**5. Material Litigation, Claims or Arbitration**

As at 31 December 2016, neither CCMD nor its subsidiaries, is engaged in any material litigation, claims or arbitration, either as plaintiff or defendant or otherwise, and the Board does not have any knowledge of any proceedings, pending or threatened against CCMD and/or its subsidiary, or of any fact likely to give rise to any such proceedings, which might materially and adversely affect the financial position or business of CCMD and/or its subsidiary.

**6. Recurrent Related Party Transaction of Revenue or Trading Nature**

During the Annual General Meeting held on 25 May 2016, 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 25 May 2016 until the conclusion of the forthcoming Annual General Meeting of the Company. The disclosure of the recurrent related party transactions conducted during the financial year ended 31 December 2016 is set out on pages 162 to 163.

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 27 April 2017.

# DIRECTORS' REPORT

**for the year ended 31 December 2016**

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 2016.

## PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries 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 | 26,826 | 16,610 |

## 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 paid:

(i) a final ordinary dividend of 5.5 sen per share totalling RM15,343,000 in respect of the financial year ended 31 December 2015 on 28th June 2016; and

(ii) an interim ordinary dividend of 2.5 sen per share totalling RM6,974,000 in respect of the year ended 31 December 2016 on 11th November 2016.

The final ordinary dividend recommended by the Directors in respect of the financial year ended 31 December 2016 is 4 sen per ordinary share totalling RM11,158,000.

# DIRECTORS' REPORT (CONT'D)

**for the year ended 31 December 2016**

## DIRECTORS OF THE COMPANY

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

Dato' Mohamad Kamarudin bin Hassan
Dato' Azmi bin Mohd Ali (appointed on 05.04.2016)
Tan Sri Siti Sa'diah binti Sh. Bakir (appointed on 05.04.2016)
Dato' Hajah Normala binti Abdul Samad (appointed on 26.05.2016)
Razalee bin Amin (appointed on 01.06.2016)
Puan Sri Datuk Rohani Parkash binti Abdullah (appointed on 02.08.2016)
Zaiton Binti Jamaluddin (appointed on 01.09.2016)
Dato' Eisah binti A. Rahman (appointed on 16.11.2016)
Tan Sri Dato' Dr. Abu Bakar bin Suleiman (retired on 26.05.2016)
Tan Sri Dato' Dr. Jegathesan a/l N. M. Vasagam @ Manikavasagam (retired on 26.05.2016)
Datuk Alias bin Ali (resigned on 10.08.2016)
Dato' Haji Ghazali bin Awang (resigned on 01.09.2016)
Dr. Byung-Geon Rhee (resigned on 25.02.2017)

## DIRECTORS' INTERESTS IN SHARES

None of the Directors holding office at 31 December 2016 has 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.

## 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 2016 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.

# DIRECTORS' REPORT (CONT'D)

**for the year ended 31 December 2016**

**AUDITORS**

The auditors, Messrs KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016), have indicated their willingness to accept re-appointment.

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

**Dato' Hajah Normala binti Abdul Samad**

**Razalee bin Amin**

Kuala Lumpur,
Date: 10 March 2017

# STATEMENTS OF FINANCIAL POSITION

**as at 31 December 2016**

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| **Assets** | | | | | |
| Property, plant and equipment | 3 | **276,241** | 269,290 | **–** | – |
| Investment property | 4 | **–** | 1,000 | **–** | – |
| Intangible asset | 5 | **12,727** | 8,810 | **–** | – |
| Investment in subsidiaries | 6 | **–** | – | **208,505** | 208,505 |
| Deferred tax assets | 7 | **6,313** | – | **–** | – |
| Trade and other receivables | 8 | **–** | – | **142,722** | 151,172 |
| **Total non-current assets** | | **295,281** | 279,100 | **351,227** | 359,677 |
| Current tax assets | | **10,236** | 1,771 | **1,283** | 514 |
| Inventories | 9 | **139,101** | 103,467 | **–** | – |
| Trade and other receivables | 8 | **101,031** | 105,598 | **14,750** | 2,856 |
| Cash and cash equivalents | 10 | **114,814** | 143,510 | **82,130** | 101,945 |
| | | **365,182** | 354,346 | **98,163** | 105,315 |
| Asset held for sale | 11 | **1,000** | – | **–** | – |
| **Total current assets** | | **366,182** | 354,346 | **98,163** | 105,315 |
| **Total assets** | | **661,463** | 633,446 | **449,390** | 464,992 |
| **Equity** | | | | | |
| Share capital | 12.1 | **139,478** | 139,478 | **139,478** | 139,478 |
| Reserves | | **193,772** | 193,483 | **194,205** | 194,205 |
| Retained earnings | | **121,266** | 116,757 | **13,634** | 19,341 |
| **Equity attributable to owners of the Company** | 12 | **454,516** | 449,718 | **347,317** | 353,024 |
| **Liabilities** | | | | | |
| Loans and borrowings | 13 | **91,798** | 103,809 | **91,798** | 103,809 |
| Deferred tax liabilities | 7 | **11,993** | 5,207 | **–** | – |
| **Total non-current liabilities** | | **103,791** | 109,016 | **91,798** | 103,809 |
| Loans and borrowings | 13 | **21,498** | 18,947 | **10,000** | 7,989 |
| Trade and other payables | 14 | **81,658** | 55,765 | **275** | 170 |
| **Total current liabilities** | | **103,156** | 74,712 | **10,275** | 8,159 |
| **Total liabilities** | | **206,947** | 183,728 | **102,073** | 111,968 |
| **Total equity and liabilities** | | **661,463** | 633,446 | **449,390** | 464,992 |

The notes on pages 97 to 150 are an integral part of these financial statements.

# Statements of Profit or loss and other comprehensive Income

**for the year ended 31 December 2016**

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | **2016 RM'000** | **2015 RM'000** | **2016 RM'000** | **2015 RM'000** |
| Revenue | 15 | **312,940** | 269,794 | **13,093** | 28,500 |
| Cost of sales | | **(168,808)** | (140,882) | **–** | – |
| **Gross profit** | | **144,132** | 128,912 | **13,093** | 28,500 |
| Other income | | **818** | 4,635 | **–** | 2,750 |
| Distribution and marketing expenses | | **(64,887)** | (43,064) | **–** | – |
| Administrative expenses | | **(44,409)** | (35,037) | **–** | (3,131) |
| Other expenses | | **(2,859)** | (5,261) | **(1,088)** | – |
| **Results from operating activities** | 16 | **32,795** | 50,185 | **12,005** | 28,119 |
| Finance income | 17 | **4,234** | 1,384 | **9,629** | 5,202 |
| Finance costs | 18 | **(5,550)** | (3,740) | **(4,755)** | (2,928) |
| **Profit before tax** | | **31,479** | 47,829 | **16,879** | 30,393 |
| Tax expense | 20 | **(4,653)** | (11,438) | **(269)** | (555) |
| **Profit for the year** | | **26,826** | 36,391 | **16,610** | 29,838 |
| Foreign currency translation differences for foreign operations | | **289** | (722) | **–** | – |
| **Total comprehensive income for the year attributable to owners of the Company** | | **27,115** | 35,669 | **16,610** | 29,838 |
| **Basic and diluted earnings per ordinary share (sen)** | 21 | **9.62** | 18.05 | | |

The notes on pages 97 to 150 are an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**for the year ended 31 December 2016**

| | Note | Share capital RM'000 | Share premium RM'000 | Translation reserve RM'000 | Treasury shares RM'000 | Retained earnings RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| | | <------------------------- *Attributable to equity holders of the Company* | | | | | --------------------------> |
| | | <-------------------------- *Non-distributable* | | | -------------------------> | *Distributable* | |
| **Group** | | | | | | | |
| **At 1 January 2015** | | 69,739 | 13,720 | – | (1,578) | 111,749 | 193,630 |
| Foreign currency translation differences for foreign operations | | – | – | (722) | – | – | (722) |
| Total other comprehensive income for the year | | – | – | (722) | – | – | (722) |
| Profit for the year | | – | – | – | – | 36,391 | 36,391 |
| **Profit and total comprehensive income for the year** | | – | – | (722) | – | 36,391 | 35,669 |
| *Contributions by and distributions to owners of the Company* | | | | | | | |
| – Dividends to owners of the Company | 22 | – | – | – | – | (31,383) | (31,383) |
| – Re-issuance of all treasury shares in open market | | – | 594 | – | 1,578 | – | 2,172 |
| – Distribution cost on reissuance of all treasury shares (net of tax) | | – | (8) | – | – | – | (8) |
| – Issue of ordinary shares pursuant to Rights Issue exercise | | 69,739 | 181,324 | – | – | – | 251,063 |
| – Rights Issue exercise expenses | | – | (1,425) | – | – | – | (1,425) |
| **Contributions by and distributions to owners of the Company** | | 69,739 | 180,485 | – | 1,578 | (31,383) | 220,419 |
| **At 31 December 2015/ 1 January 2016** | | **139,478** | **194,205** | **(722)** | **–** | **116,757** | **449,718** |
| Foreign currency translation differences for foreign operations | | **–** | **–** | **289** | **–** | **–** | **289** |
| Total other comprehensive income for the year | | **–** | **–** | **289** | **–** | **–** | **289** |
| Profit for the year | | **–** | **–** | **–** | **–** | **26,826** | **26,826** |
| **Profit and total comprehensive income for the year** | | **–** | **–** | **289** | **–** | **26,826** | **27,115** |
| *Contributions by and distributions to owners of the Company* | | | | | | | |
| – Dividends to owners of the Company | 22 | **–** | **–** | **–** | **–** | **(22,317)** | **(22,317)** |
| **Total transactions with owners of the Company** | | **–** | **–** | **–** | **–** | **(22,317)** | **(22,317)** |
| **At 31 December 2016** | | **139,478** | **194,205** | **(433)** | **–** | **121,266** | **454,516** |
| | | Note 12.1 | Note 12.2 | Note 12.3 | | | |

The notes on pages 97 to 150 are an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

**for the year ended 31 December 2016**

| | | *<---- Attributable to equity holders of the Company ---->* | | | | |
|---|---|---|---|---|---|---|
| | | *<---- Non-distributable* | | *---->* | *Distributable* | |
| | **Note** | **Share capital RM'000** | **Share premium RM'000** | **Treasury shares RM'000** | **Retained earnings RM'000** | **Total RM'000** |
| **Company** | | | | | | |
| **At 1 January 2015** | | 69,739 | 13,720 | (1,578) | 20,886 | 102,767 |
| Profit for the year | | – | – | – | 29,838 | 29,838 |
| **Profit and total comprehensive income for the year** | | – | – | – | 29,838 | 29,838 |
| *Contributions by and distributions to owners of the Company* | | | | | | |
| – Dividends to owners of the Company | 22 | – | – | – | (31,383) | (31,383) |
| – Re-issuance of all treasury shares in open market | | – | 594 | 1,578 | – | 2,172 |
| – Distribution cost on reissuance of all treasury shares (net of tax) | | – | (8) | – | – | (8) |
| – Issue of ordinary shares pursuant to Rights Issue exercise | | 69,739 | 181,324 | – | – | 251,063 |
| – Dividends to owners of the Company | | – | (1,425) | – | – | (1,425) |
| **Contributions by and distributions to owners of the Company the Company** | | 69,739 | 180,485 | 1,578 | (31,383) | 220,419 |
| **At 31 December 2015/1 January 2016** | | **139,478** | **194,205** | **–** | **19,341** | **353,024** |
| Profit for the year | | **–** | **–** | **–** | **16,610** | **16,610** |
| **Profit and total comprehensive income for the year** | | **–** | **–** | **–** | **16,610** | **16,610** |
| *Contributions by and distributions to owners of the Company* | | | | | | |
| – Dividends to owners of the Company | 22 | **–** | **–** | **–** | **(22,317)** | **(22,317)** |
| **Total transactions with owners of the Company** | | **–** | **–** | **–** | **(22,317)** | **(22,317)** |
| **At 31 December 2016** | | **139,478** | **194,205** | **–** | **13,634** | **347,317** |
| | | Note 12.1 | Note 12.2 | | | |

The notes on pages 97 to 150 are an integral part of these financial statements.

