

# STATEMENT ON CORPORATE GOVERNANCE

## for the Financial Year ended 31 December 2015

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

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

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

### **PRINCIPLE 1**

#### **ESTABLISH CLEAR ROLES AND RESPONSIBILITIES**

##### **Recommendation 1.1**

##### **Clear Functions between the Board and Management**

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

The Board has established clear functions which are reserved for the Board and those delegated to Board Committees and Management. Key matters, such as the approval of annual and quarterly financial results, acquisitions and disposals, 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 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.

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

for the Financial Year ended 31 December 2015

## 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 CCM Group Risk Department provides the Board with a separate status report of enterprise risk on a quarterly basis. The CCM Group Internal Auditor also provides the Audit and Risk Management Committee ("ARMC"), with audit reports as and when audit and special investigation assignments are completed.

(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 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.

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.

(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.

(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 85 to 88.

### **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, 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.

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

## for the Financial Year ended 31 December 2015

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.

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.

The Integrity Unit has set up a hotline at [ccmintegrity@gmail.com](mailto:ccmintegrity@gmail.com) for any parties to whistle blow on any concerns that they become aware of.

In the first half of the year, Integrity Pacts were signed with suppliers of the Company to further enhance transparency in procurement activities. The whistle-blowing hotline was also shared with the suppliers to enable them to report on any wrongdoings involving the employees.

### **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 could be found on the Company's website.

### **Recommendation 1.5** **Access to Information and Advice**

The Chairman is primarily responsible for ensuring that sufficient information is provided to the Board members ("Directors") to assist them in their deliberations. He ensures that all relevant issues and quality information to facilitate decision making and effective running of the Company's business are included in the Board meeting agenda. To this end, the Chairman liaises with the Chief Executive Officer and the Company Secretary to finalise the agendas for Board meetings. Board meetings are scheduled a year ahead in order to enable full attendance at Board meetings. A minimum of four (4) Board meetings 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, seven (7) Board meetings were held. Details of the Directors' meeting attendance during the financial year are as follows:-

Name of Director	No. of Meetings Attended
<b>Tan Sri Dato' Dr. Abu Bakar bin Suleiman</b> Non-Independent Non-Executive Chairman	7/7
<b>Tan Sri Dato' Dr. Jegathesan a/I N.M. Vasagam @ Manikavasagam</b> Independent Non-Executive Director	7/7
<b>Datuk Alias bin Ali</b> Non-Independent Non-Executive Director	7/7
<b>Dato' Haji Ghazali bin Awang</b> Senior Independent Non-Executive Director	7/7
<b>Dato' Mohamad Kamarudin bin Hassan</b> Independent Non-Executive Director	7/7
<b>Dr. Byung-Geon Rhee</b> Independent Non-Executive Director (Appointed w.e.f. 5 October 2015)	2/2
<b>Tan Sri Siti Sa'diah binti Sh. Bakir</b> Independent Non-Executive Director (Appointed w.e.f. 5 April 2016)	-
<b>Dato' Azmi bin Mohd Ali</b> Non-Independent Non-Executive Director (Appointed w.e.f. 5 April 2016)	-

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All Directors have the same right of access to all information within the Company. It is the Director's duty to make further enquiries where they may require so to discharge their duties, including seeking independent professional advice either directly or through the Chief Executive Officer/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.

## **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. The Company Secretary also plays an important role as a gatekeeper of corporate governance. All Directors have unrestricted access to the advice and services of the Company Secretary for the purposes of the conduct of the Board's affairs and the business.

## **Recommendation 1.7** **Board Charter**

The Board Charter, 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 the Board.

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

## **PRINCIPLE 2**

### **STRENGTHEN COMPOSITION**

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

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

As at 31 December 2015, the Board consists of six (6) members comprising two (2) Non-Independent Non-Executive Directors and four (4) Independent Non-Executive Directors. On 5 April 2016, the Company had appointed an additional two (2) directors to the Board. Consequently, the Board now consists of eight (8) members of which three (3) are Non-Independent Non-Executive Directors and five (5) are 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, Dato' Haji Ghazali bin Awang, is the Senior Independent Non-Executive Director. He is also the Chairman of the Audit and Risk Management Committee ("ARMC") and the Nomination and Remuneration Committee ("NRC").

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

#### **Recommendation 2.1**

##### **Nomination and Remuneration Committee**

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

Details pertaining to the NRC and its terms of reference are set out in the Annual Report on pages 81 to 84.

