

STATEMENT ON CORPORATE GOVERNANCE

for the Financial Year ended 31 December 2016

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

The Board of Directors (the “Board”) is committed to ensuring that the highest standards of corporate governance are practised throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders’ value and the performance of the Group.

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

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (supporting board leadership)

1.1 Clear Functions between the Board and Management (responsibilities of the board)

The Board retains full and effective control of the Group. This includes responsibilities for determining the Group’s overall strategic directions as well as development and control of the Group. To ensure effective discharge of its function and responsibilities, the Board has delegated specific responsibilities to Board Committees namely; the Nomination and Remuneration Committee, Audit and Compliance Committee, Finance and Investment Committee and Risk Management Committee. The Board has also established sub-holding boards and task force committees at the sub-holding level for each of the Group’s businesses to ensure that the strategies and policies set at the Group level are implemented at the respective business divisions. The function of the task force committees will be reviewed from time to time to ensure that it remains relevant. Following the disposal of CCM’s entire equity interest in CCM Pharmaceuticals Sdn. Bhd., CCM Pharma Sdn. Bhd., Innovax Sdn. Bhd., Upha Pharmaceutical Manufacturing (M) Sdn. Bhd., CCM International (Philippines) Inc. and CCM Pharmaceuticals (S) Pte Ltd to CCM Duopharma Biotech Berhad and Duopharma (M) Sdn. Bhd., the sub-holding board of the Pharmaceuticals Division was of the view that the task force committee was no longer relevant and has agreed to dissolve the task force committee for the Pharmaceuticals Division. Subsequently, all matters discussed by the task force committee have now been elevated to the board level of CCM Duopharma Biotech Berhad. In addition, following the closure of the fertilizers business, the sub-holding board monitoring the performance of the fertilizers business has also agreed to dissolve its task force committee. All matters relating to the businesses are now discussed directly by the respective boards.

The Board has established clear functions which are reserved for the Board and those delegated to Board Committees and Management. Key matters, such as approval of annual and quarterly results, acquisitions and disposals, as well as material agreements, major capital expenditure, short-term and long-term plans and strategies and succession planning for top management are reserved for the Board.

Meanwhile, all Board Committees have their Terms of Reference approved by the Board. These Committees have the authority to examine particular issues and submit reports of their deliberations and major findings to the Board. At each Board meeting, the reports and minutes of Board Committee meetings are tabled and presented to the Board to keep them informed and updated on the key issues deliberated by the Board Committees during their respective meetings. The Terms of Reference and composition of the respective committees can be found on the Company’s website while the work done and activities are stated in their respective reports.

The Board maintains a close and transparent relationship with Management. Clear limits of authority for Management to manage the business of the Group have been established and reviewed as and when necessary to ensure that the limits of authority are up to date. The last review and refinements of the limits of authority was conducted in February 2015 to improve operational effectiveness and efficiency. Many of the responsibilities of the Board are delegated to Management through the Group Managing Director. The Group Managing Director is accountable to the Board for the achievement of the Group’s corporate objectives which include performance targets and long-term goals of the business.

The Board conducts a quarterly review of the performance targets and long-term goals of the business to ensure that the needs of the Group are consistently met. The Board is furnished with information relating to the running of the Group's operations through various financial and operational reports prepared by Management on a monthly and quarterly basis. This allows them to understand the operations better and make decisions in steering the Group towards a profitable business. At each normal Board meeting, the Board receives from or through the Group Managing Director the operational and other reports, proposals and assurances as the Board considers necessary to ensure that Management authorities are being observed.

1.2 Clear Roles and Responsibilities

The Board assumes, among others, the following responsibilities:

(i) Review and adopt strategic plan of the Group

The Board plays an active role in the development of the Group's strategy. The Board is presented with the short and long term strategy of the Group annually together with its proposed business plans for the ensuing year. In formulating the Group's strategy, the Board, through the respective Board Committees, sub-holding entities and taskforces will challenge and deliberate the Group's strategy before it is presented to the Board.

This process allows the respective Board Committees, sub-holding boards and task forces members to provide valuable feedback and input as well as assurance that all appropriate considerations have been taken into account. The outcome of the deliberation is then tabled to the Board to ensure the best outcome.

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

(ii) Oversee the conduct of the Group's business

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

The Group Managing Director is supported by the Group Management Committee and other committees established under the Group such as the Group Tender Committee. These committees have their own specific Terms of Reference to ensure that the objectives and aspirations of the Group are met.

The Board has established clear targets and KPIs to measure Management's performance. At the end of the financial year, the Board will set targets and KPIs for the ensuing year. These targets and KPIs are tabled to the Board and deliberated on a quarterly basis. The Board is also kept informed of the significant operational highlights, issues and performance of the Group on a monthly basis through various reports to ensure they are kept updated with the latest development of the Group.

To ensure independence, the Group Risk Management Department provides the Board with a separate status report on a regular basis to update the Board on the enterprise risk. The Group Integrity and Assurance Department (formerly known as Group Internal Audit Department) also provides the Audit and Compliance Committee with audit reports as and when audit assignments or special investigations assignments are completed.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

for the Financial Year ended 31 December 2016

(iii) Identifying principle risks and ensuring the implementation of appropriate internal controls and mitigation measures

The Board, through the Risk Management Committee determines the Group's level of risk tolerance and actively identifies, assesses and monitors key business risks to safeguard the Group's businesses. In managing risks, the Board has developed an Enterprise Risk Management ("ERM") Framework for the Group in line with the universally accepted standard ISO 31000 for Risk Management. A Risk Management Policy has been established to ensure the Group has an effective risk management programme and control system to facilitate the Group in meeting 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 Integrity and Assurance Department to ensure its adequacy and integrity.