# STATEMENTS OF CASH FLOWS

**for the year ended 31 December 2016**

| | Note | Group 2016 RM'000 | Group 2015 RM'000 | Company 2016 RM'000 | Company 2015 RM'000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Profit before tax | | **31,480** | 47,829 | **16,879** | 30,393 |
| *Adjustments for:* | | | | | |
| Depreciation of property, plant and equipment | 3 | **22,500** | 21,532 | **–** | – |
| Dividend income | | **–** | – | **(13,093)** | (28,500) |
| Finance income | 17 | **(4,234)** | (1,384) | **(9,629)** | (5,202) |
| Finance cost | 18 | **5,550** | 3,740 | **4,755** | 2,928 |
| Net unrealised foreign exchange gain | | **(185)** | (811) | **–** | – |
| Provision for warranty | | **(471)** | 206 | **–** | – |
| Negative goodwill | | **–** | (1,160) | **–** | – |
| Net impairment loss on trade receivables | | **1,816** | 1,189 | **–** | – |
| Loss on disposal of property, plant and equipment | | **–** | 596 | **–** | – |
| Write off of property, plant and equipment | | **1,315** | – | **–** | – |
| **Operating profit/(loss) before changes in working capital** | | **57,771** | 71,737 | **(1,088)** | (381) |
| Change in inventories | | **(35,634)** | 2,663 | **–** | – |
| Change in trade and other receivables | | **3,070** | (20,984) | **(3,443)** | (90,888) |
| Change in trade and other payables | | **26,229** | (87,885) | **105** | (546) |
| **Cash generated from/(used in) operations** | | **51,436** | (34,469) | **4,426** | (91,815) |
| Interest paid | | **(5,550)** | (3,740) | **(1,039)** | (2,928) |
| Tax paid | | **(12,695)** | (12,667) | **(4,755)** | (1,043) |
| Tax refund | | **50** | – | **–** | – |
| **Net cash generated from/(used in) operating activities** | | **33,241** | (50,876) | **(10,220)** | (95,786) |

# STATEMENTS OF CASH FLOWS (CONT'D)

**for the year ended 31 December 2016**

| | Note | Group 2016 RM'000 | Group 2015 RM'000 | Company 2016 RM'000 | Company 2015 RM'000 |
|---|---|---|---|---|---|
| **Cash flows from investing activities** | | | | | |
| Acquisition of property, plant and equipment | 3 | **(34,259)** | (40,004) | **–** | – |
| Acquisition of intangible assets | 5 | **(424)** | (1,413) | **–** | – |
| Acquisition of subsidiaries | 28 | **–** | (108,849) | **–** | (168,318) |
| Dividends received | | **–** | – | **13,093** | 28,500 |
| Interest received | 17 | **4,234** | 1,384 | **9,629** | 5,202 |
| Proceeds from disposal of Brand | | **–** | 1,600 | **–** | – |
| **Net cash (used in)/generated from investing activities** | | **(30,449)** | (147,282) | **22,722** | (134,616) |
| **Cash flows from financing activities** | | | | | |
| Dividends paid to owners of the Company | 22 | **(22,317)** | (31,383) | **(22,317)** | (31,383) |
| Proceeds from borrowing | | **11,498** | 245,490 | **–** | 245,123 |
| Proceeds from issue of ordinary shares | | **–** | 251,063 | **–** | 251,063 |
| Payment of expenses relating to issuance of ordinary shares | | **–** | (1,425) | **–** | (1,425) |
| Proceeds from sale of treasury shares | | **–** | 2,172 | **–** | 2,172 |
| Payment of expenses relating to re-issuance of treasury shares | | **–** | (8) | **–** | (8) |
| Repayment of loan and borrowings | | **(20,958)** | (141,822) | **(10,000)** | (133,325) |
| **Net cash used in financing activities** | | **(31,777)** | 324,087 | **(32,317)** | 332,217 |
| **Exchange differences on translation of financial statement of foreign operations** | | **289** | (722) | **–** | – |
| **Net (decrease)/increase in cash and cash equivalents** | | **(28,696)** | 125,207 | **(19,815)** | 101,815 |
| Cash and cash equivalents at 1 January | | **143,510** | 18,303 | **101,945** | 130 |
| **Cash and cash equivalents at 31 December** | (i) | **114,814** | 143,510 | **82,130** | 101,945 |

**Cash and cash equivalents**

(i) Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

| | Note | Group 2016 RM'000 | Group 2015 RM'000 | Company 2016 RM'000 | Company 2015 RM'000 |
|---|---|---|---|---|---|
| Cash and bank balances | 10 | **33,404** | 47,510 | **720** | 5,945 |
| Highly liquid investment with financial institutions | 10.1 | **81,410** | 96,000 | **81,410** | 96,000 |
| | | **114,814** | 143,510 | **82,130** | 101,945 |

The notes on pages 97 to 150 are an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

CCM Duopharma Biotech Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The addresses of 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 2016 comprise the Company and its subsidiaries (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 2016 do not include other entities.

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are disclosed in Note 6.

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

These financial statements were authorised for issue by the Board of Directors on 10 March 2017.

## 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 January 2017***

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 1. BASIS OF PREPARATION (CONTINUED)

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

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

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019***

- MFRS 16, *Leases*

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed***

- 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*

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

- 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 except MFRS 2, MFRS 4, and MFRS 128 which are not applicable to the Group and the Company.

- from the annual period beginning on 1 January 2019 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2019.

## 1. BASIS OF PREPARATION (CONTINUED)

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

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 adoption of MFRS 15 will result in a change in accounting policy. 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.

**MFRS 16, *Leases***

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

### (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.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 1. BASIS OF PREPARATION (CONTINUED)

### (d) Use of estimates and judgements

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

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

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

- Note 4 – Valuation of investment property
- Note 6 – Investment in subsidiaries
- Note 9 – Inventories

## 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.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Foreign currency

#### (i) 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.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

#### (ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2011 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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.

#### (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(k)(i)).

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Financial instruments (continued)

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

***Financial liabilities***

All financial liabilities are subsequently measured at amortised cost.

#### (iii) 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.

### (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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

#### (i) Recognition and measurement (continued)

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" and "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.

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

| | |
|---|---|
| • leasehold land | 48 - 96 years |
| • leasehold 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.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(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.

**(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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Intangible assets (continued)

#### (i) Research and development (continued)

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) Brand name

Brand name is stated at cost less any accumulated impairment losses. Brand name has an indefinite use life as it is maintained through continuous marketing and upgrading.

#### (iii) Marketing rights and other intangible assets

Intangible assets, other than goodwill, that are acquired by the Company, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

#### (iv) 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.

#### (v) Amortisation

Goodwill and intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Other intangible assets are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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.

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.

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.

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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i) Non-current asset held for sale or distribution to owners

Non-current assets, or disposal group comprising assets and liabilities that are expected to be recovered primarily through sale or distribution to owners rather than through continuing use, are classified as held for sale or distribution. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs of disposal.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

### (j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with financial institutions 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.

### (k) 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Impairment (continued)

#### (ii) Other assets

The carrying amounts of other assets (except for inventories, deferred tax asset, investment property measured at fair value and asset held for sale) 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 assets 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.

### (l) 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (l) Equity instruments (continued)

#### (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.

When 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.

### (m) 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.

### (n) Provisions

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

**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.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (o) 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) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

#### (iii) 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.

#### (iv) Interest income

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

### (p) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (q) 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.

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.

### (r) 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.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (s) 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 Group's Chief Executive Officer ("GCEO") 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.

### (t) 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.

### (u) 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 | Leasehold land RM'000 | Freehold buildings RM'000 | Leasehold 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 2015 | | 12,897 | – | 55,400 | – | 89,788 | 4,960 | 780 | 730 | 100 | 164,655 |
| Acquisitions through business combination | | 44,885 | 8,600 | 1,616 | 50,429 | 33,839 | 1,360 | 250 | 9 | – | 140,988 |
| Additions | | – | – | 243 | – | 28,013 | 253 | – | 164 | 11,331 | 40,004 |
| Write off | | – | – | – | (365) | (2,373) | (21) | (156) | – | – | (2,915) |
| Transfer from investment properties | 4 | 12,100 | – | – | – | – | – | – | – | – | 12,100 |
| Transfer to intangible asset | 5 | – | – | – | – | – | – | – | – | (2,734) | (2,734) |
| At 31 December 2015/ 1 January 2016 | | **69,882** | **8,600** | **57,259** | **50,064** | **149,267** | **6,552** | **874** | **903** | **8,697** | **352,098** |
| Additions | | **–** | **–** | **99** | **–** | **12,983** | **384** | **100** | **58** | **20,635** | **34,259** |
| Write off | | **–** | **–** | **–** | **–** | **(6,916)** | **(442)** | **–** | **–** | **–** | **(7,358)** |
| Transfer to intangible asset | 5 | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(3,493)** | **(3,493)** |
| At 31 December 2016 | | **69,882** | **8,600** | **57,358** | **50,064** | **155,334** | **6,494** | **974** | **961** | **25,839** | **375,506** |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| Group | Note | Freehold land RM'000 | Leasehold land RM'000 | Freehold buildings RM'000 | Leasehold 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Depreciation** | | | | | | | | | | | |
| At 1 January 2015 | | – | – | 3,979 | – | 55,823 | 2,903 | 517 | 373 | – | 63,595 |
| Depreciation for the year | 3.1 | – | 102 | 3,219 | 1,262 | 16,123 | 624 | 141 | 61 | – | 21,532 |
| Write off | | – | – | – | (35) | (2,125) | (21) | (138) | – | – | (2,319) |
| At 31 December 2015/ 1 January 2016 | | **–** | **102** | **7,198** | **1,227** | **69,821** | **3,506** | **520** | **434** | **–** | **82,808** |
| Depreciation for the year | | **–** | **102** | **3,214** | **1,473** | **16,943** | **539** | **135** | **94** | **–** | **22,500** |
| Write off | | **–** | **–** | **–** | **–** | **(5,725)** | **(318)** | **–** | **–** | **–** | **(6,043)** |
| At 31 December 2016 | | **–** | **204** | **10,412** | **2,700** | **81,039** | **3,727** | **655** | **528** | **–** | **99,265** |
| **Carrying amounts** | | | | | | | | | | | |
| At 31 December 2015/ 1 January 2016 | | **69,882** | **8,498** | **50,061** | **48,837** | **79,446** | **3,046** | **354** | **469** | **8,697** | **269,290** |
| At 31 December 2016 | | **69,882** | **8,396** | **46,946** | **47,364** | **74,295** | **2,767** | **319** | **433** | **25,839** | **276,241** |

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### 3.1 Change in estimate

The effect of these changes on depreciation expense, recognised in cost of sales, in current and future period is as follows:

| | 2015 RM'000 | 2016 RM'000 | 2017 RM'000 | 2018 RM'000 | Later RM'000 |
|---|---|---|---|---|---|
| Increase in depreciation expense | 1,609 | **1,609** | 1,609 | 1,609 | (8,045) |

## 4. INVESTMENT PROPERTY

| | Note | Group 2016 RM'000 | Group 2015 RM'000 |
|---|---|---|---|
| At 1 January | | **1,000** | 11,500 |
| Acquisition through business combination | 28.1 | **–** | 1,600 |
| Transfer to property, plant and equipment | 3 | **–** | (12,100) |
| Transfer to asset classified as held for sale | 11 | **(1,000)** | – |
| At 31 December | | **–** | 1,000 |

| | | | |
|---|---|---|---|
| Included in the above is: | | | |
| At fair value | | | |
| Leasehold land with unexpired lease period of more than 50 years | | **–** | 1,000 |

During the previous financial year, the investment property has been transferred to property, plant and equipment (see Note 3), since the land will be used as warehouse of the Group and would not be leased to a third party.