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

for the Financial Year ended 31 December 2015

## 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 Dr. Byung-Geon Rhee, Tan Sri Siti Sa’diah binti Sh. Bakir and Dato’ Azmi bin Mohd Ali as directors of the Company, the Company had observed the prescribed process as approved by the Board of the Company. Dr. Byung-Geon Rhee, Tan Sri Siti Sa’diah binti Sh. Bakir and Dato’ Azmi bin Mohd Ali’s nominations were deliberated by the NRC and subsequently tabled to the Board for approval. The Board Selection and Nomination Procedure can be found 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 Articles of Association provides that at least one third (1/3) of the Board are subject to retirement by rotation at each AGM provided always that each Director shall retire at least once in every three years. The Directors to retire in each year are the Directors who have been longest in office since their appointment or re-appointment. This provides an opportunity for shareholders to renew their mandate. The Director retiring under this Article at the forthcoming AGM is Dato’ Mohamad Kamarudin bin Hassan and having been eligible, has offered himself for re-election.

In addition, Article 99 of the Company’s Articles of Association also provides that any Director who is appointed to fill a casual vacancy or as an additional Director shall hold office only until the next AGM and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors who retire by rotation at the meeting. The Director retiring under this Article at the forthcoming AGM are Dr. Byung-Geon Rhee, Tan Sri Siti Sa’diah binti Sh. Bakir and also Dato’ Azmi bin Ali and having been eligible, have offered themselves for re-election.

A Director who is over seventy (70) years of age shall retire at every AGM and may offer himself for re-appointment to hold office until the Company’s next AGM in accordance with Sections 129 (2) and 129 (6) of the Companies Act, 1965. In this respect, two of our directors, Tan Sri Dato’ Dr. Abu Bakar bin Suleiman and Tan Sri Dato’ Dr. Jegathesan a/I N.M. Vasagam @ Manikavasagam, are above seventy years and have not offered themselves for re-appointment.

To assist shareholders in their decision, sufficient information such as the personal profiles, meeting attendance and the shareholdings in the Company of each Director standing for election are furnished in a separate statement accompanying the Notice of AGM.

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

(ii) Induction Programme

As part of the familiarisation process of a newly appointed Director, he/she is required to undergo an Induction Programme specially designed to familiarise the directors with the businesses within the Company. This familiarisation process includes briefing sessions on the range of products and services, business structure and visits to the respective operating facilities. The visits will include briefings from the Company's Management team to provide an in-depth knowledge of the latest progress of the Company and appreciation of the key drivers behind the Company's core businesses. For the current year, a visit to the Company's facilities in Klang and Bangi was conducted for Dr. Byung-Geon Rhee and Tan Sri Siti Sa'diah binti Sh. Bakir.

(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.

(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 will be 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 six (6) Bumiputera Directors, one (1) Non-Bumiputera Director and one (1) foreign Director. Two (2) Directors are above the age of 70.

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. To date, the Company has appointed Tan Sri Siti Sa'diah binti Sh. Bakir to sit on the Board. The Board will continue to identify suitable female directors to sit on the Board so that the 30% target is met.

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for the Financial Year ended 31 December 2015

(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.

(a) Directors' Remuneration

The Non-Executive Directors are entitled to directors' fees. In addition, the Non-Executive Directors are also entitled to Board Committee fees on which they sit on. The 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. The Chief Executive Officer's remuneration comprises a fixed component of a monthly salary and benefits-in-kind, and a variable component in the form of a performance bonus.

The Board's remuneration is reviewed from time to time and is benchmarked against industry practice. Details of Directors' remuneration paid by the Company for the financial year ended 31 December 2015 are as follows:-

<b>Non-Executive Directors</b>	<b>RM'000</b>
Fees	380

*Note: \* Fees include Board Committee fees*

The number of Directors whose remuneration falls within the following bands for the financial year ended 31 December 2015 is as follows:-

	<b>Executive Directors</b>	<b>Non- Executive Directors</b>	<b>Total</b>
Below RM50,000	-	-	-
RM50,001 to RM100,000	-	6	6

The remuneration of directors for the financial year ended 31 December 2015 are as follows:-

