

Statement on corporate governance

The code

The Board of Directors is committed to ensure that good corporate governance is being practised throughout the Group, as it is a fundamental part of discharging its responsibilities to enhance shareholders' value and financial performance of the Group. The following statement sets out how the Company has applied the principles and best practices of corporate governance as contained in the Malaysian Code on Corporate Governance throughout the financial year from 1 January 2007 to 31 December 2007.

The board of directors

At the beginning of the financial year, the company had seven [7] directors on its Board. There were changes to the Board membership whereby one [1] director left the Board and one director was redesignated as Non-Executive Director. To date, there are six [6] directors of whom three [3] are independent. The composition of the Board was maintained so that not less than one-third [1/3] were independent directors at all times. This balance enables the Board to provide clear and effective leadership to the Group and to bring informed and independent judgement to many aspects of the Group's strategies so as to ensure that the highest standards of conduct and integrity are maintained. 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.

There is a clear division of responsibility between the Chairman and the Chief Executive Officer to ensure a balance of power and authority. The Chairman is primarily responsible for ensuring Board effectiveness and conduct whilst the Chief Executive Officer oversees the day-to-day running of the businesses including implementation of the policies and strategies adopted by the Board and clarifying matters relating to the Group's business to the Board

The Board has met four [4] times during the financial year under review. It is envisaged that the Board will convene additional meetings as necessary. All Board members bring an independent judgement to bear on issues of strategy, performance, resources, and standard of conduct.

The Board reviews and approves the short term budgets and long term strategies, in line with the overall strategy of its major shareholders. In addition, all acquisitions, disposals and major capital expenditure are approved by the Board. At appropriate times, the Board also considers the principal risks affecting the business of the Group and the measures that could be taken to mitigate such risks.

The Board, in discharging its fiduciary duties, is assisted by two [2] Board Committees namely the Audit Committee and the Nomination & Remuneration Committee, each entrusted with specific tasks.

These Committees have the authority to examine particular issues and report back to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

All Committees have written terms of reference, which have been approved by the Board, and the Board receives report of their proceedings and deliberations. The Chairman of the various committees will report to the Board on the outcome of the Committee meetings and such reports will be incorporated in the minutes of the Board Meeting.

21.05.2007



CCM Duopharma AGM

First full year under CCM Group

31 December 2006 marked CCM Duopharma Biotech Berhad's first full year of operations as a subsidiary of Chemical Company of Malaysia Berhad. CCM Duopharma's financial contribution to the Group was reflected in the Group's earnings per share, which rose by 19.1% to 20.89 sen from 17.54 sen.

CCM Duopharma posted a 23.3% increase in profit after tax from RM23.51 million in 2005 to RM28.98 million in 2006. The Company's financial performance was attributed to strong sales to both the private and government sectors as well as the introduction of a wide range of ethical and over-the-counter products. CCM Duopharma Chairman,

Tan Sri Dato' Dr Abu Bakar Suleiman, announced that the Company would continue to improve and expand its product range and plans to invest approximately 3% of its revenue for R&D activities annually.

CCM Duopharma's products already have a strong presence in ASEAN and there are plans to penetrate markets in Africa, Europe and Central Asia. Work has begun to obtain the halal certification to enable entry into more Muslim markets worldwide.

Meetings and supply of information

Board Meetings are scheduled a year ahead in order to enable full attendance at Board meetings. During the financial year under review, the Board deliberated upon and considered a variety of matters including the Group's financial results, strategic plan and business plan of the Group in the meetings held. During the year, four [4] Board meetings were held. Details of the Directors' meeting attendances during the financial year are as follows:

Name of directors	Status	No. of meetings attended
Tan Sri Dato' Dr Abu Bakar bin Suleiman	Chairman, Non-Independent Non-Executive Director	4/4
Dato' Dr Mohamad Hashim bin Ahmad Tajudin [Redesignated as Non-Executive Director w.e.f. 15 February 2008]	Non Independent Non- Executive Director	4/4
Dato' Haji Mizanur Rahman bin S M Abdul Ghani [Resigned w.e.f. 1 January 2008]	Managing Director	4/4
Dr Mohd. Nasir bin Hassan	Independent Non-Executive Director	4/4
Datuk Alias bin Ali	Non-Independent Non-Executive Director	4/4
Haji Ghazali bin Awang	Independent Non-Executive Director	4/4
Datuk Dr Jegathesan a/l N M Vasagam @ Manikavasagam	Independent Non-Executive Director	4/4

Scheduled Board meetings are structured with a pre-set agenda. Prior to the Board meetings, all Directors are provided with the Board papers in a timely fashion with information in a form and of a quality appropriate to enable it to discharge its duties. 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. All directors, whether as a Board or in their individual capacity have full access to information within the Group and to obtain independent professional advice in furtherance of their duties at the Group's expense, if required. In addition, all Directors have access to the advice and service of the Company Secretary. The Directors are also constantly updated on the latest development in the legislations as well as on statutory and regulatory requirements pertaining to their duties and responsibilities.