### 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 |
|---|---|---|---|
| **2015** | | | |
| Land | – | 1,000 | 1,000 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 4. INVESTMENT PROPERTY (CONTINUED)

### 4.1 Fair value information (continued)

**Level 3 fair value**

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

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

| 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.<br><br>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 was a vacant land and a factory building acquired through business combination in prior year. The highest and best use of the property should be an industrial land and shop house located nearby the Group's investment property.

## 5. INTANGIBLE ASSET

| | Note | Marketing rights RM'000 | Brands RM'000 | Development costs RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| At 1 January 2015 | | – | – | 3,063 | 3,063 |
| Acquisition through business combinations | 28.1 | – | 3,200 | – | 3,200 |
| Additions | | 696 | – | 717 | 1,413 |
| Disposal | | – | (1,600) | – | (1,600) |
| Transfer from property, plant and equipment | 3 | – | – | 2,734 | 2,734 |
| At 31 December 2015/1 January 2016 | | **696** | **1,600** | **6,514** | **8,810** |
| Additions | | **–** | **–** | **424** | **424** |
| Transfer from property, plant and equipment | 3 | **–** | **–** | **3,493** | **3,493** |
| At 31 December 2016 | | **696** | **1,600** | **10,431** | **12,727** |

## 5. INTANGIBLE ASSET (CONTINUED)

**Brands**

The carrying amount of brands represents the acquisition of the brand name of the over-the-counter products. The Group has not amortised the brand as the Group is of the opinion that the brands have indefinite useful lives. It is reasonably anticipated that the brands will be recovered through future commercial activity.

**Marketing Rights**

The carrying amount of marketing rights amounting to RM696,000 (2015: RM696,000) represents the sole and exclusive right to market and sell Insulin Glargine Pen developed by Biocon SA, a company incorporated in India. The products have yet to be fully commercialised at year end.

**Impairment loss**

The Group has assessed the carrying amount for impairment during the year. It is reasonably anticipated that the brands will be recovered through future commercial activity.

There is no impairment loss recognised in the current year.

**Impairment testing for cash-generating units containing brands**

The recoverable amount of the brands were based on value in use of the investment in the business of the products relating to the brands acquired ("the business"). These calculations use pre-tax cash flow projections based on financial budgets approved by management.

The value in use was determined by discounting the future cash flows of the operations and was based on the following key assumptions:

(a) Cash flows were projected based on past experience, actual operating results and 3 years (2015: 3 years) budget. Cash flows for a further 2 years (2015: 2 years) period were extrapolated using a growth rate of 15 percent (2015: 15 percent). Management believes that these 5 years (2015: 5 years) forecast period was justified due to the long term nature of the business.

(b) The anticipated growth rate for revenue was projected in accordance with the Group's 3 years (2015: 3 years) budget and subsequently projected based on growth rate as stated in Note (a) above.

(c) A pre-tax discount rate of 6.70 percent (2015: 6.05 percent) was applied in determining the recoverable amount. The discount was estimated based on the Group's weighted average cost of capital ("WACC").

The key assumptions represent the Group's assessment of future trends in the pharmaceutical industry and are based on both external and internal sources of historical data.

**Development costs**

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.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 6. INVESTMENT IN SUBSIDIARIES

| | Company 2016 RM'000 | Company 2015 RM'000 |
|---|---|---|
| Unquoted share, at cost | **208,505** | 208,505 |

Details of the subsidiaries are as follows:

| Name of subsidiaries | Country of incorporation | Principal activities | Effective ownership interest and voting interest 2016 % | Effective ownership interest and voting interest 2015 % |
|---|---|---|---|---|
| Duopharma (M) Sdn. Bhd. and its subsidiaries | Malaysia | Manufacturing, distribution, importing and exporting of pharmaceutical products and medicines | **100** | 100 |
| Upha Pharmaceutical Manufacturing (M) Sdn. Bhd. | Malaysia | Manufacturing of pharmaceutical products and sales of medicines | **100** | 100 |
| CCM Pharma Sdn. Bhd. | Malaysia | Property management and services | **100** | 100 |
| CCM Pharmaceuticals Sdn. Bhd. and its subsidiaries | Malaysia | Marketing and sales of medicine and pharmaceutical products | **100** | 100 |
| CCM Biopharma Sdn. Bhd. | Malaysia | Dormant | **100** | 100 |
| Sentosa Pharmacy Sdn. Bhd. | Malaysia | Distributor of pharmaceutical products | **100** | 100 |
| Unique Pharmacy (Ipoh) Sdn. Bhd. | Malaysia | Dormant | **100** | 100 |
| Unique Pharmacy (Penang) Sdn. Bhd. | Malaysia | Distributor of pharmaceutical products | **100** | 100 |
| Negeri Pharmacy Sdn. Bhd. | Malaysia | Dormant | **100** | 100 |
| Innovax Sdn. Bhd. | Malaysia | Research and development of pharmaceutical products | **100** | 100 |
| CCM Pharmaceuticals (S) Pte. Ltd. # | Singapore | Distribution, wholesaler of medicinal and pharmaceutical products | **100** | 100 |
| CCM International (Philippines), Inc. # | Philippines | Distribution, importing and exporting of pharmaceutical and chemical products | **100** | 100 |

# Not audited by member firms of KPMG International

## 7. DEFERRED TAX ASSETS/(LIABILITIES)

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

Deferred tax assets and liabilities are attributable to the following:

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| **Group** | **2016 RM'000** | **2015 RM'000** | **2016 RM'000** | **2015 RM'000** | **2016 RM'000** | **2015 RM'000** |
| Property, plant and equipment | **27** | – | **(18,965)** | (22,992) | **(18,938)** | (22,992) |
| Provisions | **3,240** | 1,748 | **–** | – | **3,240** | 1,748 |
| Unutilised capital allowance carry forward | **5,838** | 5,988 | **–** | – | **5,838** | 5,988 |
| Unutilised reinvestment allowance | **4,139** | 4,139 | **–** | – | **4,139** | 4,139 |
| Tax losses carry forwards | **1,001** | 1,056 | **–** | – | **1,001** | 1,056 |
| Other items | **2,825** | 4,854 | **(3,785)** | – | **(960)** | 4,854 |
| Tax assets/(liabilities) | **17,070** | 17,785 | **(22,750)** | (22,992) | **(5,680)** | (5,207) |
| Set off of tax | **(10,757)** | (17,785) | **10,757** | 17,785 | **–** | – |
| Net tax liabilities | **6,313** | – | **(11,993)** | (5,207) | **(5,680)** | (5,207) |

**Movement in temporary differences during the year**

| **Group** | **At 1.1.2015 RM'000** | **Recognised in profit or loss (Note 20) RM'000** | **Arising from business combination (Note 28) RM'000** | **At 31.12.2015/ 1.1.2016 RM'000** | **Recognised in profit or loss (Note 20) RM'000** | **At 31.12.2016 RM'000** |
|---|---|---|---|---|---|---|
| Property, plant and equipment | (7,700) | 330 | (15,622) | (22,992) | 4,054 | (18,938) |
| Provisions | 76 | 924 | 748 | 1,748 | 1,492 | 3,240 |
| Unutilised capital allowance carry forwards | – | (649) | 6,637 | 5,988 | (150) | 5,838 |
| Unutilised reinvestment allowance | – | (173) | 4,312 | 4,139 | – | 4,139 |
| Tax losses carry forwards | – | (84) | 1,140 | 1,056 | (55) | 1,001 |
| Other items | 2,124 | 543 | 2,187 | 4,854 | (5,814) | (960) |
| **Total** | (5,500) | 891 | (598) | (5,207) | (473) | (5,680) |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 8. TRADE AND OTHER RECEIVABLES

| | Note | Group 2016 RM'000 | Group 2015 RM'000 | Company 2016 RM'000 | Company 2015 RM'000 |
|---|---|---|---|---|---|
| **Non-current** | | | | | |
| **Non-trade** | | | | | |
| Amount due from subsidiaries | 8.1 | **–** | – | **142,722** | 151,172 |
| **Current Trade** | | | | | |
| Trade receivables | | **73,411** | 86,095 | **–** | – |
| Amount due from intermediate holding company | 8.2 | **11** | – | **–** | – |
| Amount due from related companies | 8.3 | **2,386** | 4,477 | **–** | – |
| | | **75,808** | 90,572 | **–** | – |
| **Non-trade** | | | | | |
| Amount due from related companies | 8.3 | **4,256** | 2,361 | **14,750** | 2,856 |
| Other receivables, deposits and prepayments | 8.4 | **20,967** | 12,665 | **–** | – |
| | | **25,223** | 15,026 | **14,750** | 2,856 |
| | | **101,031** | 105,598 | **157,472** | 154,028 |

8.1 The non-trade amount due from subsidiaries are unsecured, subject to interest at 4.5% (2015: 4.55% – 5.65%) per annum. The non-current amount is not repayable over the next 12 months.

8.2 The trade amount due from the intermediate holding company is unsecured, interest free and repayable on demand.

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

8.4 Included in other receivables, deposits and prepayments are deposits for new plant and machineries amounting to RM15,094,000 (2015: RM5,417,000).

## 9. INVENTORIES

| | Group | |
|---|---|---|
| | 2016 RM'000 | 2015 RM'000 |
| Raw materials and consumables | **25,955** | 26,703 |
| Work-in-progress | **3,097** | 4,160 |
| Packing materials | **12,403** | 11,115 |
| Finished goods | **97,646** | 61,489 |
| | **139,101** | 103,467 |

| | Group | |
|---|---|---|
| Recognised in profit or loss: | | |
| Inventories recognised as cost of sales | **163,912** | 139,324 |
| Write-down to net realisable value | **5,946** | 3,674 |
| Reversal of provision for obsolete stocks | **(1,050)** | (2,116) |
| | **168,808** | 140,882 |

## 10. CASH AND CASH EQUIVALENTS

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Deposits placed with licensed banks | | **3,069** | 13,092 | **330** | 5,413 |
| Cash and bank balances | | **30,335** | 34,418 | **390** | 532 |
| Highly liquid investments with financial institutions | 10.1 | **81,410** | 96,000 | **81,410** | 96,000 |
| | | **114,814** | 143,510 | **82,130** | 101,945 |

### 10.1 Highly liquid investments with financial institutions

The Directors regard the highly liquid investments as cash and cash equivalents in view of its high liquidity and insignificant changes in value.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 11. ASSET HELD FOR SALE

Presented as assets held for sale following the commitment of the management during the year to a plan to sell the investment property. Efforts to sell the asset have commenced, and a sale is expected in the following year. At 31 December 2016, the assets held for sale is as follows:

| | 2016 RM'000 |
|---|---|
| **Asset classified as held for sale** | |
| Investment Property (Land) | **1,000** |

The carrying value of the asset is the same as its carrying value before it was being reclassified to current asset.

## 12. CAPITAL AND RESERVES

### 12.1 Share capital

| | Group and Company | | | |
|---|---|---|---|---|
| | Number of shares 2016 '000 | Amount 2016 RM'000 | Number of shares 2015 '000 | Amount 2015 RM'000 |
| Authorised | | | | |
| Ordinary shares of RM0.50 each | **500,000** | **250,000** | 500,000 | 250,000 |
| Issued and fully paid: | | | | |
| Ordinary shares of RM0.50 each | | | | |
| At 1 January | **278,958** | **139,478** | 139,479 | 69,739 |
| Issued for cash through Rights Issues | **–** | **–** | 139,479 | 69,739 |
| At 31 December | **278,958** | **139,478** | 278,958 | 139,478 |

**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.

### 12.2 Share premium

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

## 12. CAPITAL AND RESERVES (CONTINUED)

### 12.3 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the Group entities with functional currency other than RM.

## 13. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's and the Company's interest-bearing loans and borrowings. For more information about the Group's and the Company's exposure to interest rate and foreign currency risk, see Note 24.

| | | Group | | Company | |
|---|---|---|---|---|---|
| | **Note** | **2016** | **2015** | **2016** | **2015** |
| **Non-current** | | | | | |
| Term loan - unsecured | 13.1 | **91,798** | 103,809 | **91,798** | 103,809 |
| **Current** | | | | | |
| Bank overdraft – unsecured | | **–** | 10,958 | **–** | – |
| Revolving credit – unsecured | 13.2 | **11,498** | – | **–** | – |
| Term loan – unsecured | 13.1 | **10,000** | 7,989 | **10,000** | 7,989 |
| | | **21,498** | 18,947 | **10,000** | 7,989 |
| | | **113,296** | 122,756 | **101,798** | 111,798 |

### 13.1 Term loan – unsecured

On 30 June 2015, the Company obtained a RM245 million term loan facility, divided into two tranches. The Company has settled Tranche 1 of RM133 million on 23 July 2015. Tranche 2 of RM112 million is payable over 7 years and is subject to interest at the rate of 4.5% per annum.