Name	Category of Directors	Board Fees (RM)	Committee Fees (RM)	Total RM
<b>Tan Sri Dato' Dr. Abu Bakar bin Suleiman</b>	Non-Executive	85,000	5,000	90,000
<b>Dato' Haji Ghazali bin Awang</b>	Non-Executive	60,000	14,000	74,000
<b>Tan Sri Dato' Dr. Jegathesan a/l N. M. Vasagam @ Manikavasagam</b>	Non-Executive	60,000	10,000	70,000
<b>Datuk Alias bin Ali</b>	Non-Executive	60,000	5,000	65,000
<b>Dato' Mohamad Kamarudin bin Hassan</b>	Non-Executive	60,000	5,000	65,000
<b>Dr. Byung-Geon Rhee</b> <i>(Appointed w.e.f. 5 October 2015)</i>	Non-Executive	15,648*	–	15,648
<b>Tan Sri Siti Sa'diah binti Sh. Bakir</b> <i>(Appointed w.e.f. 5 April 2016)</i>	Non-Executive	–	–	–
<b>Dato' Azmi bin Mohd Ali</b> <i>(Appointed w.e.f. 5 April 2016)</i>	Non-Executive	–	–	–

\* Pro-rated from date of appointment and based on USD exchange rate of 4.36 (average from Oct 2015-Dec 2015).

(b) Indemnification and Directors & Officers Insurance

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

### PRINCIPLE 3

#### REINFORCE INDEPENDENCE

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

#### Recommendation 3.1

##### Annual Assessment of Independent Directors

The Board currently consists of eight (8) Non-Executive Directors, five (5) 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.

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Based on the most recent assessment, the Board is generally satisfied with the level of independence demonstrated by the independent directors and their ability to act in the best interest of the Company. 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). Currently, Dato' Haji Ghazali bin Awang and Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam have reached the nine (9) years' tenure as independent directors of the Company. Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam has not sought for reappointment at the forthcoming Annual General Meeting. In respect of Dato' Haji Ghazali bin Awang, the Company is proposing that he be retained as an independent director to ensure continuity of strategy and plans as well as to provide stability to the Group. Dato' Haji Ghazali bin Awang has fulfilled the criteria of independent director as stated in the Main Market Listing Requirements. He has no business dealings with the Company other than being a director, and has performed his duties diligently and in the best interest of the Company. He has provided independent and balanced assessments of proposals from Management in the course of carrying out his obligations.

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

## **PRINCIPLE 4**

### **FOSTER COMMITMENT**

#### **Recommendation 4.1 Time Commitment**

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

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

In line with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad, Directors are also required to comply with the restriction to have 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 biologics, tax, sustainability, megatrends, strategy development, risk management and integrity.

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

for the Financial Year ended 31 December 2015

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. Tax Information for Directors;
2. Asia Pacific Biologics Market Review;
3. Strategy Deployment to Achieve High Growth in Your Organisation;
4. Sustainability and How it Can Benefit the Organisation;
5. CCM's Executive Risk Management Training;
6. Driving Integrity in Turbulent Times; and
7. An Introduction to Mega Trends: Visionary Briefing Highlighting Mega Trends Impacting the Future.

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

Name	Training/Conference Attended
<b>Tan Sri Dato' Dr. Abu Bakar bin Suleiman</b>	<ol style="list-style-type: none"> <li>1. Qualified Risk Director Program ("IERP"): Yellow Belt by Institute of Enterprise Risk Practitioner;</li> <li>2. Tax Information for Directors &amp; Asia Pacific Biologics Market Overview for CCM Directors;</li> <li>3. Corporate Disclosure Policy under Listing Requirements and Related Party Transactions and Recurrent Related Party Transactions;</li> <li>4. International Directors Summit 2015 – Inculcating Innovation, Catalysing Growth through Public-Private Partnership;</li> <li>5. Training Program on Sustainability;</li> <li>6. Lead the Change: Getting Women on Boards;</li> <li>7. Corporate Governance: Balancing Rules and Practices;</li> <li>8. Fung Healthcare Leadership Summit 2015;</li> <li>9. High Level Executive Policy Seminar on Malaysia's Health System Transformation;</li> <li>10. IHH Board Retreat;</li> <li>11. Summit of Medical Education 2015;</li> <li>12. National Seminar on standardisation of reimbursement of HD treatment fee;</li> <li>13. Special Invitation: Sustainable Retirement &amp; Aged Care Conference ("SRACC");</li> <li>14. 2<sup>nd</sup> International Conference: Bioethics and Professional Practice; and</li> <li>15. ASEAN discussion on Preparedness Against Chemical-Biological Threats: Assessment of Scientific, Prevention and Response Capabilities.</li> </ol>