Audit committee

Audit Committee reviews issues of accounting policy and presentation of external financial reporting, monitors the work of the internal audit function and ensures that an objective and professional relationship is maintained with the external auditors. The Audit Committee works closely with both the internal and external auditors who, in turn, have access to the Chairman of the Audit Committee.

The composition and terms of reference of the Audit Committee are set out in the Audit Committee Report.

Nomination & remuneration committee

The Nomination Committee and Remuneration Committee, both established on 15 July 2002 were merged as a single committee by the Board on 30 March 2006. The Nomination & Remuneration Committee consists of Non-Executive Directors. The present members of the Nomination & Remuneration Committee comprise:

Name	Status
Tan Sri Dato' Dr Abu Bakar bin Suleiman	Chairman, [Non-Independent Non-Executive Director]
Datuk Dr Jegathesan a/l N M Vasagam @ Manikavasagam	Member [Independent Non-Executive Director]
Haji Ghazali bin Awang	Member [Independent Non-Executive Director]

The duties of the Committee shall be to:

- recommend to the Board, candidates for all directorships. In making the recommendations the Committee should also consider candidates proposed by the Chief Executive Officer/Managing Director, and within the bounds of practicability, by any other senior executive, Director or shareholder;
- recommend to the Board, Directors to fill the seats on Board Committees;
- review annually the required mix of skills and experience of the Board, including the core competencies which Non-Executive Directors should bring to the Board;
- assess annually the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director.

- The duties of the Committee shall be to recommend to the Board the remuneration of the Executive Directors in all its forms.

The objectives of the Nomination & Remuneration Committee are as follows:

- to establish a remuneration framework for Directors and make recommendations to the Board of Directors on all elements of remuneration, terms of employment, reward structure and fringe benefits for Directors.
- to review and assess the composition of the Board of Directors to ensure that there is an appropriate balance of skills, experience and expertise among the Board members.
- to make recommendations to the Board with regard to appointment of new Directors. The Nomination & Remuneration Committee had assisted the Board in carrying out an annual review on the balance and size of Non-executive participation in the Board as well as establishing procedures and processes for the annual assessment of the effectiveness of the Board as a whole and the contributions of each Director and Board Committee member.

The Nomination & Remuneration Committee held two [2] meetings in 2007.

Appointment and re-election of directors

Appointment

There is a formal and transparent procedure for the appointment of new member to the Board as well as re-election of Directors to the Board at the Annual General Meeting, with the Board Nomination & Remuneration Committee making recommendations to the Board. Following the appointment of new Directors to the Board, an induction programme including visits to the Group's businesses and meetings with senior management as appropriate will be arranged to familiarise themselves with the operations of the Group.

Re-election

The Company's Articles of Association provide that at least one-third [1/3] of the Board are subject to retirement by rotation at each Annual General Meeting 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. Directors over seventy years of age are required to submit themselves for re-appointment annually in accordance with Section 129 [6] of the Companies Act, 1965. This provides an opportunity for shareholders to renew their mandates. To assist shareholders in their decision, sufficient information such as personal profile, meeting attendance and the shareholdings in the Company of each Director standing for election are furnished in a separate statement accompanying the Notice of Annual General Meeting.

Directors' training

All Directors have attended and successfully completed the Mandatory Accreditation Programme [MAP] conducted by the relevant authorities.

The Directors also continually attend education programmes and seminars to further enhance their skill, and knowledge and to keep abreast with developments in the market place. The Group has initiated its own comprehensive and formal training programmes tailored to the needs of the Board. For the financial year ended 31 December 2007, an in-house training programme entitled An Overview of the Listing Requirements of Bursa Malaysia Securities Berhad & Key Continuing Obligations of Public Listed Companies was conducted and facilitated by industry experts. This programme was accredited under the CEP Programme. In addition to the in-house seminars, Directors are also encouraged to attend talks, training programmes and seminars to update themselves on new developments in the business environment.

The Board has assessed and considered the training programmes attended by them and deemed that the trainings were appropriate and sufficient.