Details on the Report of the Risk Management Committee and Statement on Risk Management and Internal Controls are set out in this Annual Report on pages 82 to 85 and 89 to 94.

(iv) Succession Planning

The Board has entrusted the Nomination and Remuneration Committee with the responsibility to review and recommend to the Board, candidacy for boards within the Group and top management positions. These candidates go through a rigorous assessment prior to being invited to the respective boards or recruited as part of the top management to ensure they have the sufficient experience and are the right fit for the Company. For 2016, the Nomination and Remuneration Committee had reviewed and recommended the nominations of Dato' Hajah Normala binti Abdul Samad and Datuk Nik Moustpha bin Haji Nik Hassan to the Board of the Company. Their nominations were expected to complement the current mix of skills and experience of the Board, especially in the areas of government relations, human resources, Halal and integrity.

The Group has, in place, a talent management programme to ensure the Group has sufficient talent bench strength to meet its future needs besides having a pipeline of successors for mission-critical positions. The Group has identified at least 24 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 of shareholders on the Group's performance. In this regard, the Board has established a Shareholders and Investors Communication Policy to meet or otherwise communicate with the shareholders of the Group. A copy of the Shareholders and Investors Communication Policy can be accessed on the Company's website.

For 2016, the Company had conducted two investor relations program with interested investors to keep them updated with the development of the Group. The copies of the presentation can be accessed on the Company's website.

(vi) Review the adequacy and integrity of the management information and internal control systems

The Board is fully aware of the responsibilities to maintain a sound internal control system. The Board's responsibilities for the Group's system of internal controls cover not only financial aspects of the business but also operational, regulatory compliance as well as risk management matters. Details pertaining to the Company's internal control system and the review of its effectiveness are set out in the Statement on Risk Management and Internal Control in the Annual Report on pages 89 to 94.

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

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

The Board has approved a Code of Conduct which commits the employees to ethical values and standards of conduct expected of them. It is based on the Group's vision, mission and core values and embodies the principles contained in various policies adopted by the Group and gives guidance on how employees and other parties affected by the Code of Conduct should apply the core values to the Group's businesses and activities. The Code of Conduct covers, among others, all aspects of the business operations such as confidentiality of information, dealings in securities, conflict of interest, provision of gifts and gratuities, anti-bribery and sexual harassment.

As part of best practices in good corporate governance, the Group has also established a "Whistle-Blowing" policy, which provides an avenue for employees to report their concerns of any wrongdoing within the Group relating to unlawful conduct, financial malpractice or dangers to the public or the environment. In this respect, the policy makes it clear that such concerns can be raised without fear of victimisation, recrimination, discrimination or disadvantage to the employee reporting the concern. It provides a formal channel to encourage and enable employees to report serious concerns so that such concerns can be properly addressed.

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

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

The Integrity Unit, which is part of the Group Integrity & Assurance Department, was established in September 2013. The Unit is tasked to manage integrity issues within the Group as well as to further enhance its good corporate governance practices and strengthen the ethical standards on a Group-wide basis. The unit is under the purview of the Audit and Compliance Committee and is responsible for, among others, 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 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 be the secretariat function to the Integrity Committee.

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

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

for the Financial Year ended 31 December 2016

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. In achieving this, the Board has approved a Corporate Sustainability Policy focusing on stakeholder and marketplace expectations, the environment, workplace sustainability and community needs. The details on the Company's effort to promote sustainability could be found in the Sustainability Report on the Company's website.

1.5 Access to Information and Advice

The Chairman is primarily responsible for ensuring that sufficient information is provided to the Board members to assist them in their deliberation. She ensures that all relevant issues and quality information to facilitate decision making and effective running of the Group's business are included in the agenda of Board meetings. In doing so, the Chairman will liaise with the Group Managing Director and the Company Secretary on the agenda for Board meetings. Board meetings are scheduled a year ahead in order to ensure full attendance. 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 adequate information is available to assist deliberation by Board members. The Board papers include, among others, the following:

- Minutes of Meetings/Reports of all Board Committees;
- Business plan and strategic 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;
- Key policies, procedures and authority limits; and
- Reports, advices and opinions of external consultants/advisors as had been sought for.

During the financial year, eleven (11) Board Meetings were held. Details of the Directors' meeting attendance during the financial year were as follows:

Name of Directors	No. of Meetings Attended
Dato' Hajah Normala binti Abdul Samad Non-Independent Non-Executive Chairman (Appointed w.e.f. 25 March 2016)	6/6
Leonard Ariff bin Abdul Shatar Group Managing Director	11/11
Dato' Azmi bin Mohd Ali Non-Independent Non-Executive Director	11/11
Khalid bin Sufat Senior Independent Non-Executive Director	11/11
Dr. Leong Chik Weng Independent Non-Executive Director	11/11

Name of Directors	No. of Meetings Attended
Dato' Seri Ir. Dr. Zaini bin Ujang Non-Independent Non-Executive Director	10/11
Datin Paduka Kartini binti Haji Abdul Manaf Non-Independent Non-Executive Director	11/11
Tan Sri Siti Sa'diah binti Sh. Bakir Independent Non-Executive Director	10/11
Datuk Nik Moustpha bin Haji Nik Hassan Independent Non-Executive Director <i>(Appointed w.e.f. 9 September 2016)</i>	1/1

All directors have the same right of access to all information within the Group and the duty to make further enquiries which they may require in discharging their duties including seeking independent professional advice either directly or through the Group Managing Director or 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 to all Directors.