The significant covenant for the unsecured term loan above are as follows:

i) It is a condition that CCM Marketing Sdn. Bhd. shall at all time, directly or indirectly, owns its majority shareholding in the Company's issued and paid up share capital, and;

ii) Gearing ratio at the Company shall not exceed 1.5 times throughout the tenure of the facility.

### 13.2 Revolving credit – unsecured

The Group's revolving credit as at 31 December 2016 amounting to RM11,498,000 (2015: Nil) are revolving credits maturing between one to twelve months.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 14. TRADE AND OTHER PAYABLES

| | Note | Group 2016 RM'000 | Group 2015 RM'000 | Company 2016 RM'000 | Company 2015 RM'000 |
|---|---|---|---|---|---|
| **Trade** | | | | | |
| Trade payables | | **26,773** | 7,951 | **–** | – |
| Amount due to related companies | 14.1 | **–** | 40 | **–** | – |
| | | **26,773** | 7,991 | **–** | – |
| **Non-trade** | | | | | |
| Amount due to intermediate holding company | 14.2 | **22,763** | 14,343 | **–** | – |
| Amount due to related companies | 14.2 | **120** | 685 | **100** | – |
| Other payables | | **17,541** | 19,317 | **–** | – |
| Accrued expenses | | **13,968** | 12,465 | **175** | 170 |
| Provision | | **493** | 964 | **–** | – |
| | | **54,885** | 47,774 | **275** | 170 |
| | | **81,658** | 55,765 | **275** | 170 |

14.1 The trade amount due to related companies is unsecured.

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

## 15. REVENUE

| | Group 2016 RM'000 | Group 2015 RM'000 | Company 2016 RM'000 | Company 2015 RM'000 |
|---|---|---|---|---|
| Sale of goods | **312,940** | 269,794 | **–** | – |
| Dividend income from an unquoted subsidiary in Malaysia and Singapore | **–** | – | **13,093** | 28,500 |
| | **312,940** | 269,794 | **13,093** | 28,500 |

## 16. RESULTS FROM OPERATING ACTIVITIES

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| **Operating profit is arrived at after charging:** | | | | |
| Auditors' remuneration: | | | | |
| – Audit fees | **197** | 196 | **30** | 30 |
| – Non-audit fees | **17** | 89 | **17** | 17 |
| Depreciation on property, plant and equipment | **22,500** | 21,532 | **–** | – |
| Net impairment loss: | | | | |
| – Trade receivables | **1,816** | 1,123 | **–** | – |
| Interest expense | **5,550** | 3,740 | **4,755** | 2,928 |
| Net inventories write-down | **4,897** | 3,128 | **–** | – |
| Loss on disposal of property, plant and equipment | **1,190** | 596 | **–** | – |
| Personnel expenses (including key management personnel): | | | | |
| – Contributions to state plans | **9,038** | 7,042 | **–** | – |
| – Wages, salaries and others | **61,485** | 38,808 | **–** | – |
| Rental expenses of premises | **2,733** | 2,098 | **–** | – |
| Research and development costs expensed as incurred | **9,703** | 6,302 | **–** | – |
| Write-off on property, plant and equipment | **1,315** | – | **–** | – |
| **after crediting:** | | | | |
| Dividend income from: | | | | |
| – A subsidiary in Malaysia (unquoted) | **–** | – | **12,000** | 28,500 |
| – A subsidiary in Singapore (unquoted) | **–** | – | **1,093** | – |
| Gain from highly liquid investment with financial institutions | **850** | 148 | **–** | 148 |
| Interest income | **4,237** | 1,384 | **9,629** | 5,202 |
| Net realised foreign exchange gain | **342** | 77 | **–** | – |
| Net unrealised foreign exchange gain | **154** | 811 | **–** | – |
| Rental income | **466** | 312 | **–** | – |

## 17. FINANCE INCOME

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Interest income of financial assets that are not at fair value through profit or loss: | | | | |
| – recognised before impairment | **4,234** | 1,384 | **9,629** | 5,202 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 18. FINANCE COSTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2016 RM'000** | **2015 RM'000** | **2016 RM'000** | **2015 RM'000** |
| Interest expense of financial liabilities that are not at fair value through profit or loss: | | | | |
| – finance charges | **5,343** | 3,605 | **4,753** | 2,920 |
| Other finance charges | **207** | 135 | **2** | 8 |
| | **5,550** | 3,740 | **4,755** | 2,928 |

## 19. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2016 RM'000** | **2015 RM'000** | **2016 RM'000** | **2015 RM'000** |
| **Directors** | | | | |
| – Fees | **557** | 380 | **557** | 380 |
| **Other key management personnel** | | | | |
| – Remuneration | **2,793** | 2,001 | **2,793** | – |
| Total short-term employee benefits | **3,350** | 2,381 | **3,350** | 380 |

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 27.

## 20. TAX EXPENSE

***Recognised in profit or loss***

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| **Current tax expense** | | | | |
| – current year | **5,068** | 12,968 | **252** | 555 |
| – over provision in prior years | **(888)** | (639) | **17** | – |
| Total current tax recognised in profit or loss | **4,180** | 12,329 | **269** | 555 |
| **Deferred tax (benefit)/expense** | | | | |
| Origination and reversal of temporary differences | **1,819** | (382) | **–** | – |
| Over provision in prior year | **(1,346)** | (252) | **–** | – |
| Effect of changes in tax rate | **–** | (257) | **–** | – |
| Total deferred tax recognised in profit or loss | **473** | (891) | **–** | – |
| Total income tax expense | **4,653** | 11,438 | **269** | 555 |

***Reconciliation of effective tax rate***

| | Group 2016 RM'000 | Group 2015 RM'000 | Company 2016 RM'000 | Company 2015 RM'000 |
|---|---|---|---|---|
| Profit for the year | **26,826** | 36,391 | **16,610** | 29,838 |
| Total income tax expense | **4,653** | 11,438 | **269** | 555 |
| Profit excluding tax | **31,479** | 47,829 | **16,879** | 30,393 |
| Income tax calculated using Malaysian tax rate of 24% (2015:25%) | **7,555** | 11,957 | **4,051** | 7,598 |
| Non-deductible expenses | **1,585** | 2,620 | **1,315** | 493 |
| Tax exempt income | **–** | (139) | **(5,114)** | (7,536) |
| Tax incentives | **(2,127)** | (1,852) | **–** | – |
| Over provision in prior years | **(2,234)** | (891) | **17** | – |
| Effect of change in tax rate | **(126)** | (257) | **–** | – |
| | **4,653** | 11,438 | **269** | 555 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 21. EARNINGS PER ORDINARY SHARE

### Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2016 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

| Group | 2016 RM'000 | 2015 RM'000 |
|---|---|---|
| Profit attributable to ordinary shareholders | **26,826** | 36,391 |

| | Group | |
|---|---|---|
| | 2016 '000 | 2015 '000 |
| Issued ordinary shares at 1 January | **278,958** | 138,821 |
| Weighted average number of shares arising from re-issued of treasury shares during the period | **–** | 554 |
| Weighted average number of shares arising from Rights Issues exercise during the period | **–** | 62,288 |
| Weighted average number of ordinary shares at 31 December | **278,958** | 201,663 |

| | Group | |
|---|---|---|
| | 2016 sen | 2015 sen |
| Basic earnings per ordinary share | **9.62** | 18.05 |

### 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 2016.

## 22. DIVIDENDS

Dividends recognised by the Company:

| | Sen per share | Total amount RM'000 | Date of payment |
|---|---|---|---|
| **2016** | | | |
| Final 2015 ordinary | **5.50** | **15,343** | 28 June 2016 |
| Interim 2016 ordinary | **2.50** | **6,974** | 11 November 2016 |
| Total amount | | **22,317** | |

| | Sen per share | Total amount RM'000 | Date of payment |
|---|---|---|---|
| **2015** | | | |
| Final 2014 ordinary | 14.50 | 20,225 | 25 June 2015 |
| Interim 2015 ordinary | 4.00 | 11,158 | 6 November 2015 |
| Total amount | | 31,383 | |

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 2016 ordinary | 4.00 | 11,158 |

## 23. OPERATING SEGMENTS

The Group operate principally in Malaysia and its major business segment being manufacturing and distribution of pharmaceutical products categorised by geographical area as mentioned in geographical segment. The Chief Executive Officer ("CEO"), who is the chief operating decision maker reviews internal management reports regularly.

Accordingly, no segment information is provided as the financial position and performance are as already shown in the Statement of Financial Position and the Statement of Profit or Loss and Other Comprehensive Income.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 23. OPERATING SEGMENTS (CONTINUED)

***Geographical segments***

Segment revenue is based on geographical location of customers, and are managed separately because they require different marketing strategies.

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.

| | Group | |
|---|---|---|
| | **2016 RM'000** | **2015 RM'000** |
| Revenue from external customers: | | |
| Local | **276,277** | 246,492 |
| Export | **36,663** | 23,302 |
| | **312,940** | 269,794 |
| Total receivables from external customers: | | |
| Local | **66,769** | 68,583 |
| Export | **6,642** | 17,512 |
| | **73,411** | 86,095 |

***Major customers***

Revenue from two major customers amount to approximately RM75,815,000 (2015: RM106,548,000) of the Group's total revenue.

## 24. FINANCIAL INSTRUMENTS

### 24.1 Categories of financial instruments

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

(a) Loans and receivables ("L&R");
(b) Fair value through profit or loss ("FVTPL"):
- Held for trading ("HFT"); and
(c) Financial liabilities measured at amortised cost ("FL").