<b>Name</b>	<b>Training/Conference Attended</b>
<b>Dato' Haji Ghazali bin Awang</b>	<ol style="list-style-type: none"> <li>1. Basel II &amp; III Training;</li> <li>2. AMLA Training Session;</li> <li>3. The Essence of Shariah Compliance in Modern Islamic Financial Institutions; and</li> <li>4. Basel II &amp; III Training.</li> </ol>
<b>Tan Sri Dato' Dr. Jegathesan a/l N.M. Vasagam @ Manikavasagam</b>	<ol style="list-style-type: none"> <li>1. CCM Group Directors and Senior Management Training on Sustainability.</li> </ol>
<b>Datuk Alias bin Ali</b>	<ol style="list-style-type: none"> <li>1. Tax information for Directors &amp; Asia Pacific Biologics Market Overview;</li> <li>2. Board Chairman Series Part 2: Leadership Excellence from the Chair, organised by Bursa Malaysia Berhad; and</li> <li>3. Enterprise Risk Management, organised by Columbus Advisory.</li> </ol>
<b>Dato' Mohamad Kamarudin bin Hassan</b>	<ol style="list-style-type: none"> <li>1. Qualified Risk Director Program: Brown Belt by Institute of Enterprise Risk Practitioners;</li> <li>2. Qualified Risk Director Program: Green Belt by Institute of Enterprise Risk Practitioners;</li> <li>3. CCM Group Directors and Senior Management Training 2015 on Standing Tall in Challenging Times and An Introduction to Mega Trends: Visionary Briefing Highlighting Mega Trends Impacting the Future of CCM Group; and</li> <li>4. Corporate Financial Reporting – Are You Making the Right Decisions? By Bursatra Sdn. Bhd.</li> </ol>
<b>Dr. Byung-Geon Rhee</b> <i>(Appointed w.e.f. 5 October 2015)</i>	<ol style="list-style-type: none"> <li>1. JP Morgan Healthcare Conference (San Francisco, US);</li> <li>2. Korea University Bio-Terror Conference;</li> <li>3. Infectious Disease R&amp;D Forum;</li> <li>4. American Chamber of Commerce in Korea;</li> <li>5. Swiss-Korea Bio Conference;</li> <li>6. American Regenerative Medicine Annual Conference (San Diego, US); and</li> <li>7. US-Korea Economic Forum (Washington D.C., US).</li> </ol>

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

for the Financial Year ended 31 December 2015

Name	Training/Conference Attended
<b>Tan Sri Siti Sa'diah binti Sh. Bakir</b> (Appointed w.e.f. 5 April 2016)	<ol style="list-style-type: none"> <li>1. Forum – Introduction to Zarith Sofiah Center for Global Islamic Studies Islam – Beyond Media-Driven Narratives: Muslims and Non-Muslims in Search for Common Ground;</li> <li>2. RSOG – MINDA International Directors Summit (IDS) 2015 “Inculcating Innovation Catalysing Growth Through Public – Private Partnership” (as panelist);</li> <li>3. Women’s Institute of Management &amp; Corporate Networking Malaysia Talk “Transformational Leadership – Building &amp; Sustaining Capabilities” (as Speaker);</li> <li>4. 2<sup>nd</sup> KPJUC International Conference on Multidisciplinary Healthcare – “Optimizing Care in Chronic Diseases – from Prevention to Rehabilitation”;</li> <li>5. International Forum on Quality and Safety in Healthcare;</li> <li>6. Lead the Change – Getting Women on Boards;</li> <li>7. ASEAN BUSINESS CLUB (ABC Forum 2015) “Healthcare Sector Speaker of Lifting – The Barriers (LTB)” (As Speaker);</li> <li>8. 7<sup>th</sup> Annual Corporate Governance Summit – “Directorship – No Longer a Profit and Prestige affair” (as a Panel Member);</li> <li>9. 23<sup>rd</sup> APHM Conference 2015 “Impact of Hospital Design and Medical Technology on Patients Safety: Getting it right safe more life”;</li> <li>10. KPJ Medical Workshop 2015;</li> <li>11. MSQH Conference “Measuring Performance: 15<sup>th</sup> Years MSQH Hospital Accreditation Program – Achievements &amp; Challenges;</li> <li>12. CEO Leadership Forum Sustainability – The Challenges of Leadership (as Speaker);</li> <li>13. INPUma Public Lecture Series “The Role of Education in The Development of Youth towards Nation-Building”;</li> <li>14. CCMB – Seminar on Enterprise Risk Management;</li> <li>15. ISQUA 32<sup>nd</sup> International Conference “Building Quality &amp; Safety into the Healthcare System”;</li> <li>16. Standing Tall in Challenging Times;</li> <li>17. 2<sup>nd</sup> Annual Malaysia’s War on Corruption Symposium (Keynote Address by Y.Bhg Tun Dr Mahathir);</li> <li>18. Misi Kesinambungan Bisnes JCorp 2015: Inovasi &amp; Tanggungjawab Korporat – Luncheon Forum “The Business Landscape Redefined: The Significant of Innovation via-a-vis the Trans-Pacific Partnership Agreement”;</li> <li>19. Konferens Amalan Pengurusan Terbaik Nasional (KAPTEN) – “Organisational Transformation &amp; Sustainability” (as Speaker); and</li> <li>20. Corporate Board Leadership Symposium 2015 “Advancing the Board from A to A+” (as Moderator/Speaker);</li> </ol>
<b>Dato’ Azmi bin Mohd Ali</b> (Appointed w.e.f. 5 April 2016)	<ol style="list-style-type: none"> <li>1. South East Asia Leadership Academy 2;</li> <li>2. ALA 12th General Assembly Workshop Participation;</li> <li>3. Event for Nominee Directors of PNB (Predicting Financial Fraud – Prevention, Detection &amp; Remediation by Prof. Didier Cossin);</li> <li>4. Seminar Undang-Undang dan Masyarakat Kebangsaan (Nascom 2015);</li> <li>5. Director Corporate Governance Series by Rick Payne;</li> <li>6. CCM Sustainability Launch;</li> <li>7. Financial Freedom with Suze Orman; and</li> <li>8. Standing Tall in Challenging Times.</li> </ol>