The Company also provides a platform for dialogue between the Board and the Directors of each businesses either at Board meetings, Board training or during business unit visits. This will assist the Board in arriving at business and strategic decisions relating to the Group. The Directors also have access to the advice and services of 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 Group. For 2016, visits had been conducted to the Chemicals plant in Pasir Gudang, Fertilizers plant in Shah Alam and PanGen Biotech Inc., Korea to better understand the investments made in these locations.

1.6 Qualified and Competent Company Secretaries

The appointment or removal of Company Secretary or Secretaries of the Board shall be the prerogative of the Board as a whole. The Board is currently assisted by two qualified and competent Company Secretaries in ensuring that Board procedures are followed and the applicable rules and regulations for the conduct of the affairs of the Board and the business are complied with. This includes compliance with the Main Market Listing Requirements, Companies Act 2016, Securities Commission Act 1993, Capital Market and Services Act 2007 and other relevant requirements.

The Company Secretaries also play important role as gatekeepers of corporate governance. They are responsible in ensuring that the principles and practices of corporate governance are complied with, where possible. In addition to this, the Company Secretaries also provide the relevant advice to the Board, when required. All Board Members, particularly the Chairman, have unrestricted access to the advice and services of the Company Secretaries for the purposes of the Board's affairs and the business.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

for the Financial Year ended 31 December 2016

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

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

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) or more than twelve (12). An alternate director shall not be counted in the determination of minimum or maximum number of directors on the Board.

The Group considers its complement of Non-Executive Directors provide an effective Board with a mix of industry specific knowledge and broad business and commercial experience. The presence of independent non-executive directors is particularly important in corporate accountability. They constructively challenge and contribute to the development of the business strategies and direction of the Group. This balance enables the Board to provide clear and effective leadership to the Group and to bring informed and independent judgment to many aspects of the Group's strategies and performance so as to ensure that the highest standards of conduct and integrity are maintained. The classification for independence is in accordance with paragraph 1.01 of Definition and Interpretation section of Bursa Malaysia's Main Market Listing Requirements.

The Senior Independent Non-Executive Director is available to deal with concerns affecting the Group, other than through the Chairman. The Senior Independent Director is expected to ensure that all independent directors have the opportunity to provide input for the agenda, and advise the Chairman on the quality, quantity and the timeliness of the information submitted by Management that is necessary for the independent directors to perform their duties effectively. He is also the principal conduit between the independent directors and the Chairman on sensitive issue(s) and the designated contact for consultation and direct communication with shareholders on areas that cannot be resolved through the normal channel of contact with the Chairman or Group Managing Director. Encik Khalid bin Sufat is the Senior Independent Non-Executive Director of CCM.

The Board currently has nine (9) Directors of whom four (4) are Independent Directors. The composition of the Board was maintained so that at any one time, at least three (3) or one-third (1/3) of the Board, whichever is the higher, shall be independent. A brief profile of each Director is presented on pages 38 to 46 of the Annual Report.

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

2.1 Nomination and Remuneration Committee

The Company has in place a Nomination and Remuneration Committee ("NRC") with specific terms of reference. The NRC comprise of five (5) members who are Non-Executive Directors with the majority being independent directors. The Chair of the Committee is held by the Senior Independent Director, Encik Khalid bin Sufat.

Details pertaining to the NRC and its terms of reference can be found in the Company's website.

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

(i) Recruitment/Appointment of Directors

One of the terms of reference of NRC is to recommend to the Board, candidates to fill all directorships and Board Committees within the Company and the Group, be it a new appointment or re-election/re-appointment. In executing this role, the NRC is guided by the Group's Board Nomination and Selection process which has been approved by the Board. The Board Nomination and Selection process outlines the skill sets, knowledge/experience, mindset and the intrinsic values required of the concerned director vis-a-vis the need of the Company. The process also provides the relevant point of reference in identifying the most suitable candidates to sit on the Board. During the year, the Company had appointed Dato' Hajah Normala binti Abdul Samad and Datuk Nik Moustpha bin Haji Nik Hassan as Non-Independent Non-Executive Chairman and Independent Non-Executive Director, respectively, based on the prescribed process. Dato' Hajah Normala and Datuk Nik Moustpha's nominations had been deliberated at 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 for Board Members. The Chairman of the Board is required to actively participate in the selection of Board Members. A formal invitation to join the Company as a Board Member would be extended by the Chairman after approval from the Board.

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. The Company's Articles of Association provide that at least one third (1/3) of the Board are subject to retirement by rotation at each AGM provided always that each Director shall retire at least once in every three years. The Directors to retire in each year are the Directors who have been longest in office since their appointment or re-appointment. This provides an opportunity for shareholders to renew their mandate. To assist shareholders in their decision, sufficient information such as personal profile, meeting attendance and the shareholdings in the Company of each Director standing for election are furnished in a separate statement accompanying the Notice of AGM.

The Company has in place a succession planning programme which, inter alia, includes appointing, training, fixing of compensation and replacing Directors and senior management of the Group.

For the current year, the Board is recommending to the shareholders that Dato' Seri Ir. Dr. Zaini bin Ujang, Datin Paduka Kartini binti Haji Abdul Manaf and Datuk Nik Moustpha bin Haji Nik Hassan to be re-elected as directors of the Company at the forthcoming AGM under Articles 91 and 96 of the Company's Articles of Association, respectively.