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

### 24.1 Categories of financial instruments (continued)

| | Carrying amount RM'000 | L&R/ (FL) RM'000 | FVTPL RM'000 |
|---|---|---|---|
| **Group** | | | |
| **2016** | | | |
| **Financial assets** | | | |
| Trade and other receivables | **91,492** | **91,492** | **–** |
| Cash and bank balances | **33,404** | **33,404** | **–** |
| Highly liquid investments | **81,410** | **–** | **81,410** |
| | **206,306** | **124,896** | **81,410** |
| **Financial liabilities** | | | |
| Trade and other payables | **(81,658)** | **(81,658)** | **–** |
| Loan and borrowings | **(113,296)** | **(113,296)** | **–** |
| | **(194,954)** | **(194,954)** | **–** |
| **2015** | | | |
| **Financial assets** | | | |
| Trade and other receivables | 99,611 | 99,611 | – |
| Cash and bank balances | 47,510 | 47,510 | – |
| Highly liquid investments | 96,000 | – | 96,000 |
| | 243,121 | 147,121 | 96,000 |
| **Financial liabilities** | | | |
| Trade and other payables | (54,801) | (54,801) | – |
| Loan and borrowings | (122,756) | (122,756) | – |
| | (177,557) | (177,557) | – |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

### 24.1 Categories of financial instruments (continued)

| | Carrying amount RM'000 | L&R/ (FL) RM'000 | FVTPL RM'000 |
|---|---|---|---|
| **Company** | | | |
| **2016** | | | |
| **Financial assets** | | | |
| Trade and other receivables | **157,472** | **157,472** | **–** |
| Cash and bank balances | **720** | **720** | **–** |
| Highly liquid investments | **81,410** | **–** | **81,410** |
| | **239,602** | **158,192** | **81,410** |
| **Financial liability** | | | |
| Trade and other payables | **(275)** | **(275)** | **–** |
| Loan and borrowings | **(101,798)** | **(101,798)** | **–** |
| | **(102,073)** | **(102,073)** | **–** |
| **2015** | | | |
| **Financial assets** | | | |
| Trade and other receivables | 154,028 | 154,028 | – |
| Cash and bank balances | 5,945 | 5,945 | – |
| Highly liquid investments | 96,000 | – | 96,000 |
| | 255,973 | 159,973 | 96,000 |
| **Financial liabilities** | | | |
| Trade and other payables | (170) | (170) | – |
| Loan and borrowings | (111,798) | (111,798) | – |
| | (111,968) | (111,968) | – |

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

### 24.2 Net gains and losses arising from financial instruments

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** **RM'000** | **2015** **RM'000** | **2016** **RM'000** | **2015** **RM'000** |
| Net gains/(losses) on: | | | | |
| Loans and receivables | **4,234** | 1,384 | **9,629** | 5,202 |
| Financial liabilities measured at amortised cost | **(5,550)** | (3,740) | **(4,755)** | (2,928) |
| | **(1,316)** | (2,356) | **(4,874)** | 2,274 |

### 24.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

### 24.4 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.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

### 24.4 Credit risk (continued)

**Receivables (continued)**

*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, private sectors 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 exposure of credit risk for trade receivables as at the end of the reporting period by sector was:

| | Group | |
|---|---|---|
| | **2016 RM'000** | **2015 RM'000** |
| Public sector | **19,868** | 26,650 |
| Private sector | **55,940** | 63,922 |
| | **75,808** | 90,572 |

*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 |
|---|---|---|---|---|
| **2016** | | | | |
| Not past due | **66,728** | **–** | **–** | **66,728** |
| Past due 1-30 days | **5,959** | **–** | **–** | **5,959** |
| Past due 31-120 days | **1,869** | **–** | **–** | **1,869** |
| Past due more than 120 days | **5,388** | **(4,136)** | **–** | **1,252** |
| | **79,944** | **(4,136)** | **–** | **75,808** |

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

### 24.4 Credit risk (continued)

*Impairment losses (continued)*

| | Gross RM'000 | Individual impairment RM'000 | Collective impairment RM'000 | Net RM'000 |
|---|---|---|---|---|
| **2015** | | | | |
| Not past due | 81,024 | – | – | 81,024 |
| Past due 1-30 days | 6,055 | – | – | 6,055 |
| Past due 31-120 days | 3,307 | – | – | 3,307 |
| Past due more than 120 days | 2,506 | (2,320) | – | 186 |
| | 92,892 | (2,320) | – | 90,572 |

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

| | Group | |
|---|---|---|
| | **2016 RM'000** | **2015 RM'000** |
| At 1 January | **2,320** | 1,197 |
| Impairment loss recognised | **3,884** | 1,097 |
| Impairment loss written off | **(496)** | 92 |
| Impairment loss recovered | **(1,572)** | (66) |
| At 31 December | **4,136** | 2,320 |

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 2015, there is a significant individual impairment loss of RM1,004,000 relating to a customer with dispute invoices during the previous financial year.

**Investments and other financial assets**

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

Investments are allowed in liquid securities and only with counterparties that have a credit rating equal to or better than the Group.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

### 24.4 Credit risk (continued)

**Investments and other financial assets (continued)**

*Exposure to credit risk, credit quality and collateral*

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

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations. The Group does not have overdue investments that have not been impaired.

The investment and other financial assets are unsecured.

*Impairment losses*

As at the end of the reporting period, there was no indication that the investments 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.

### 24.5 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.

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

### 24.5 Liquidity risk (continued)

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

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

*Maturity analysis*

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

| | Carrying amount RM'000 | Contractual interest rate % | Contractual cash flows RM'000 | Under 1 year RM'000 | 1 - 2 years RM'000 | 2 - 5 years RM'000 | More than 5 years RM'000 |
|---|---|---|---|---|---|---|---|
| **2016** | | | | | | | |
| **Group** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Trade and other payables | **81,658** | **–** | **81,658** | **81,658** | **–** | **–** | **–** |
| Term loan | **101,798** | **4.5** | **118,189** | **14,301** | **13,857** | **63,660** | **26,371** |
| Revolving credit | **11,498** | **2.64 – 3.86** | **11,685** | **11,685** | **–** | **–** | **–** |
| **Company** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Trade and other payables | **275** | **–** | **275** | **–** | **–** | **–** | **–** |
| Term loan | **101,798** | **4.5** | **118,189** | **14,301** | **13,857** | **63,660** | **26,371** |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

### 24.5 Liquidity risk (continued)

*Maturity analysis (continued)*

| | Carrying amount RM'000 | Contractual interest rate % | Contractual cash flows RM'000 | Under 1 year RM'000 | 1 - 2 years RM'000 | 2 - 5 years RM'000 | More than 5 years RM'000 |
|---|---|---|---|---|---|---|---|
| **2015** | | | | | | | |
| **Group** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Trade and other payables | 54,801 | – | 54,801 | 54,801 | – | – | – |
| Term loan | 111,798 | 4.5 | 147,014 | 10,501 | 21,642 | 59,255 | 55,616 |
| Bank overdraft | 10,958 | – | 10,958 | 10,958 | – | – | – |
| **Company** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Trade and other payables | 170 | – | 170 | 170 | – | – | – |
| Term loan | 111,798 | 4.5 | 147,014 | 10,501 | 21,642 | 59,255 | 55,616 |

### 24.6 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.

#### 24.6.1 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 Philippine Peso ("PESO").

*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.

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

### 24.6 Market risk (continued)

#### 24.6.1 Currency risk (continued)

*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* | |
|---|---|---|
| | **2016** | **2015** |
| | **RM'000** | **RM'000** |
| **Group** | | |
| Trade receivables | **3,456** | 3,414 |
| Trade payables | **(8,548)** | (280) |
| Bank balances | **695** | 385 |
| Other receivables | **535** | – |
| Net exposure in the statement of financial position | **(3,862)** | 3,519 |

| | *Denominated in EURO* | |
|---|---|---|
| | **2016** | **2015** |
| | **RM'000** | **RM'000** |
| Trade (payables)/receivables | **(158)** | 44 |
| Other receivables | **4,833** | – |
| Net exposure in the statement of financial position | **4,675** | 44 |

| | *Denominated in SGD* | |
|---|---|---|
| | **2016** | **2015** |
| | **RM'000** | **RM'000** |
| Trade receivables | **1,553** | 1,346 |
| Trade payables | **(93)** | – |
| Bank balances | **4,298** | 3,014 |
| Net exposure in the statement of financial position | **5,758** | 4,360 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

### 24.6 Market risk (continued)

#### 24.6.1 Currency risk (continued)

*Exposure to foreign currency risk (continued)*

| | *Denominated in PESO* | |
|---|---|---|
| | **2016** | **2015** |
| | **RM'000** | **RM'000** |
| Trade receivables | **1,540** | 3,778 |
| Trade payables | **(99)** | (500) |
| Bank balances | **2,372** | 1,992 |
| Net exposure in the statement of financial position | **3,813** | 5,270 |

*Currency risk sensitivity analysis*

A 10% (2015: 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** | |
|---|---|---|
| | **2016** | **2015** |
| | **RM'000** | **RM'000** |
| **Group** | | |
| USD | **293** | (264) |
| EURO | **(355)** | (3) |
| SGD | **(438)** | (327) |
| PESO | **(290)** | (395) |

A 10% (2015: 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.

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

### 24.6 Market risk (continued)

#### 24.6.2 Interest rate risk

The Group's and the Company'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 and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in short-term receivables and payables are not significantly exposed to interest rate risk.

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

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

*Exposure to interest rate risk*

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2016 RM'000** | **2015 RM'000** | **2016 RM'000** | **2015 RM'000** |
| **Fixed rate instruments** | | | | |
| Financial assets | **3,069** | 13,092 | **330** | 5,413 |

*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.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

### 24.7 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 table below analyses financial instruments carried at fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position, is as follows:

| Group | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | Carrying amount RM'000 |
|---|---|---|---|---|---|
| **2016** | | | | | |
| **Financial assets** | | | | | |
| Highly liquid investments | **–** | **81,410** | **–** | **81,410** | **81,410** |
| **Company** | | | | | |
| **2016** | | | | | |
| **Financial assets** | | | | | |
| Amount due from subsidiaries | **–** | **–** | **142,722** | **142,722** | **142,722** |
| Highly liquid investments | **–** | **81,410** | **–** | **81,410** | **81,410** |
| | **–** | **81,410** | **142,722** | **224,132** | **224,132** |
| **Group** | | | | | |
| **2015** | | | | | |
| **Financial assets** | | | | | |
| Highly liquid investments | – | 96,000 | – | 96,000 | 96,000 |
| **Company** | | | | | |
| **2015** | | | | | |
| **Financial assets** | | | | | |
| Amount due from subsidiaries | **–** | **–** | **151,172** | **151,172** | **151,172** |
| Highly liquid investments | **–** | **96,000** | **–** | **96,000** | **96,000** |
| | **–** | **96,000** | **151,172** | **247,172** | **247,172** |

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

### 24.7 Fair value information (continued)

**Level 2 fair value**

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

**Highly liquid investments with financial institution**

The fair value of the highly liquid investments is determined by reference to the market price per unit of the fund at the end of the reporting period.

**Level 3 fair value**

**Financial instruments not carried at fair value**

| Type | Description of valuation technique and inputs used |
|---|---|
| Loan to subsidiaries | Discounted cash flows using a rate based on the current market rate of borrowing of the respective Group entities at the reporting date. |

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

The Group has an established control framework in respect to the measurement of fair values of financial instruments. This includes management that has overall responsibility for overseeing all significant fair value measurements.

*Interest rate used to determine fair value*

The interest rate used to discount estimated cash flows is 4.5% (2015: 4.5%).

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 25. 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 Directors monitor and are determined to maintain the debt-to-equity ratio at the lower end range within 0.4:1 to 0.7:1. The debt-to-equity ratio at 31 December 2016 and at 31 December 2015 were as follows:

| | Note | Group 2016 | Group 2015 |
|---|---|---|---|
| Total loans and borrowings | 13 | **113,296** | 122,756 |
| Total equity | | **454,516** | 449,718 |
| Debt-to-equity ratios | | **0.25:1** | 0.27:1 |

The Group is also required to maintain a maximum debt-to-equity ratio of 1.5 (2015:1.5), 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.

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.

## 26. CAPITAL AND OTHER COMMITMENTS

| | Group 2016 RM'000 | Group 2015 RM'000 |
|---|---|---|
| **Capital expenditure commitments** | | |
| **Plant and equipment** | | |
| Authorised but not provided for | **306,127** | 246,480 |
| Contracted but not provided for | **7,703** | 7,230 |

## 27. 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. 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 19. The balances related to the below transactions are shown in Note 8 and 14.

| | Group | | Company | |
|---|---|---|---|---|
| | **2016 RM'000** | **2015 RM'000** | **2016 RM'000** | **2015 RM'000** |
| **Intermediate holding company** | | | | |
| Sale of goods | **–** | 236 | **–** | – |
| Management fees paid | **(11,687)** | (7,746) | **–** | – |
| Interest expenses | **–** | (1,047) | **–** | – |
| Dividend paid | **–** | (8,358) | **–** | – |
| **Immediate holding company** | | | | |
| Dividend paid | **(16,373)** | (23,025) | **22,317** | – |
| **Related companies** | | | | |
| Sale of goods | **–** | 11 | **–** | – |
| Purchases of goods | **–** | (437) | **–** | – |
| Dividend income received from a subsidiary | **–** | – | **13,093** | 28,500 |
| Interest income received from subsidiaries | **–** | – | **5,764** | 3,822 |

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 RM373,331 (2015: RM800,000).