## **PRINCIPLE 5**

### **UPHOLD INTEGRITY IN FINANCIAL REPORTING**

#### **Recommendation 5.1**

##### **Compliance with Applicable Reporting Standards**

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

The 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 and assurance of 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 15th 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 2015

## 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 the Group Risk 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's 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.

#### Recommendation 6.2

##### Internal Audit Function

The Company has established an internal audit function which is performed in-house by the Group Integrity and Assurance Department (formerly known as Group Internal Audit Department) that reports to the ARMC. 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 as follows:-

- Perform regular review on compliance of operational and financial procedures using risk-based audit approach; and
- Conduct investigations 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 80 and 85 to 88 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.

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

for the Financial Year ended 31 December 2015

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
9 January 2015	<p data-bbox="526 570 1311 591">CCM Duopharma Biotech Berhad (“CCM Duopharma” or the “Company”)</p> <ul style="list-style-type: none"> <li data-bbox="526 634 712 655">(i) Acquisition;</li> <li data-bbox="526 666 769 687">(ii) Rights Issue; and</li> <li data-bbox="526 697 1047 753">(iii) Increase In Authorised Share Capital (Collectively referred to as the “Proposals”).</li> </ul> <p data-bbox="526 795 1490 853">in respect of the listing application and draft circular on the submission of Proposals to Bursa Malaysia Securities Berhad.</p>
4 February 2015	<p data-bbox="526 874 1311 895">CCM Duopharma Biotech Berhad (“CCM Duopharma” or the “Company”)</p> <ul style="list-style-type: none"> <li data-bbox="526 938 712 959">(i) Acquisition;</li> <li data-bbox="526 970 769 991">(ii) Rights Issue; and</li> <li data-bbox="526 1002 1047 1057">(iii) Increase In Authorised Share Capital (Collectively referred to as the “Proposals”).</li> </ul> <p data-bbox="526 1100 1490 1193">in respect of Bursa Malaysia Securities Berhad’s (“<b>Bursa Securities</b>”) letter dated 30 January 2015, approving the listing and quotation of up to 139,479,500 Rights Shares to be issued pursuant to the Proposed Rights Issue.</p>
25 February 2015	Notice of Resale/Cancellation of Treasury Shares - Immediate Announcement
26 February 2015	Notice of Resale/Cancellation of Treasury Shares - Immediate Announcement
27 February 2015	Notice of Resale/Cancellation of Treasury Shares - Immediate Announcement