(ii) Induction Programme

As part of the familiarisation process, newly appointed Board members are required to undergo an Induction Programme specially designed to familiarise the directors with the businesses within the Group. This familiarisation process includes briefing session on the range of products and services, business structure and visits to the respective operating facilities. The visits will include briefings from the respective businesses' management to provide in-depth knowledge of the latest progress of the respective businesses and appreciation of the key drivers behind the Group's core businesses. For the current year, visits to the various operating facilities within the Group have been organised for Dato' Hajah Normala binti Abdul Samad and Datuk Nik Moustpha bin Haji Nik Hassan who were appointed to the Board on 25 March 2016 and 9 September 2016, respectively. Business briefings have been organised and conducted to bring them up to speed on the Company's businesses.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

for the Financial Year ended 31 December 2016

(iii) Board Evaluation Assessment (“BEA”)

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

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

The NRC is given the task to review annually the activities and effectiveness of the Board, Board Committees and the individual Board Members. The results of such evaluation will be discussed with the Committee and/or the Chairman and subsequently tabled to the Board. Actionable improvement programme will be developed to improve the performance of the Board.

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 conducts 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, Director and Committee Evaluation Assessment is 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 of the Company comprises members from a diverse background of skills, professional experience, age, ethnicity and culture to provide different perspective and viewpoints for better decision making. The Board currently comprised of eight (8) Bumiputera Directors and one (1) Non-Bumiputera director. Six (6) directors are in the 50 – 59 years age group while three (3) directors are in the 60 years and above age group.

The Board has also given their commitment on gender diversity by adopting a policy to ensure that at least 30% women directors are on the Board. The Board now comprises of six (6) male directors and three (3) female directors.

(v) Remuneration Policy

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

The component parts of remuneration are structured so as to link rewards to corporate and individual performance, in the case of the Group Managing Director. 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 Committees and the Board, their attendance and/or special skills and expertise they bring to the Board.

(a) Directors' Remuneration

The Non-Executives Directors are entitled to directors' fees. The Board has recommended to shareholders in 2012 for a proposed revision to the directors' fees so that it is in line with market and industry's practice. The proposal has been approved at the Annual General Meeting of the Company in 2012. As a result of the approval, the Chairman of the Board now receives a director's fee of RM100,000 per annum while each Non-Executive Director receives director's fee of RM75,000 per annum.

In addition to the directors' fees, the Non-Executive Directors are also entitled to Board Committee Fees on which they sit and meeting allowance for each meeting attended.

The Group Managing Director is not entitled to receive any directors' fees, board committee fees or meeting allowance. However, he is entitled to a token amount for his directorships in subsidiary companies. The Group Managing Director's remuneration comprises of a fixed component which includes a monthly salary and benefit-in-kind/emoluments and a variable component in the form of performance bonus.

The aggregate remuneration of Directors categorised into appropriate components for the financial year ended 31 December 2016 is as follows:

RM'000	Category of Directors			
	Group Managing Director		Non-Executive Director	
	Company	Group	Company	Group
Fees	-	-	698	972
Allowance	-	21	181	212
Salaries and Bonus	586	1,182	-	-
Other Emoluments	190	322	-	-
Benefits-in-Kind	47	47	-	-
Total	823	1,572	879	1,184

Range of Remuneration

	Category of Directors			
	Executive		Non-Executive	
	Company	Group	Company	Group
RM1 to RM50,000	-	-	1	1
RM50,001 to RM100,000	-	-	1	-
RM100,001 to RM150,000	-	-	5	3
RM150,001 to RM200,000	-	-	1	3
RM200,001 and above	1	1	-	1

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

for the Financial Year ended 31 December 2016

The remunerations of the Directors Fees for the financial year ended 31 December 2016 are as follows:

Name	Category of Directors	Director Fees (RM'000)		Committee Fees (RM'000)		Allowance (RM'000)		Salary & Bonuses (RM'000)		Other Emoluments (RM'000)		Benefit-in-kind (RM'000)		Total (RM'000)	
		Co.	Grp.	Co.	Grp.	Co.	Grp.	Co.	Grp.	Co.	Grp.	Co.	Grp.	Co.	Grp.
Dato' Hajah Normala binti Abdul Samad	Non-Executive	77	128	-	-	9	11	-	-	-	-	-	-	86	139
Leonard Ariff bin Abdul Shatar	Group Managing Director	-	-	-	-	-	21	586	1,182	190	322	47	47	823	1,572
Dato' Azmi bin Mohd Ali	Non-Executive	75	125	18	21	27	30	-	-	-	-	-	-	120	176
Khalid bin Sufat	Non-Executive	75	114	20	20	31	39	-	-	-	-	-	-	126	173
Dr. Leong Chik Weng	Non-Executive	75	96	18	18	27	31	-	-	-	-	-	-	120	145
Dato' Seri Ir. Dr. Zaini bin Ujang	Non-Executive	75	93	16	16	23	27	-	-	-	-	-	-	114	136
Datin Paduka Kartini binti Haji Abd Manaf	Non-Executive	75	114	54	54	40	48	-	-	-	-	-	-	169	216
Tan Sri Siti Sa'diah binti Sh. Bakir	Non-Executive	75	125	16	20	21	23	-	-	-	-	-	-	112	168
Dato' Nik Moustpha bin Haji Nik Hassan	Non-Executive	23	23	5	5	3	3	-	-	-	-	-	-	31	31
Total		550	818	147	154	181	233	586	1,182	190	322	47	47	1,702	2,756

(b) Directors and Officers Liability Insurance

In addition to the directors remuneration above, the directors are provided with a Directors and Officers Liability Insurance in respect of any liability arising in the course of discharging their duties as directors of the Company provided always that such liability occurs in good faith and not as a result of dishonesty, fraud, insider trading, malicious conduct and/or intentional breach of contract.