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 28. ACQUISITION OF SUBSIDIARIES

### 28.1 Acquisition of subsidiaries

On 27 May 2015, the Group acquired all the shares in CCM Pharmaceuticals, Innovax, CCM Philippines, CCM Singapore, CCM Pharma and UPHA Pharmaceutical from Chemical Company of Malaysia Berhad and its subsidiaries for RM133,325,000 ("Purchase Consideration") and the settlement of advances amounting to RM111,798,000.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

**Fair value of consideration transferred**

| | Group 2015 RM'000 |
|---|---|
| Cash and cash equivalents | 245,123 |
| Settlement of intercompany advances | (111,798) |
| Contingent consideration | (2,750) |
| | 130,575 |

**Identifiable assets acquired and liabilities assumed**

| | Note | Group 2015 RM'000 |
|---|---|---|
| Property, plant and equipment | 3 | 140,988 |
| Investment properties | 4 | 1,600 |
| Intangible assets | 5 | 3,200 |
| Inventories | | 61,486 |
| Trade and other receivables | | 243,399 |
| Tax recoverable | | 3,156 |
| Cash and cash equivalents | | 21,726 |
| Loan and borrowings | | (19,088) |
| Deferred tax liabilities | 7 | (598) |
| Trade and other payables | | (324,134) |
| Total identifiable net assets | | 131,735 |

## 28. ACQUISITION OF SUBSIDIARIES (CONTINUED)

### 28.1 Acquisition of subsidiaries (continued)

**Net cash outflow arising from acquisition of subsidiaries**

| | Group 2015 RM'000 |
|---|---|
| Purchase consideration settled in cash and cash equivalents | (130,575) |
| Cash and cash equivalents acquired | 21,726 |
| | (108,849) |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 29. 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 | |
|---|---|---|---|---|
| | **2016 RM'000** | **2015 RM'000** | **2016 RM'000** | **2015 RM'000** |
| Total retained earnings of the Company and its subsidiaries | | | | |
| - realised | **167,286** | 157,837 | **1,634** | 19,341 |
| - unrealised | **1,222** | 1,224 | **–** | – |
| | **168,508** | 159,061 | **1,634** | 19,341 |
| Less: Consolidation adjustments | **(47,242)** | (42,304) | **–** | – |
| Total retained earnings | **121,266** | 116,757 | **1,634** | 19,341 |

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.

# 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 91 to 149 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 2016 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 29 on page 150 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:

**Dato' Hajah Normala binti Abdul Samad**
Director

**Razalee bin Amin**
Director

Kuala Lumpur,
Date: 10 March 2017

# 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 91 to 150 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by Chek Wu Kong, I/C No.: 660124-08-6517, at Kuala Lumpur in the Federal Territory on 10 March 2017.

**Chek Wu Kong**

Before me:

Commission for Oaths
Kuala Lumpur

# INDEPENDENT AUDITORS' REPORT

**to the members of CCM Duopharma Biotech Berhad**
**(Company No. 524271-W) (Incorporated in Malaysia)**

**Opinion**

We have audited the financial statements of CCM Duopharma Biotech Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 91 to 150.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

**Basis for Opinion**

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence and Other Ethical Responsibilities**

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By- Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Inventory provisions**
**Refer to Note 2(h) for significant accounting policies and Note 9 "Inventories"**

| | |
|---|---|
| The Group manufactures and sells pharmaceutical products which carry shelf life, increasing the level of judgement involved in estimating inventory provisions. Judgement is required to assess the appropriate level of provisioning for short-dated pharmaceutical products. Such judgments include Directors' expectations for future sales and inventory liquidation plans. | Our procedures included, amongst others:<br>• We attended stock counts to identify whether any inventory was obsolete;<br>• We assessed the basis for the inventory provisions, the consistency of provisioning in line with policy and the rationale for the recording of specific provisions;<br>• We tested the accuracy of the ageing of inventories based on system generated reports; and<br>• We tested the provision calculations and determined that they appropriately took into account the ageing profile of inventories. |

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

**Information Other than the Financial Statements and Auditors' Report Thereon**

The Directors of the Company are responsible for the other information. The other information comprises the Chief Executive Officer's Review, Statement on Corporate Governance, Report of the Audit and Risk Management Committee, Report of the Nomination and Remuneration Committee and Statement on Risk Management and Internal Control but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the remaining parts of the annual report, which are expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors for the Financial Statements**

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that 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 of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

# INDEPENDENT AUDITORS' REPORT (CONT'D)

**to the members of CCM Duopharma Biotech Berhad**
**(Company No. 524271-W) (Incorporated in Malaysia)**

**Auditors' Responsibilities for the Audit of the Financial Statements (continued)**

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

**Auditors' Responsibilities for the Audit of the Financial Statements (continued)**

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstrances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**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 subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in note 6 to the financial statements, being accounts that have been included in the consolidated accounts.

(c) We are satisfied that the accounts of the subsidiaries 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.

(d) The audit report on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

**Other Reporting Responsibilities**

The supplementary information set out in Note 29 is disclosed meet the requirements of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information with 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, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysa Securities Berhad. In our opnion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of 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 PLT**
(LLP0010081 - LCA & AF 0758)
Chartered Accountants

**Abdullah Abu Samah**
Approval Number: 2013/06/18(J)
Chartered Accountant

10 March 2017
Petaling Jaya, Malaysia

# ANALYSIS OF SHAREHOLDINGS

**as at 31 March 2017**

**ANALYSIS OF SHAREHOLDINGS AS AT 31 MARCH 2017**

| | |
|---|---|
| Total Number of Issued Shares | : 278,959,000 |
| Class of Shares | : Ordinary Shares |
| Number of Shareholders | : 3,255 |
| Voting Rights | : One vote per Ordinary Share |

**ANALYSIS BY SIZE OF HOLDINGS**
as at 31 March 2017

| Size of Holdings | No. of Shareholders | % of Shareholders | No. of Shares | % of Issued Shares |
|---|---|---|---|---|
| 1 – 99 | 238 | 7.31 | 4,021 | 0.001 |
| 100 – 1,000 | 642 | 19.72 | 396,695 | 0.142 |
| 1,001 – 10,000 | 1,663 | 51.10 | 7,590,640 | 2.721 |
| 10,001 – 100,000 | 626 | 19.23 | 18,566,080 | 6.657 |
| 100,001 – 13,947,949(*) | 85 | 2.61 | 47,735,780 | 17.112 |
| 13,947,950 and above (**) | 1 | 0.03 | 204,665,784 | 73.367 |
| **TOTAL** | 3,255 | 100.00 | 278,959,000 | 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 2017

| | Direct Holdings | | Indirect Holdings | |
|---|---|---|---|---|
| **Name** | **No.** | *** %** | **No.** | **%** |
| Dato' Hajah Normala binti Abdul Samad | – | – | – | – |
| Dato' Mohamad Kamarudin bin Hassan | – | – | – | – |
| Tan Sri Siti Sa'diah binti Sh. Bakir | – | – | – | – |
| Dato' Azmi bin Mohd Ali | – | – | – | – |
| Razalee bin Amin | – | – | – | – |
| Puan Sri Rohani Parkash binti Abdullah | – | – | – | – |
| Zaiton binti Jamaluddin | – | – | – | – |
| Dato' Eisah binti A. Rahman | – | – | – | – |

**Substantial shareholders as per register of substantial shareholders as at 31 March 2017**

| Name | Direct Holdings | | Indirect Holdings | |
|---|---|---|---|---|
| | **No.** | *** %** | **No.** | **%** |
| CCM Marketing Sdn. Bhd. | 204,665,784 | 73.37 | - | - |

**TOP 30 SHAREHOLDERS**
as at 31 March 2017

| No. | Name | Holdings | Percentage (%) |
|---|---|---|---|
| 1. | CCM MARKETING SDN. BHD. | 204,665,784 | 73.37 |
| 2. | CITIGROUP NOMINEES (TEMPATAN) SDN. BHD.<br>- Employees Provident Fund Board | 10,514,600 | 3.77 |
| 3. | AMANAHRAYA TRUSTEES BERHAD<br>- Amanah Saham Bumiputera | 9,090,600 | 3.26 |
| 4. | AMANAHRAYA TRUSTEES BERHAD<br>- Public Islamic Treasures Growth Fund | 3,055,400 | 1.10 |
| 5. | TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.<br>- As Beneficial Owner (PF) | 2,617,800 | 0.94 |
| 6. | KUMPULAN WANG PERSARAAN (DIPERBADANKAN) | 2,198,200 | 0.79 |
| 7. | G.T.Y. HOLDINGS SDN. BHD. | 1,000,000 | 0.36 |
| 8. | TAN KAH HOCK | 1,000,000 | 0.36 |
| 9. | UNIVERSAL TRUSTEE (MALAYSIA) BERHAD<br>- KAF Dana Adib | 944,000 | 0.34 |
| 10. | OOI KENG TAN | 867,000 | 0.31 |
| 11. | CITIGROUP NOMINEES (TEMPATAN) SDN. BHD.<br>- Kumpulan Wang Persaraan (Diperbadankan) (Ai Iman Is Eq) | 750,000 | 0.27 |
| 12. | ABU BAKAR BIN SULEIMAN | 575,000 | 0.21 |
| 13. | MAYBANK NOMINEES (TEMPATAN) SDN. BHD.<br>- Pledged Securities Account for Chong Khong Shoong | 507,400 | 0.18 |
| 14. | AUN HUAT & BROTHERS SDN. BERHAD | 503,600 | 0.18 |
| 15. | LIEW WAI KIAT | 475,200 | 0.17 |
| 16. | DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD<br>- Hong Leong Asset Management Berhad for Program Pertukaran Fellowship Perdana Menteri Malaysia (1085) | 420,000 | 0.15 |

# ANALYSIS OF SHAREHOLDINGS(CONT'D)

**as at 31 March 2017**

**TOP 30 SHAREHOLDERS (CONT'D)**
as at 31 March 2017

| No. | Name | Holdings | Percentage (%) |
|---|---|---|---|
| 17. | AFFIN HWANG NOMINEES (ASING) SDN. BHD.<br>- DBS Vickers Secs (S) Pte. Ltd. for Asia Humanistic Capital Inc | 400,000 | 0.14 |
| 18. | HSBC NOMINEES (TEMPATAN) SDN. BHD.<br>- HSBC (M) Trustee Bhd for Zurich Insurance Malaysia Berhad (Dana Seri Mulia) | 400,000 | 0.14 |
| 19. | HSBC NOMINEES (TEMPATAN) SDN. BHD.<br>- HSBC (M) Trustee Bhd. for Zurich Insurance Malaysia Berhad (Income Fund) | 399,800 | 0.14 |
| 20. | DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD<br>- Hong Leong Asset Management Berhad for Gibraltar BSN Life Berhad (Lifefund-PARPIF) | 368,700 | 0.13 |
| 21. | UOBM NOMINESS (TEMPATAN) SDN. BHD.<br>- UOB Asset Management (Malaysia) Berhad for Gibraltar BSN Aggressive Fund | 358,600 | 0.13 |
| 22. | CITIGROUP NOMINEES (TEMPATAN) SDN. BHD.<br>- Pledged Securities Account for Song Soon Hee (470272) | 344,000 | 0.12 |
| 23. | LEONG CHAO SEONG | 300,000 | 0.11 |
| 24. | SYNERGY MOTION SDN. BHD. | 300,000 | 0.11 |
| 25. | UNIVERSAL TRUSTEE (MALAYSIA) BERHAD<br>- KAF Tactical Fund | 290,000 | 0.10 |
| 26. | TAY AH KOU @ TAY HWA LANG | 275,100 | 0.10 |
| 27. | DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD<br>- Hong Leong Asset Management Berhad for Yayasan Usahawan Bumiputra (1084) | 271,000 | 0.10 |
| 28. | AFFIN HWANG NOMINEES (ASING) SDN. BHD.<br>- UOB Kay Hian Pte Ltd for Ali Asan Mohamed Abdul Kareem | 248,800 | 0.09 |
| 29 | NOR IZHAM BIN AZIZ | 244,000 | 0.09 |
| 30 | TAN LEE HWA | 237,000 | 0.08 |