Directors' remuneration

The objective of the Group's policy on Directors' remuneration is to ensure that the Group attracts and retains Directors of the calibre needed to run the Group successfully. In the case of Executive Directors, the component parts of remuneration are structured so as to link rewards to corporate and individual performance. The Nomination & Remuneration Committee will make recommendations to the Board on all elements of the executive directors' remuneration. In the case of Non-Executive Directors, the level of remuneration reflects the level of responsibilities and the market practice to which the remuneration are pegged. The shareholders at the annual general meeting approve the aggregate annual directors' fees for non-executive directors while the Board decides the determination of the fees for each non-executive directors.

Details of Directors' remuneration paid by the Group for the financial year ended 31 December 2007 are as follows:

	Salaries, bonus & other emoluments RM'000	Fees RM'000	Benefits in-kind RM'000	Total RM'000
Executive director	686	-	24	710
Non-executive directors	-	218	-	218

The number of Directors of the Group whose remuneration fall within the respective bands are as follows:

Range of remuneration	Executive	Number of directors non-executive
Below RM50,000	-	5
RM50,001 to RM100,000	-	1
RM700,000 to RM750,000	1	-

Investor relation and shareholders communication

The Board recognises the importance of maintaining effective communication, ensuring timely and accurate disclosure of information to the shareholders and investors of the Group. Besides the information communicated through the annual report, various announcements on significant events are made throughout the year and quarterly financial results are announced via Bursa Malaysia Securities Berhad's website [www.bursamalaysia.com] to ensure shareholders are apprised with up-to-date overview of the Group's performance and operations.

The Annual General Meeting ["AGM"] is the principal forum for dialogue and interaction with shareholders of the Company. Notice of the AGM and annual reports are sent out to the shareholders at least 21 days before the date of the meeting. At each AGM, the Board presents the progress and performance of the business and encourages shareholders to participate in the question and answer session or to seek clarification on the Group's performance and business climate. All members of the Board as well as the external auditors of the Company are available to respond to shareholders' queries raised at the meeting.

Continuous briefing for members of the media, fund managers, institution investors and investment analyst are held to provide updates on key events and latest developments of the Group. The Group's corporate website, www.duopharma.com.my and an Investors' Relation [IR] website, www.wallstraits.com, provide avenues for dissemination of up-to-date information such as corporate information, financial information, press releases, share price history and other relevant news on the Group. Shareholders and all interested parties can subscribe free of charge to the IR e-alert, enabling them to be alerted on latest developments of the Group.

Accountability and audit Financial reporting

The Board is aware of its responsibilities to shareholders and the requirement to present a balanced and comprehensive assessment of the Group's financial position and prospects. In this regard, the Directors are responsible for the preparation of financial statements that give a true and fair view of the state of affairs of the Group at the end of the financial year. The Statement of Directors' responsibility for preparing the financial statements is set out on page 054 of this Annual Report.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group, to enable them to ensure that the financial statements comply with the Companies Act, 1965 and approved Accounting Standards in Malaysia. The Directors are also responsible for safeguarding the assets of the Group and for taking reasonable steps for prevention and detection of fraud and other irregularities.

Internal control

The Statement on Internal Control on page 047 of the Annual report describes the structure and process of risk management in the Group.

Risk management

The report on Risk Management on page 044 to 045 of the Annual Report describes the structure and process of risk management in the Group.

Audit committee

The details are shown in the accompanying report of the Audit Committee on pages 040 to 042.

Internal audit

The Group has established an Internal Audit Department that reports to the Audit Committee.

The Audit Committee reviews and approves the audit plan, which identifies the scope of work for the year.

The Internal Audit Department reports to the Audit Committee.

State of internal control

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

The function of the Internal Audit Department is to assist the Audit Committee and the Board of Directors as follows:

- Perform regular review on compliance of operational procedures using risk based audit approach.
- Conduct investigations on specific areas or issues as directed by Audit Committee and the Management.
- Facilitate and evaluate the risk management processes.

The Statement on Internal Control is presented in this Annual Report to provide an overview of the statement of internal controls within the Group.

Relationship with the auditors

The Company has established and maintained a professional and transparent relationship with the Company's external auditors, Messrs KPMG in seeking professional advice and ensuring compliance with the accounting standards in Malaysia as well as meeting the auditors professional requirements. The external auditors, Messrs KPMG has continued to report to the shareholders of the Company on its opinion which are included as part of the Group's financial reports with respect to their audit on each year's statutory financial statements. The auditors also highlight

to the Audit Committee and the Board on matters that require the Board's attention. Two [2] meetings were also held between the External Auditors and the Board without the presence of the management during the financial year under review.