3. REINFORCE INDEPENDENCE

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

3.1 Annual Assessment of Independent Directors

The Board consists of eight (8) Non-Executive Directors, four (4) of which are independent and one (1) Executive Director. In ensuring that independent judgments are not compromised, the Board has adopted a policy on assessment of independence on its independent directors which is conducted on an annual basis or as and when a disclosure is made by any Director in respect of any new interest or relationship. The policy makes reference to Chapter 1 and Practice Note 13 of Bursa Malaysia's Main Market Listing Requirements. A sample of the annual assessment form for Independent Directors can be accessed on the Company's website.

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

3.2 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 years either in a consecutive service of nine years or cumulative service of nine years interval. The Board may, upon the completion of the nine years, re-designate the independent directors to a non-independent director if it is so determined that the expertise and experience of the independent director are still relevant to the Group. Currently, the tenure of all Independent Directors on the Board have not exceeded nine (9) years.

3.3 Position of Chairman and Group Managing Director and Board Balance

There is a division of responsibility between the Chairman and the Group Managing Director to ensure a balance of power and authority. The roles of the Chairman and the Group Managing Director are separate and clearly defined. As part of good corporate governance, the Chairman is responsible for ensuring board effectiveness and conduct. She ensures that all relevant issues and quality information to facilitate decision making and effective running of the Group's business are included in the meeting agenda. In doing so, the Chairman will liaise with the Group Managing Director and the Company Secretary on agenda for Board meetings. The Chairman encourages healthy debates on issues raised at meetings and gives opportunity to directors who wish to speak on the motions, either for or against them. Every Board resolution is then put to a vote which would reflect the collective decision of the Board and not the views of an individual or an interested group. The Chairman also chairs the meeting of shareholders of the Group.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

for the Financial Year ended 31 December 2016

At the general meetings of the Group, the Chairman will ensure that the shareholders are given the opportunity to enquire on the Group's affairs. The Group Managing Director focuses on the business and the day-to-day management of the Company and Group. He is the conduit between the Board and Management in ensuring the success of the Group's governance and management functions. The Group Managing Director implements the policies, strategies and decisions adopted by the Board.

The Board is chaired by a Non-Independent Non-Executive Chairman. Whilst the Company supports the recommendations made under the Code, the Company maintains that the Chairmanship of the Board shall continue to be held by a Non-Independent Non-Executive Director. The Board is of the view that the Chairman will remain objective in expressing her views and will allow all Board members the opportunity to participate and express their views in deliberations and decision making of the Board without fear or favour. In addition, any decisions arrived at the Board are made on consensus. Despite this, the Board will endeavour that the composition of the independent directors comprises of at least one third (1/3) of the Board to ensure balance of power and authority on the Board. Currently the independent directors comprise of 44.4% of the total composition of the Board.

4. FOSTER COMMITMENT

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 of the Company, the Board will consider the candidate's ability to devote sufficient time to effectively discharge the duties as a director of the Company. This includes attendance of at least 50% of all board of directors and board committee meetings, participation in training programmes, site visits or as determined from time to time by the Board. Appointed directors are also expected to devote their time to other matters involving the Company's affairs. In addition to the policy above, the time commitment required of the Directors are also incorporated as one of the terms in their appointment letter to the Board.

Any Board member, while holding office, is at liberty to accept other Board appointments (outside the Group) so long as the appointment is not in conflict with the business of the Company and Group 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 Bursa Malaysia's Main Market Listing Requirements ("MMLR"), Directors are also required to comply with the requirements of having not more than five (5) directorships in listed companies. This allows them to devote their time and discharge their duties effectively with the companies in which they are directors. Board meetings are scheduled a year ahead in order to enable full attendance.

4.2 Continuing Education Programme

The Board acknowledges the importance of continuous education and training to enable effective discharge of its responsibility. All Board members have attended the Mandatory Accreditation Programme ("MAP") as prescribed by MMLR and the costs are borne by the Company.

The Continuing Education Programme focuses on business specific issues relating to the Group and the latest development within the related industries and is conducted in-house at least two times a year. The programme is extended to all Directors and Senior Management of the Group. The Directors have, on their own initiatives, requested to attend ad-hoc trainings, seminars or conferences conducted by third party to enhance their knowledge or skills in specific areas. The costs of attending such training or forum are borne by the Group. The training/seminars/conferences attended by Directors cover the areas of law and business development.

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

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

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

Name	Training or Conference Attended
Dato' Hajah Normala binti Abdul Samad	<ol style="list-style-type: none"> 1. Time to Throw the Long (Carbon) Ball: Future Opportunities in Polymers 2. Companies Bill 2015 by Messrs. Rahmat Lim & Partners. 3. Corporate Liability Act: What's Next? by Malaysian Anti-Corruption Commission 4. Mandatory Accreditation Programme (MAP) by The Iclif Leadership And Governance Centre 5. How Effective Boards Engage on Succession Planning for the CEO and Top Management 6. Board Chairman Series Part 2: Leadership Excellence from the Chair 7. CG Breakfast Series with Directors: "The Cyberjaya Security Threat and How Board Should Mitigate the Risks"
Leonard Ariff bin Abdul Shatar	<ol style="list-style-type: none"> 1. Time to Throw the Long (Carbon) Ball: Future Opportunities in Polymers 2. Companies Bill 2015 by Messrs. Rahmat Lim & Partners. 3. Corporate Liability Act: What's Next? by Malaysian Anti-Corruption Commission 4. CPhI Worldwide
Dato' Azmi bin Mohd Ali	<ol style="list-style-type: none"> 1. Time to Throw the Long (Carbon) Ball: Future Opportunities in Polymers 2. Companies Bill 2015 by Messrs. Rahmat Lim & Partners. 3. Legal Forum for Tenaga Nasional Berhad's Legal Counsels 4. The Outlook of the World's Economy : Challenges and Opportunities for Malaysian Companies by Prof. Alan B Krueger, Bendheim Professor of Economics and Public Affairs at Princeton University, USA 5. MINDA's PowerTalk on "What Will Distinguish the Great Boards of Tomorrow?" by Beverly A. Behan 6. Briefing on the various methods of Liquidation & Insolvency by Encik Mohd Afrizan Husain (Managing Partner, Aftaas) 7. The Direction of Global Competition in Malaysia by Prof. Richard HK Vietor 8. "Talk on tax matters" by Mr Saravanan (Partner, Lee Hishammuddin Allen & Gledhill) 9. Breakfast Talk –Session 1 " Future Mega Trends Based On Malaysia Perspective" by Frost & Sullivan 10. The Cyber security Threat and How Boards Should Mitigate the Risks by Dr. Jessie Barker 11. Corporate Liability Act: What's Next? by Malaysian Anti-Corruption Commission 12. Table Talk with Russian Lawyers 13. Scenario Planning Workshop
Khalid bin Sufat	<ol style="list-style-type: none"> 1. ACCA Annual Conference 2. World Economic Outlook 3. Time to Throw the Long (Carbon) Ball: Future Opportunities in Polymers 4. Foreign Exchange Administration Rules 5. Companies Bill 2015 by Messrs. Rahmat Lim & Partners. 6. Succession Planning for CEOs 7. Role of Chairman and Independent Directors 8. MIA International Accountants Conference