# LIST OF PROPERTIES

as at 31 December 2016

| Location | Tenure | Lease Period | Area (sq. meter) | Description | Approximate Age of Building | Existing use | Net Book Value (RM' mil) | Date of Valuation |
|---|---|---|---|---|---|---|---|---|
| Duopharma (M) Sdn. Bhd.<br>Lot No. 2599,<br>Jalan Seruling 59,<br>Kawasan 3,<br>Taman Klang Jaya,<br>41200 Klang,<br>Selangor Darul Ehsan | Freehold | - | 24,261 | 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<br><br>b. Four storey factory and office building<br><br>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 | 24 years | Factory, warehouse and office | 64.68 | December 2015<br><br>Land: RM18 mil<br><br>Building: RM50 mil |
| UPHA Pharmaceutical Manufacturing (M) Sdn. Bhd.<br>Lot Nos. 2 and 4,<br>Section 13,<br>Bangi Industrial Estate,<br>43650 Bandar Baru Bangi,<br>Selangor Darul Ehsan | Leasehold | 99 years (1987 - 2086) | 21,359 | Industrial land built upon with a 3-storey office cum factory building with lift service, a 3-storey store, canteen and laboratory building, a 2-storey warehouse block, a new 2½-storey office, factory cum warehouse building with lift services, a pump block and two guardhouse buildings | 29 years | Industrial land, factory and office | 55.82 | November 2014<br><br>RM57.18 mil |

# LIST OF PROPERTIES(CONT'D)

as at 31 December 2016

| Location | Tenure | Lease Period | Area (sq. meter) | Description | Approximate Age of Building | Existing use | Net Book Value (RM' mil) | Date of Valuation |
|---|---|---|---|---|---|---|---|---|
| CCM Pharma<br>No. 2, Jalan Saudagar U1, Seksyen U1 Hicom Glenmarie Industrial Park,<br>Shah Alam,<br>Selangor Darul Ehsan | Freehold | - | 5,907 | Industrial land, factory and offices | 19 years | Factory and offices | 26.00 | December 2016 |
| Duopharma (M) Sdn. Bhd.<br>Lot No. 2707,<br>Jalan Seruling 59,<br>Kawasan 3,<br>Taman Klang Jaya,<br>41200 Klang,<br>Selangor Darul Ehsan | Freehold | - | 4.38 acres | Industrial land | - | Construction-in-progress for warehouse with rooftop car park | 13.4 | December 2015<br><br>Land: RM12.39 mil |
| CCM Pharma<br>Lot 1, Phase1,<br>Technology Park Malaysia,<br>Bukit Jalil,<br>57000 Kuala Lumpur | Sub-lease of 30 years land. | - | 1.85 acres | Land | 19 years | Vacant | 4.45 | December 2016 |
| CCM Pharmaceuticals Sdn. Bhd.<br>No 1, Jalan 4/3,<br>Seksyen 4,<br>Bandar Baru Bangi,<br>43650 Bangi,<br>Selangor Darul Ehsan | Leasehold | 99 years (1987 – 2086) | 1565 | A plot of vacant residential detached building land | 29 years | Vacant | 1.0 | February 2016<br><br>RM1 mil |

| Location | Tenure | Lease Period | Area (sq. meter) | Description | Approximate Age of Building | Existing use | Net Book Value (RM' mil) | Date of Valuation |
|---|---|---|---|---|---|---|---|---|
| Duopharma (M) Sdn. Bhd.<br>No.51 & 53,<br>Jalan Rebana 3,<br>Off Jalan Seruling 59,<br>Taman Klang Jaya,<br>41200 Klang,<br>Selangor Darul Ehsan | Freehold | - | 835 | Two units of double storey terrace light industrial building | 20 years | Warehouse | 0.74 | December 2015<br><br>Land: RM0.46 mil<br><br>Building: RM0.70 mil |
| CCM Pharmaceuticals Sdn. Bhd.<br>No.64, Jalan Pernas 9/13,<br>Bandar Baru Pernas Jaya,<br>Masai,<br>81750 Johor Bahru,<br>Johor Darul Takzim. | Freehold | - | 362 | An intermediate 1½ storey terraced factory building | 25 years | Vacant | 0.70 | December 2016 |
| CCM Pharmaceuticals Sdn. Bhd.<br>No 309, 310, 411 and 412, Block 4,<br>Jalan 1/9, Seksyen 1,<br>Bandar Baru Bangi,<br>43650 Bangi,<br>Selangor Darul Ehsan | Leasehold | 99 years (1996 – 2095) | 228 | 4 units of 2-bedroom walk-up low-cost flat unit | 20 years | Hostel | 0.15 | November 2014<br><br>RM0.15 mil |

# RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

At the Annual General Meeting held on 25 May 2016, the Company had obtained a shareholders' mandate to allow the Company to enter into Recurrent Related Party Transaction of a Revenue or Trading Nature.

In accordance to the Bursa Malaysia Securities Berhad's Main Market Listing Requirements, details of the Recurrent Related Party Transactions audited during the financial year ended 31 December 2016, pursuant to the shareholders mandate are as follows:

| No. | Nature of RRPTs | Vendor/ Provider | Purchaser/ Recipient | Aggregate Value (RM'000) | Related parties |
|---|---|---|---|---|---|
| 1) | Purchase of raw material for pharmaceutical products | CCM Chemicals Sdn. Bhd. ("CCMC") | Duopharma (M) Sdn. Bhd. ("DMSB") | - | *Interested Major Shareholder*: CCM[1]<br><br>*Interested Director/Interested Person Connected:*<br>Leonard Ariff bin Abdul Shatar[2] |
| 2) | Sale of pharmaceutical/health care products | DMSB | CCM Marketing Sdn. Bhd. ("CCMM") | - | *Interested Major Shareholder:* CCM[1]<br><br>*Interested Director/Interested Person Connected:*<br>Leonard Ariff bin Abdul Shatar[2] |
| 3) | Professional services & construction of water treatment plant, etc. | CCM Water Systems Sdn. Bhd. ("CCMWS") | DMSB | - | *Interested Major Shareholder:* CCM[1]<br><br>*Interested Director/Interested Person Connected:*<br>Leonard Ariff bin Abdul Shatar[2] |
| 4) | Provision of Shared/ Management Services[3] | CCM | CCMD | 388 | *Interested Major Shareholder:* CCM[1]<br><br>*Interested Director/Interested Person Connected:*<br>Leonard Ariff bin Abdul Shatar[2] |
| 5) | Provision of Shared/ Management Services[3] | CCM | DMSB | 4,374 | *Interested Major Shareholder:* CCM[1]<br><br>*Interested Director/Interested Person Connected:*<br>Leonard Ariff bin Abdul Shatar[2] |
| 6) | Provision of Shared/ Management Services[3] | CCM | UPHA | 3,030 | *Interested Major Shareholder:* CCM[1]<br><br>*Interested Director/Interested Person Connected:*<br>Leonard Ariff bin Abdul Shatar[2] |
| 7) | Provision of Shared/ Management Services[3] | CCM | CCMP | 2,731 | *Interested Major Shareholder:* CCM[1]<br><br>*Interested Director/Interested Person Connected:*<br>Leonard Ariff bin Abdul Shatar[2] |
| 8) | Provision of Shared/ Management Services[3] | CCM | Sentosa Pharmacy Sdn. Bhd. | 110 | *Interested Major Shareholder:* CCM[1]<br><br>*Interested Director/Interested Person Connected:*<br>Leonard Ariff bin Abdul Shatar[2] |

| No. | Nature of RRPTs | Vendor/ Provider | Purchaser/ Recipient | Aggregate Value (RM'000) | Related parties |
|---|---|---|---|---|---|
| 9) | Provision of Shared/ Management Services[3] | CCM | Unique Pharmacy (Penang) Sdn. Bhd. | 98 | *Interested Major Shareholder:* CCM[1]<br><br>*Interested Director/Interested Person Connected:*<br>Leonard Ariff bin Abdul Shatar[2] |
| 10) | Provision of Shared/ Management Services[3] | CCM | CCMIP | 177 | *Interested Major Shareholder:* CCM[1]<br><br>*Interested Director/Interested Person Connected:*<br>Leonard Ariff bin Abdul Shatar[2] |
| 11) | Provision of Shared/ Management Services[3] | CCM | Innovax Sdn. Bhd. | 606 | *Interested Major Shareholder:* CCM[1]<br><br>*Interested Director/Interested Person Connected:*<br>Leonard Ariff bin Abdul Shatar[2] |
| 12) | Provision of Shared/ Management Services[3] | CCM | CCMPS | 103 | *Interested Major Shareholders:* CCM[1]<br><br>*Interested Director/Interested Person Connected:*<br>Leonard Ariff bin Abdul Shatar[2] |
| 13) | Provision of Shared/ Management Services[3] | CCM | CCM Pharma Sdn. Bhd. | 22 | *Interested Major Shareholder:* CCM[1]<br><br>*Interested Director/Interested Person Connected:*<br>Leonard Ariff bin Abdul Shatar[2] |

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

**Notes:**

1. CCMP, UPHA, Sentosa Pharmacy, Unique Pharmacy (Penang), CCMIP, Innovax, CCMPS and CCM Pharma are wholly-owned subsidiaries of CCMD. CCM holds 100% interest in CCMM which in turn holds 73.37% interest in CCMD. Therefore, CCM is deemed to have indirect interest of 73.37% of the issued share capital of CCMD and its wholly owned subsidiaries. CCM also has direct interest of 94.72% in the issued share capital of CCMWS through CCM's wholly-owned subsidiary, CCM UKSB.

2. Leonard Ariff bin Abdul Shatar is the Chief Executive Officer of CCMD and is a Director of CCMD, as defined under the Definitions Section of the Circular to Shareholders dated 27 April 2017. He is also the Group Managing Director of CCM. Leonard Ariff bin Abdul Shatar is also a Non-Executive Director of CCMP, Innovax, DMSB, UPHA and CCM Pharma. He has no direct interest in CCMD. Leonard Ariff bin Abdul Shatar is an interested director and an interested "Person(s) connected" as defined in the Definitions Section in the Circular to Shareholders dated 27 April 2017. Therefore, he is deemed interested in the Proposed Shareholders Mandate by virtue of him being an interested Director and 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 Sixteenth (16th) Annual General Meeting ("AGM") of the Company will be held at **Premiere Hotel, Bandar Bukit Tinggi, 1/KS6, Jalan Langat, 41200 Klang, Selangor Darul Ehsan on Monday, 22 May 2017 at 2.30 p.m.** for the following purposes:

**AGENDA**

**As Ordinary Business**

1. To consider and adopt the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon.
**Ordinary Resolution 1**

2. To approve a Final Single Tier Dividend of 4 sen per ordinary share for the financial year ended 31 December 2016.
**Ordinary Resolution 2**

3. To re-elect Dato' Azmi bin Mohd Ali who retires in accordance with Article 93 of the Company's Constitution.
**Ordinary Resolution 3**

4. To re-elect the following Directors, who retire in accordance with Article 99 of the Company's Constitution.

   (i) Dato' Hajah Normala binti Abdul Samad
   **Ordinary Resolution 4**
   (ii) Razalee bin Amin
   **Ordinary Resolution 5**
   (iii) Puan Sri Datuk Rohani Parkash binti Abdullah
   **Ordinary Resolution 6**
   (iv) Zaiton binti Jamaluddin
   **Ordinary Resolution 7**
   (v) Dato' Eisah binti A. Rahman
   **Ordinary Resolution 8**

5. To re-appoint Messrs KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.
**Ordinary Resolution 9**

6. To approve the payment of total Directors' Fees amounting to RM557,000 for the financial year ended 31 December 2016 and proposed total Directors' Fees amounting to RM775,000 for the period commencing 1 January 2017 until the conclusion of the next AGM of the Company in 2018, and further, to authorise the Directors to divide the remuneration among them in such proportions and manner as the Directors may determine.
**Ordinary Resolution 10**