Date of Announcement	Subject Matter of Material Information
27 March 2015	<p data-bbox="545 468 1346 500">CCM Duopharma Biotech Berhad (“CCM Duopharma” or the “Company”)</p> <ul style="list-style-type: none"> <li data-bbox="545 532 743 563">(i) Acquisition;</li> <li data-bbox="545 563 792 595">(ii) Rights Issue; and</li> <li data-bbox="545 595 1007 659">(iii) Increase In Authorised Share Capital (Collectively referred to as the “Proposals”).</li> </ul> <p data-bbox="545 691 1529 755">in respect of the mutual agreement of the Purchasers and the Vendors to extend the date by which the conditions precedent must be fulfilled (“<b>Cut-Off Date</b>”) to 27 June 2015.</p>
25 May 2015	<p data-bbox="545 776 1346 808">CCM Duopharma Biotech Berhad (“CCM Duopharma” or the “Company”)</p> <ul style="list-style-type: none"> <li data-bbox="545 840 743 872">(i) Acquisition;</li> <li data-bbox="545 872 792 904">(ii) Rights Issue; and</li> <li data-bbox="545 904 1007 968">(iii) Increase In Authorised Share Capital (Collectively referred to as the “Proposals”).</li> </ul> <p data-bbox="545 1000 1529 1095">in respect of a supplementary letter to the share sale agreement (“<b>Supplementary Letter</b>”) entered into between CCM Duopharma and CCM Investments (collectively referred to as the “<b>Parties</b>”) in relation to the Philippines Company SSA dated 27 November 2014.</p> <p data-bbox="545 1127 1172 1159">Pursuant to the Supplementary Letter, the Parties agree:-</p> <ul style="list-style-type: none"> <li data-bbox="545 1191 1362 1223">(a) to proceed with the completion of the Philippines Company SSA; and</li> <li data-bbox="545 1255 1529 1510">(b) that the condition for the capitalisation of inter-company advances made by CCM Investments or CCM Berhad or any subsidiary of CCM Berhad of Philippines Peso Sixty Nine Million Four Hundred Fifty Six Thousand Eight Hundred (PHP69,456,800.00) to the Company and for that purpose, issuance of 694,568 new shares in the Company to CCM Investments be performed as a condition subsequent to completion of the Philippines Company SSA. The new shares will not be transferred at completion and CCM Investments undertakes to perform all actions necessary to complete the capitalisation and transfer the issued shares to CCM Duopharma.</li> </ul> <p data-bbox="545 1542 1529 1574">Save for the above, the other terms in the Philippines Company SSA shall remain unchanged.</p> <p data-bbox="545 1606 1529 1670">Consequently, the SSA became unconditional as at 25 May 2015, the date of the Supplementary Letter.</p>

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

for the Financial Year ended 31 December 2015

Date of Announcement	Subject Matter of Material Information
3 June 2015	<p data-bbox="525 476 1311 502">CCM Duopharma Biotech Berhad (“CCM Duopharma” or the “Company”)</p> <ul style="list-style-type: none"> <li data-bbox="525 540 712 566">(i) Acquisition;</li> <li data-bbox="525 572 773 597">(ii) Rights Issue; and</li> <li data-bbox="525 604 1047 663">(iii) Increase In Authorised Share Capital (Collectively referred to as the “Proposals”).</li> </ul> <p data-bbox="525 702 1493 859">in respect of the fixing of the issue price for the Rights Shares at RM1.80 per Rights Share. The issue price for the Rights Shares represents a discount of approximately 34.85% to the theoretical ex-rights price of CCM Duopharma Shares of RM2.763 based on the five (5)-day volume weighted average market price of CCM Duopharma Shares up to and including 2 June 2015 of RM3.726.</p>
5 June 2015	<p data-bbox="525 878 1311 904">CCM Duopharma Biotech Berhad (“CCM Duopharma” or the “Company”)</p> <ul style="list-style-type: none"> <li data-bbox="525 942 712 968">(i) Acquisition;</li> <li data-bbox="525 974 773 1000">(ii) Rights Issue; and</li> <li data-bbox="525 1006 1047 1066">(iii) Increase In Authorised Share Capital (Collectively referred to as the “Proposals”).</li> </ul> <p data-bbox="525 1104 1493 1357">in respect of an underwriting agreement entered into by the Company with 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 CCM Duopharma. The balance of 102,332,892 Rights Shares or approximately 73.37% of the total Rights Shares represents the entitlement of CCM Marketing Sdn. Bhd., the substantial shareholder of CCM Duopharma, under the Rights Issue, for which it has provided written undertaking to subscribe in full for its entitlement under the Rights Issue as at the entitlement date.</p>
22 June 2015	<p data-bbox="525 1376 1493 1502">Abridged Prospectus on Renounceable Rights Issue of 139,479,500 Rights Shares on the basis of One (1) rights share for every one (1) CCM Duopharma Share, as at 5.00 p.m. on Monday, 22 June 2015 at an issue price of RM1.80 per rights share payable in full upon acceptance.</p>
26 June 2015	<p data-bbox="525 1521 1493 1613">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.</p>