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

for the Financial Year ended 31 December 2016

Name	Training or Conference Attended
Dr. Leong Chik Weng	<ol style="list-style-type: none"> 1. Corporate Liability Act: What's Next? by Malaysian Anti-Corruption Commission 2. Companies Bill 2015 by Messrs. Rahmat Lim & Partners
Dato' Seri Dr. Ir. Zaini bin Ujang	<ol style="list-style-type: none"> 1. Time to Throw the Long (Carbon) Ball: Future Opportunities in Polymers 2. Companies Bill 2015 by Messrs. Rahmat Lim & Partners
Datin Paduka Kartini binti Haji Abdul Manaf	<ol style="list-style-type: none"> 1. Time to Throw the Long (Carbon) Ball: Future Opportunities in Polymers 2. Companies Bill 2015 by Messrs. Rahmat Lim & Partners. 3. Corporate Liability Act: What's Next? by Malaysian Anti-Corruption Commission; 4. 46th St. Gallen Symposium and Pictet Asset Management Visit 5. International Forum on the World's Economic Outlook: Challenges & Opportunities for Malaysian Companies 6. The Direction of Global Competition in Malaysia by Prof. Richard Hic Victor 7. PNB Quality Award Internal Convention
Tan Sri Siti Sa'diah binti Sh. Bakir	<ol style="list-style-type: none"> 1. Companies Bill 2015 by Messrs. Rahmat Lim & Partners 2. UTM Simposium Sinergi IPT, Industri dan Kerajaan Johor Dalam Memperkasa Inovasi 'Memperkasa Inovasi Ke Arah Kesejahteraan Johor' (as Panelist) 3. Bursa Malaysia Independent Directors Programme - The Essence of Independence 4. The Institute of Internal Auditors Malaysia 2016 Audit Committee Conference "Setting the Right Tone" 5. International Forum on Quality and Safety in Healthcare 6. KPJUC 3rd International Conference on Multidisciplinary Healthcare 7. 8th APHM International Healthcare Conference and Exhibition "Safe and Efficient Hospitals: Healthy Outcomes for both Patients and Shareholders" 8. Public Lecture CIMB-UUM 9. Corporate Liability Act: What's Next? by Malaysian Anti-Corruption Commission 10. OSK Holdings Berhad on Companies Bill 2015: Key Amendment Relevant to Directors 11. OSK Holdings Berhad - Fraud Risk Management – Whose responsibility is it? 12. Learning and Development Conference - Learning to Lead a New Industry (as Speaker) 13. Sesi Perkongsian Transformasi Hospital (as Speaker) 14. 3rd Retirement Living and Senior Care SEA Conference Asia 2016 World Southeast Asia 2016 – How can projects best leverage the unique expertise, knowledge and market insight that each partner offers? (as Panelist) 15. Program CEO @ FSK Fakulti Sains Kesihatan Universiti Teknologi MARA – "The Future of Private Healthcare Services in Malaysia" (as Speaker) 16. ISQua's 33rd International Conference Tokyo 2016 - "Change and Sustainability in Healthcare Quality: The Future Challenges" 17. INPUMA # UM 111 Be Inspired UM-JCorp Carnival – "Building a Dynamic and Entrepreneurial Youth Culture, a Life Dedication: Personal Experience" (as Speaker) 18. OYAGB UUM – JPA (JUSA) Excellence in Leadership – "Leadership, Change & Transformation for Sustainability" (as Speaker) 19. Bursa Malaysia – "The Cybersecurity Threat and How Board should Mitigate the Risks" 20. Women's Institute Management Conference 2016 – "Integrity and Governance for Company Directors (Public and Private Sectors)" and "Corporate Governance Practices in Private Sector Board" (as Speaker) 21. CCMB Spurring the Bumiputera Agenda Through BVDP: A Collaboration between CCMB and MITI 22. MSQH Healthcare Summit 2016 – "Enhancing Ethical, Safe and Quality Care through Patient and Family Engagement", and "Do Malaysian Healthcare Service Providers have the Values to Deliver Ethical, Safe and Quality Care?" (as Moderator) 23. Convention for Young Administrators of ASEAN Universities 2016 – Jawatankuasa Latihan Universiti-Universiti Malaysia (JALUMA) – "Inculcating Culture Engagement in University Environment" (as Speaker)