7. To approve the proposed payment of Directors' Remuneration (excluding Directors' Fees) up to an amount of RM270,000 for the period from 31 January 2017 until the conclusion of the next AGM of the Company ("Relevant Period")
**Ordinary Resolution 11**

**AS SPECIAL BUSINESS**

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

8. **AUTHORITY TO DIRECTORS TO ISSUE SHARES**

   "That subject always to the Companies Act, 2016, the Company's Constitution, the Listing Requirement of Bursa Securities and approval of the relevant government/regulatory authorities, the Directors be and are hereby authorised, pursuant to Section 75 & 76 of the Companies Act 2016, to allot shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares to be allotted pursuant to the said allotment does not exceed ten percent (10%) of the total issued share capital of the Company as at the date of such allotment and that the Directors be and are hereby authorised to obtain all necessary approvals from the relevant authorities for the allotment and listing and quotation of the additional shares so allotted on Bursa Securities and that such authority to allot shares shall continue to be in force until the conclusion of the next annual general meeting of the Company."
**Ordinary Resolution 12**

9. **PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")**

   "That subject to the Listing Requirements of Bursa Securities, the Company and/or its subsidiary shall be mandated to enter into the recurrent related party transactions of a revenue or trading nature with the related party as specified in Section 2.2.1 of the Circular to Shareholders dated 27 April 2017 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 AGM of the Company following the forthcoming AGM at which such mandate was passed, at which time it will lapse, unless further renewed by a resolution passed at the next AGM;

(b) the expiration of the period within which the next AGM of the Company after the forthcoming AGM is required to be held pursuant to Sections 304(1) and 304(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(c) revoked or varied by resolution passed by the shareholders in a general meeting of the Company,

whichever is the 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."

**Ordinary Resolution 13**

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

**NOTICE OF BOOKS CLOSURE**

**NOTICE IS HEREBY GIVEN** that subject to the approval of the Shareholders at the forthcoming AGM, a Final Single Tier Dividend of 4 sen per ordinary share, in respect of the Company's financial year ended 31 December 2016 will be paid on 23 June 2017 to shareholders whose names appear in the Record of Depositors on 30 May 2017.

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 30 May 2017 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: 27 April 2017

# NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

**NOTES:**

1. All Resolutions in the Notice of AGM are to be conducted by poll voting as per Paragraph 8.29A(1) of the Listing Requirements.

2. A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote instead of him. A proxy may but need not be a member of the Company.

3. Where a member of the Company appoints two (2) proxies, the appointments shall be invalid unless the member specifies the proportion of his shareholdings to be represented by each proxy.

4. 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.

5. 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.

6. 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.

7. The instrument appointing a proxy must be deposited at the Registrars of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than twenty-four (24) hours before the time appointed for taking of the poll as per Section 334(3) of the Companies Act, 2016.

8. Only depositors whose names appear in the Record of Depositors as at 15 May 2017 be regarded as members and entitled to attend and vote at the meeting.

**Explanatory Notes on Ordinary Business**

**Ordinary Resolution 10** – Directors Fees

The Company, had in 2014, sought the shareholders' approval to increase the ordinary remuneration payable to the Directors entitled to receive the ordinary remuneration with effect from 1 January 2014, in the manner as determined by the Board as follows:

| | | **RM per annum** |
|---|---|---|
| (a) | Chairman of the Board | 85,000 |
| (b) | Member of the Board (local) | 60,000 |
| (c) | Chairman of Board Committees | 7,000 |
| (d) | Member of Board Committees | 5,000 |

The Company, had also, in 2016 sought the shareholders' approval on the ordinary remuneration payable to foreign Directors entittled to receive the ordinary remuneration with effect from 5 October 2015, in the manner as determined by the Board as follows:

| | | **USD per annum** |
|---|---|---|
| (a) | Foreign directors | 15,000 |

Pursuant to Para 7.24 of the MMLR and Bursa Malaysia's Clarification Letter issued on 30 May 2016, under item (3), public listed companies ("PLC") are required to seek specific shareholder approval at the general meeting, on any increase in total directors' fees payable/paid to the directors. PLC must not rely on a mandate for the capped amount obtained previously, even though its articles of association may allow for it or such mandate is still valid. In addition to this, under Section 230(1) of the Companies Act 2016 which came into force on 31 January 2017, the fees of the directors, and any benefits payable to directors of a listed company and its subsidiaries shall be approved at a general meeting.

As such, following the increase in the total directors fees paid to directors from RM380,000 in financial year ended 2015 to RM557,000 in financial year 2016 as a result of the increase in number of non-executive directors during the financial year, the Company is now required to obtain a specific shareholders' approval at this Annual General Meeting despite obtaining prior approval on director fees.

The actual total directors' fees incurred for Financial Year 2016 was RM557,000. With respect to the proposed total Directors' Fees for financial year 2017 until the conclusion of the next AGM of the Company in 2018, assuming that the number of directors and Board Committees as well as the members of the Board Committees remain the same, the amount is expected to increase to RM775,000 as the newly appointed directors in financial year 2016 is expected to have served a full financial year in 2017 until the conclusion of the next AGM in 2018 despite the entitled amount being the same as per the shareholders' resolution in 2012 and 2015, respectively. This resolution, if passed, will facilitate the payment of directors' fees on current financial year basis.

| | 2016 | 2017 |
|---|---|---|
| Chairman of the Board | RM85,000 | RM85,000 |
| Member of the Board | RM60,000 | RM60,000 |
| Foreign Directors | USD15,000 | USD15,000 |
| Chairman of Board Committees | RM7,000 | RM7,000 |
| Chairman of Board Committees | RM5,000 | RM5,000 |

**Ordinary Resolution 11** – Directors' Remuneration (excluding Directors' Fees)

The directors' remuneration (excluding Directors' Fees) comprises other emoluments/benefits payable to the Chairman and members of the Board and Board Committees. The current board remuneration policy is set out below:

| Description | | Chairman (RM) | Members (RM) |
|---|---|---|---|
| Meeting allowance (per meeting) | Board | 700 | 500 |
| | Board Committees | 700 | 500 |
| Other benefits: | Business travel and accommodation and other claimable benefits | | |

In determining the estimated total amount of remuneration (excluding Directors' Fees) for the directors of the Company, the Board considered various factors including the number of scheduled meeting for the Board and Board Committees as well as the number of Directors involved in these meetings. The estimated amount of RM270,000 is derived from a total of RM200,000 for Financial Year 2017 and one-third (1/3rd) of the said amount equivalent to RM70,000 for the period from 1 January 2018 until the next AGM in 2018. In the event that the Directors Remuneration (excluding Directors' Fees) proposed is insufficient (e.g. due to more meetings or enlarged board size etc.), approval will be sought at the next AGM for the additional remuneration to meet the shortfall.

Ordinary Resolution 11, if passed, will be made by the Company on a monthly basis and/or as and when incurred. The Board is of the view that it is fair and equitable for the directors to be paid the Directors' Remuneration (excluding Directors' Fees) on a monthly basis and/or as and when incurred particularly after they have discharged their responsibilities and rendered their services to the Company throughout the Relevant Period.

**Explanatory Notes on Special Business**

**Ordinary Resolution 12** – Authority to Directors to Issue Shares

The proposed Ordinary Resolution No. 12 is the general mandate to be obtained from the shareholders of the Company at this AGM and, if passed, will empower the Directors pursuant to Section 75 & 76 of the Companies Act, 2016 to allot ordinary shares in the share capital of the Company of up to an aggregate amount not exceeding ten percent (10%) of the issued share capital of the Company as at the date of such allotment of shares without having to convene a general meeting. This general mandate, unless revoked or varied at a general meeting will expire at the conclusion of the next annual general meeting of the Company.

The general mandate from shareholders is to provide the Company flexibility to undertake any share issuance during the financial year without having to convene a general meeting. The rationale for this proposal is to allow possible share issue and/or fund raising exercises including placement of shares for the purpose of funding current and/or future investment projects, working capital and/or acquisition as well as in the event of any strategic opportunities involving equity deals which may require the Company to allot new shares on an urgent basis and thereby reducing administrative time and costs associated with the convening of additional shareholders meeting(s). In any event, the exercise of the mandate is only to be undertaken if the Board considers it to be in the best interest of the Company.

**Ordinary Resolution 13** – Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate").

The explanatory notes on Ordinary Resolution 13 are set out in the Circular to Shareholders dated 27 April 2017.

# STATEMENT ACCOMPANYING THE NOTICE OF THE 16TH 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 six (6) Directors of the Company seeking re-election are set out in their respective profiles which appear in the Directors' Profiles on pages 30 to 37 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 156 of this Annual Report.

# PROXY FORM

CCM Duopharma Biotech Berhad
(Company No.: 524271-W) (Incorporated in Malaysia)

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 Sixteenth 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 Monday, 22 May 2017 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 consider and adopt the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon. | Ordinary Resolution 1 | | |
| 2. | To approve a Final Single Tier Dividend of 4 sen per ordinary shares in respect of the financial year ended 31 December 2016. | Ordinary Resolution 2 | | |
| 3. | To re-elect Dato' Azmi bin Mohd Ali who retires in accordance with Article 93 of the Company's constitution. | Ordinary Resolution 3 | | |
| 4. | To re-elect the following Directors, who retire in accordance with Article 99 of the Company's Constitution: | | | |
| | (i) Dato' Hajah Normala binti Abdul Samad | Ordinary Resolution 4 | | |
| | (ii) Razalee bin Amin | Ordinary Resolution 5 | | |
| | (iii) Puan Sri Datuk Rohani Parkash binti Abdullah | Ordinary Resolution 6 | | |
| | (iv) Zaiton binti Jamaluddin | Ordinary Resolution 7 | | |
| | (v) Dato' Eisah binti A. Rahman | Ordinary Resolution 8 | | |
| 5. | To re-appoint Messrs KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. | Ordinary Resolution 9 | | |
| 6. | To approve the payment of total Directors' fees amounting to RM557,000 for the financial year ended 31 December 2016 and proposed total Directors' Fees amounting to RM775,000 for the period commencing 1 January 2017 until the conclusion of the next AGM of the Company in 2018, and further, to authorise the Directors to divide the remuneration among them in such proportions and manner as the Directors may determine. | Ordinary Resolution 10 | | |
| 7. | To approve the proposed payment of Directors' Remuneration (excluding Directors' Fees) up to an amount of RM270,000 for the period from 31 January 2017 until the conclusion of the next AGM of the Company ("Relevant Period") | Ordinary Resolution 11 | | |
| **NO.** | **SPECIAL BUSINESS** | **RESOLUTION NO.** | **FOR** | **AGAINST** |
| 8. | Authority to Directors to issue shares pursuant to Section 75 & 76 of Companies Act, 2016. | Ordinary Resolution 12 | | |
| 9. | Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate"). | Ordinary Resolution 13 | | |

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

Signed this ____________ day of ____________ 2017.

______________________
Signature/Seal

| CDS Account No. | |
|---|---|
| No. of ordinary shares | |

**NOTES:**
1. All Resolutions in the Notice of AGM are to be conducted by poll voting as per Paragraph 8.29A(1) of the Listing Requirements.
2. A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote instead of him. A proxy may but need not be a member of the Company.
3. Where a member of the Company appoints two (2) proxies, the appointments shall be invalid unless the member specifies the proportion of his shareholdings to be represented by each proxy.
4. 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.
5. 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.
6. 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.
7. The instrument appointing a proxy must be deposited at the Registrars of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than twenty-four (24) hours before the time appointed for the taking of the poll per Section 334(3) of the Companies Act, 2016.
8. Only depositors whose names appear in the Record of Depositors as at 15 May 2017 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)
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan Kuala Lumpur
Malaysia

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CCM DUOPHARMA
BIOTECH BERHAD
(524271-W)

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**NEGARAKU**