Date of Announcement	Subject Matter of Material Information
30 June 2015	<p data-bbox="558 470 1351 502">CCM Duopharma Biotech Berhad (“CCM Duopharma” or the “Company”)</p> <ul style="list-style-type: none"> <li data-bbox="558 534 750 566">(i) Acquisition;</li> <li data-bbox="558 570 811 602">(ii) Rights Issue; and</li> <li data-bbox="558 606 1014 666">(iii) Increase In Authorised Share Capital (Collectively referred to as the “Proposals”).</li> </ul> <p data-bbox="558 697 1546 761">in respect of the Acquisition which has been duly completed on 30 June 2015 based on the terms of the SSAs.</p>
15 July 2015	<p data-bbox="558 778 1351 810">CCM Duopharma Biotech Berhad (“CCM Duopharma” or the “Company”)</p> <ul style="list-style-type: none"> <li data-bbox="558 842 750 874">(i) Acquisition;</li> <li data-bbox="558 878 811 910">(ii) Rights Issue; and</li> <li data-bbox="558 915 1014 974">(iii) Increase In Authorised Share Capital (Collectively referred to as the “Proposals”).</li> </ul> <p data-bbox="558 1006 1546 1166">in respect of the acceptance, excess application and payment for the Rights Issue as at close of business at 5.00 p.m. on 7 July 2015 (“<b>Closing Date</b>”), whereby the total acceptances and excess applications for the Rights Issue were 148,906,727 Rights Shares, which represents an over-subscription of 6.76% over the total number of 139,479,500 Rights Shares available for subscription under the Rights Issue.</p>
22 July 2015	<p data-bbox="558 1183 1351 1215">CCM Duopharma Biotech Berhad (“CCM Duopharma” or the “Company”)</p> <ul style="list-style-type: none"> <li data-bbox="558 1247 750 1278">i. Acquisition;</li> <li data-bbox="558 1283 811 1315">ii. Rights Issue; and</li> <li data-bbox="558 1319 1014 1378">iii. Increase In Authorised Share Capital (Collectively referred to as the “Proposals”).</li> </ul> <p data-bbox="558 1410 1546 1470">in respect of the completion of the Rights Issue and the quotation of 139,479,500 Rights Shares on the Main Market of Bursa Malaysia Securities Berhad.</p>

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

for the Financial Year ended 31 December 2015

## **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](http://www.duopharma.com.my), contains information about the Company, its products and businesses, announcements which have been made available to the public as well as other areas of interest to the public. The website contains a section on Investor Relations which provides the investing public with all material information documents which have been released, among others, as follows:-

- (i) Annual Reports;
- (ii) Quarterly Financial Results;
- (iii) Bursa Malaysia Announcements;
- (iv) Share price performance;
- (v) Key financial data and dividend history; and
- (vi) Press releases.

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

## **PRINCIPLE 8**

### **STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS**

#### **Recommendation 8.1**

##### **Encourage Shareholder Participation at General Meetings**

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

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

## **Recommendation 8.2 Encourage Poll Voting**

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

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

## **Recommendation 8.3 Effective Communication and Proactive Engagement**

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

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

### (i) Annual General Meeting

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

The turnout of shareholders at the Company's AGM has always been large. A total of 187 shareholders and 334 proxies attended the AGM in 2015.