Name	Training or Conference Attended
Datuk Nik Moustpha bin Haji Nik Hassan	1. Current Issues in Corporate Governance Programme by International Centre for Education in Islamic Finance 2. Corporate Governance Breakfast series on “How to Leverage on AGMs for Better Engagement with Shareholders” by Bursa Malaysia and Malaysia Institute of Chartered Secretaries & Administrators (“MAICSA”)

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

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 Group’s financial position and prospects. In this regard, the Board has delegated its authority to the Audit and Compliance Committee to ensure that the preparation of financial statements complies with the Companies Act, 1965 and approved Malaysia Financial Reporting Standards (“MFRS”) and that the accounts give a true and fair view of the state of affairs of the Group 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 Audit and Compliance Committee discusses with the external auditors the scope of the audit and reporting obligations before the audit commences. The Audit and Compliance Committee ensures that Management provides timely responses on all material queries raised by the external auditors.

The Audit and Compliance Committee meets on a quarterly basis to review the integrity and reliability of the financial statements in the presence of the Group Managing Director, Group Chief Operating Officer cum Chief Financial Officer, and Group Internal Auditor prior to recommending them for Board approval, before being released to Bursa Securities. In addition to this, the Audit and Compliance Committee also holds separate meetings from the meetings on the financial statements, on a quarterly basis, to deliberate on the status of internal audit plans, internal audit reports, status of Management’s corrective actions, Group Integrity and Assurance scorecard, updates on whistle-blowing report and progress on integrity initiatives undertaken by the Group.

The Audit and Compliance Committee, with the assistance of and assurance from the Group Internal Auditor, also reviews the internal control within the organisation in ensuring the custody, effective and efficient utilisation of Group assets. The Audit and Compliance Committee also reviews any related party transactions that may arise within the Group. These items are also discussed and deliberated at Audit and Compliance Committee meetings 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.

5.2 Suitability and Independence of External Auditors

The Audit and Compliance Committee will review the performance of the External Auditor on an annual basis after completion of the year-end audit on the suitability and independence of the External Auditors. In evaluating the suitability and effectiveness of external audit, the Audit and Compliance Committee will review the overall comprehensive external audit plan, the timeliness and quality of deliverables and the competency/adequacy of the resources to achieve the scope outlined in the audit plan. The Audit and Compliance Committee in reviewing the re-appointment of external auditors for tabling at the 55th Annual General Meeting had considered their independence (including obtaining the written assurance confirming their independence throughout the audit engagement), objectivity and effectiveness. The Audit and Compliance Committee is satisfied with the external auditors’ technical competency and audit independence.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

for the Financial Year ended 31 December 2016

The Audit and Compliance Committee held two (2) meetings with the External Auditors without the presence of Management during the financial year under review.

The Board has also approved a policy on External Auditors' Independence, of which the full policy is published at the Company's website at www.ccmbherhad.com. The Audit and Compliance Committee further ensures that the policies governing the provision on non-audit fees are observed.

6. RECOGNISE AND MANAGE RISKS

The Directors are fully aware of the responsibilities to maintain a sound system of internal controls to safeguard shareholders' investment and the 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.

6.1 Establish Sound Framework to Manage Risks

The Board, through the Risk Management Committee ("RMC"), determines the Group's level of risk tolerance and actively identifies, assesses and monitors key business risks to safeguard shareholders' investment and the Group's assets.

The Group's risk management function is performed by the Group Risk Management Department which reports the results of the risk management activities to RMC. The Department facilitates the risk management processes within the Group.

The Group has established a formal 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 organisation.

6.2 Internal Audit Function

The Group has established an in-house internal audit function. The internal audit function within the Group Integrity and Assurance Department is responsible for reviewing the effectiveness and efficiency of the internal control systems of the selected activities/areas.

The internal audit function reports directly to the Audit and Compliance Committee and is independent of the activities that were audited. The Group Integrity and Assurance Department has direct access to the Board through the Chairman of the Audit and Compliance Committee.

The Group Integrity and Assurance Department provides assurance to the Audit and Compliance Committee on matters relating to the systems of internal control by performing regular reviews on compliance of operational procedures using risk-based audit approach. Investigations are also conducted on specific areas or issues as directed by Audit and Compliance Committee and the 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 Statement on Risk Management and Internal Control, the Risk Management Committee Report and Audit and Compliance Committee Report of this Annual Report on pages 89 to 94, 82 to 85 and 79 to 81 respectively.

7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policy

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

- provide shareholders, investors, analysts, media representatives and other stakeholders with comprehensive, accurate and quality information issued by the Group on a timely and even basis;
- raise awareness and provide guidance to the Board, Management, officers and employees on the Group's disclosure requirements and practices;
- ensure that the Group 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;
- ensure that the Group observes best practices in relation to disclosure as illustrated in the Corporate Disclosure Guide by the Exchange; and
- promote investor confidence in the integrity of the Company.