Directors' responsibilities in relation to the preparation of the audited financial statements

The Directors are required by the Companies Act, 1965 to prepare financial statements which are in accordance with applicable approved accounting standards and give a true and fair view of the state of affairs of the Group and the Company at the end of the financial period and of the results and cash flows of the Group and the Company for the financial period.

In preparing the financial statements, the Directors have:

- Adopted suitable accounting policies and applied them consistently;
- Made judgements and estimates that are prudent and reasonable;
- Ensured that applicable accounting standards have been followed; and
- Prepared the financial statements on going concern basis.

The Directors have prepared the annual financial statements in compliance with the Companies Act, 1965.

Compliance statement

The Company has complied throughout the financial year with all the best practice of corporate governance set out in Part 2 of the Code, except Best Practice AAVVII [Nomination of a Senior Independent Non-Executive Director]. Given the current composition of the Board which reflects a strong independent element and the separation of the roles of the Chairman and the Chief Executive Officer, the Board does not consider it necessary at this juncture to nominate a Senior Independent Non-Executive Director.

11.07.2007



Supplements for our troops in Lebanon

Good health on tour of duty

Chemical Company of Malaysia Berhad [CCM] donated RM170,000 worth of pharmaceutical products to the Malaysian peacekeepers from the army, navy and air force who were part of the United Nations Interim Force in Lebanon.

The pharmaceutical products, which included Flavettes Time Release Vitamin C 1000mg, Natberry Plus and Proviton multivitamins, would help the troops in maintaining their health and well-being during their tour of duty.

The healthcare products were presented to YAB Dato' Seri Najib Tun Abdul Razak, Deputy Prime Minister and Minister of Defence, during a special ceremony. CCM Group Managing Director, Dato' Dr Mohd Hashim Tajudin said, "We hope our contribution will help peacekeepers manage their health effectively while performing their humanitarian duties."

Other information

1. **Non-Audit Fees**
During the financial year ended 31 December 2007, the non-audit fees paid to the external auditors or a firm or a company affiliated to the Auditor's firm amounted to approximately RM13,000.
2. **Material Contracts**
Save as disclosed below, there are no other material contracts entered into by the CCMD Group during the two (2) years preceding the date of this Circular, other than contracts entered into in the ordinary course of business, details as follows:
 - i. The Contract for the Supply of the Methadone Syrup HCl 5MG/ML in 60ml bottle, between the Government of Malaysia and DMSB under the "Harm Reduction Programme" for the Ministry of Health, amounting to RM16,329,600.00 dated 30 November 2006, (KKM Contract No.KKM-RT(9/2006) for a period of 3 years starting from 30 November 2006 until 29 November 2009.
3. **Revaluation policy**
The Group adopted a policy to revalue its landed properties every five years and at shorter intervals whenever the fair value of the re-valued assets is expected to differ materially from their carrying amount.
4. **Share Buy-back**
There was no share buy-back effected during the financial period ended 31 December 2007.
5. **Employees' Share Option Scheme ["ESOS"]**
The ESOS of the Company was approved by the shareholders on 25 June 2004.

On 26 January 2005, the Company granted options to eligible employees of the Group to subscribe for a total of 7,938,000 ordinary shares of RM0.50 each in the Company at an option price of RM2.32 per share. To date, a total of 7,461,500 options have been exercised.

The Audit Committee has verified that the options granted were made in accordance with the By-laws of the ESOS.
6. **Options, Warrants or Convertible Securities**
There were no options, warrants or convertible securities issued by the Company during the financial period ended 31 December 2007.
7. **American Depository Receipt ["ADR"] or Global Depository Receipt ["GDR"] Programme**
During the financial period ended 31 December 2007, 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 subsidiaries, directors or management, by the relevant authorities.
9. **Profit Guarantees**
There were no profit guarantees during the financial period ended 31 December 2007 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**
At an Annual General Meeting ["AGM"] held on 21 May 2007, the Company obtained a shareholders' mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations and are in the ordinary course of business with related parties. The said general mandate took effect from 21 May 2007 until the conclusion of the forthcoming Annual General Meeting of the Company. The disclosure of the recurrent related party transactions conducted during the financial period ended 31 December 2007 is set out on page 079 of the Annual Report.

The Company intends to seek a renewal of the said general mandate and a proposed extension of the scope of the shareholders mandate to apply to recurrent related party transactions of a revenue or trading nature with new related parties at the forthcoming Annual General Meeting of the Company. The details of the new mandate to be sought are furnished in the Circular to Shareholders dated 29 April 2008.