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

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

for the Financial Year ended 31 December 2015

The Company had conducted an Extraordinary General Meeting on 11 March 2015 to approve the following:-

- 1) The proposed acquisition of the following:-
  - (a) the entire equity interest in CCM Pharmaceuticals Sdn. Bhd. ("**CCM Pharmaceuticals**") and Innovax Sdn. Bhd. ("**Innovax**") from Chemical Company of Malaysia Berhad ("**CCMB**") for an aggregate purchase consideration of RM17,600,000 together with the settlement of advances due from Innovax and CCM Pharmaceuticals to CCMB and its subsidiaries ("**CCMB Group**") amounting to RM10,655,000 based on 30 September 2014 to be settled via cash;
  - (b) the entire equity interest in CCM International (Philippines), Inc. ("**CCM Philippines**") from CCM Investments Ltd., a wholly-owned subsidiary of CCMB ("**CCM Investments**") for a purchase consideration of RM1,000 to be settled via cash;
  - (c) the entire equity interest in CCM Pharmaceuticals (S) Pte. Ltd. ("**CCM Singapore**") from CCM International Sdn. Bhd., a wholly-owned subsidiary of CCMB ("**CCM International**") for a purchase consideration of RM2,417,000 together with the settlement of advances due from CCM Singapore to the CCMB Group amounting to RM27,000 based on 30 September 2014 to be settled via cash; and
  - (d) the entire equity interest in CCM Pharma Sdn. Bhd. ("**CCM Pharma**") and Upha Pharmaceutical Manufacturing (M) Sdn. Bhd. ("**Upha Pharmaceutical**") from CCMB for an aggregate purchase consideration of RM113,307,000 together with the settlement of advances due from CCM Pharma and Upha Pharmaceutical to the CCMB Group amounting to RM101,116,000 based on 30 September 2014 to be settled via cash.
- 2) The proposed renounceable rights issue of up to 139,479,500 Rights Shares, on the basis of one (1) Rights Share for every one (1) new ordinary share of RM0.50 each held in CCM Duopharma ("**CCM Duopharma Share**") on the Entitlement Date; and
- 3) The proposed increase in the authorised share capital of the Company from RM100,000,000 comprising 200,000,000 CCM Duopharma Shares to RM250,000,000 comprising 500,000,000 CCM Duopharma Shares and to amend the Memorandum of Association of the Company to accommodate the increase in the authorised share capital.

Since the transaction was a related party transaction, the voting was carried out by poll.

In line with Part A of the ASEAN Code on Corporate Governance ("**ACCG**") on Rights of Shareholders and the call by the Minority Shareholder Watchdog Group ("**MSWG**") for companies to make available their AGM minutes to the public, the Board had agreed that a summary of the minutes of the Company's AGM be posted on the Company's website to provide greater transparency and expedience so that the public's investing decisions were 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](http://www.duopharma.com.my).

(iv) Company's Website

The Company maintains a website at [www.duopharma.com.my](http://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 2015

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:-

<b>Announcement of Quarterly Results 2015</b>	<b>Date of Announcement</b>
1st Quarter	18 May 2015
2nd Quarter	25 August 2015
3rd Quarter	24 November 2015
4th Quarter	23 February 2016

### 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 2015 save for Recommendation 2.3 on Gender Diversity (Principle 2) and Recommendation 3.5 on Independent Chairman (Principle 3) which were explained earlier.

This statement is made in accordance with a resolution of the Board of Directors dated 22 February 2016.

### ADDITIONAL COMPLIANCE INFORMATION

**1. Non-Audit Fees**

During the financial year ended 31 December 2015, the non-audit fees paid to the external auditors or a firm or a company affiliated to the Auditor's firm amounted to approximately RM89,000.

**2. Material Contracts**

There were no contracts entered into by the Company involving Directors or major shareholders' interest, either subsisting at the end of the financial year ended 31 December 2015 or entered into since the end of the previous financial year.

**3. Revaluation policy**

The Company adopted a policy to revalue its landed properties every five years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying amount.

# STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

for the Financial Year ended 31 December 2015

**4. Share Buy-back**

There was no share buy-back effected during the financial year ended 31 December 2015.

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

The Company has not approved any ESOS during the financial year ended 31 December 2015.

**6. Options, Warrants or Convertible Securities**

There were no options, warrants or convertible securities issued by the Company during the financial year ended 31 December 2015.

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

During the financial year ended 31 December 2015, the Company did not sponsor any ADR or GDR programme.

**8. Imposition of Sanctions/Penalties**

There were no sanctions and/or penalties imposed on the Company and its subsidiary, directors or management by the relevant authorities.

**9. Profit Guarantees**

There were no profit guarantees during the financial year ended 31 December 2015 by the Company.

**10. Contract Relating to Loans**

There were no contracts relating to loans by the Company involving Directors' and major shareholders' interests.

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

During the Annual General Meeting held on 26 May 2015, 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 26 May 2015 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 2015 is set out on pages 166 to 167.

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 28 April 2016.