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

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

Date of announcement	Subject matter of material information
24 February 2016	Proposed Sale of three (3) parcels of land in Medan, Indonesia together with the building thereon by P.T. CCM Agripharma to P.T. Feedmill Indonesia.
26 and 29 February 2016	Clarification with respect to announcement dated 24 February 2016 on Proposed Sale of three (3) parcels of land in Medan, Indonesia together with the building thereon by P.T. CCM Agripharma to P.T. Feedmill Indonesia.
11 March 2016	Listing of PanGen Biotech Inc. (a company incorporated in the republic of Korea), an investee company of CCM on KOSDAQ (Korea Securities Dealers Automated Quotations) under the category of New Growth Engine Companies.
16 March 2016	Dealings in listed securities of the Company by a Principle Officer of CCM Duopharma Biotech Berhad, a major subsidiary of the Company.
25 March 2016	Appointment of Hajah Normala Binti Abdul Samad as Non-Independent Non-Executive Chairman.
20 May 2016	Completion of the Sale of three (3) parcels of land in Medan, Indonesia together with the building thereon by P.T. CCM Agripharma to P.T. Feedmill Indonesia on 19 May 2016.
30 June 2016	Proposed disposal of 100% equity interest in CCM Agriculture Sdn. Bhd. and 100% equity interests in CCM Agriculture (Sabah) Sdn. Bhd., two parcels of mixed zone/town land in Kemena Land District, Bintulu, Sarawak together with the buildings thereon and certain trademarks under Cock's Head brand in relation to CCM Fertilizers' business.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

for the Financial Year ended 31 December 2016

Date of announcement	Subject matter of material information
12 July 2016	Additional information with respect to announcement dated 30 June 2016 on Proposed disposal of 100% equity interest in CCM Agriculture Sdn. Bhd. and 100% equity interests in CCM Agriculture (Sabah) Sdn. Bhd., two parcels of mixed zone/town land in Kemena Land District, Bintulu, Sarawak together with the buildings thereon and certain trademarks under Cock's Head brand in relation to CCM Fertilizers' business.
16 August 2016	Drawdown of RM100 million Islamic Banking Term Loan facility from Affin Islamic Bank Berhad.
5 October 2016	Proposed disposal of 100% equity interest in CCM Agriculture (Sabah) Sdn. Bhd., two parcels of mixed zone/town land in Kemena Land District, Bintulu, Sarawak together with the buildings thereon and certain trademarks under Cock's Head brand in relation to CCM Fertilizers' business.
31 October 2016	Proposed disposal of 100% equity interest in CCM Agriculture Sdn. Bhd. and 100% equity interest on CCM Agriculture (Sabah) Sdn. Bhd., two parcels of mixed zone/town land in Kemena Land District, Bintulu, Sarawak together with the land and buildings thereon and certain trademarks under Cock's Head brand in relation to CCM Fertilizers' business -Extension of completion date of the Share Sale Agreement and Sale and Purchase Agreement.
15 November 2016	Fulfilment of Condition Precedents of Share Sale Agreement and Sale and Purchase Agreement of 100% equity interest in CCM Agriculture Sdn. Bhd. and 100% equity interests in CCM Agriculture (Sabah) Sdn. Bhd., two parcels of mixed zone/town land in Kemena Land District, Bintulu, Sarawak together with the buildings thereon and certain trademarks under Cock's Head brand in relation to CCM Fertilizers' business.

7.2 Leverage on Information Technology for Effective Dissemination

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

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

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

8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

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 has in 2012, removed the limit on the number of proxies to be appointed by an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one

securities account. The Company has also included a new provision in its Constitution in respect of the qualification and the right of a proxy to speak at general meetings. Under the new provision, any person could be appointed by the shareholders as a proxy. The proxy shall have the same rights as the shareholder to speak at the meeting.

8.2 Encourage Poll Voting

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

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

Following the amendments to the Bursa Malaysia Listing Requirements in 2015, all voting of resolutions in the notice of meeting shall be conducted by poll. As such, voting of all resolutions in the notice of meeting at the Company's general meetings shall now be conducted by poll, henceforth.

8.3 Effective Communication and Proactive Engagement

The Company encourages shareholders to ask questions and provide constructive feedback on the performance of the Company. Members of the Board, the Group's Senior Management, as well as the Group's auditors will be present to answer questions about the Group's affairs. 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 Group. In this instance, the Group 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 a constructive feedback from the Company's shareholders. Members of the Board, the Group's Senior Management, as well as the Group's auditors will be present to answer questions about the Group's affairs. In addition to the normal agenda for the AGM, the Chairman will brief on the overview of the Company's performance and prospects while the Group Managing Director will present the details on progress and performance of the business as contained in the Annual Report. Shareholders will be given the opportunity to raise questions pertaining to the business activities of the Group. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. Where necessary, the Chairman or the Group Managing Director 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 597 shareholders and 824 proxies attended the AGM in 2016.

(ii) Extraordinary General Meetings

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

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.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

for the Financial Year ended 31 December 2016

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

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

(iii) Annual Report

The Directors believe that an important channel to reach shareholders and investors is through the Annual Report. Besides including comprehensive financial performance and information on business activities, the Group 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.ccmbherhad.com.

(iv) Company's Website

The Company also maintains a website at www.ccmbherhad.com which can be accessed by shareholders to keep abreast with the Company's development. The Company's website contains information on the Company, business activities, investor relations activities, corporate governance among others, the corporate responsibilities and media releases made by the Company.

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

The Company has also embraced the social media as a means of effective communication. The social media pages contains events and latest happenings within the CCM Group to keep its stakeholders updated.

(v) Announcement of Quarterly Results for the Financial Year Ended 31 December 2016

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

Announcement of Quarterly Results 2016	Date of Announcement
Q1 2016	23 May 2016
Q2 2016	26 August 2016
Q3 2016	25 November 2016
Q4 2016	27 February 2017

STATEMENT OF COMPLIANCE WITH THE PRINCIPLES AND RECOMMENDATIONS OF THE CODE

The Group has in, all material respects, complied with the principles and recommendations of the Malaysian Code of Corporate Governance 2012 (the "Code") throughout the financial year ended 31 December 2016, save for Recommendation 3.5 on Independent Chairman (Principle 3) which was explained earlier.

This statement is made in accordance with a resolution of the Board of Directors dated 27 February 2017.