



Dear Shareholders,

CCM Duopharma Biotech Berhad (“CCMD”) recorded a positive growth of 52.5 per cent in revenue to RM269.79 million from RM176.96 million for the financial year ended 31 December 2015, largely driven by the acquisition of six pharmaceutical units from our parent company, Chemical Company of Malaysia Berhad (“CCM”).

The acquisition and merger of the pharmaceutical entities under a single umbrella resulted in a more streamlined pharmaceuticals business. It will pave the way for us to become a leading pharmaceutical manufacturer in Malaysia and eventually, the region. It also provided immediate added manufacturing capacity to meet increasing customer demand from both the Government and private sector for its capsules, tablets and granules based products.

The acquisition was the most efficient means to do so as compared to building and commissioning a new production facility. The increased manufacturing capacity also gives the Company the opportunity to increase its revenue base as more generic drugs become available for manufacture.

The Company together with our six new acquisitions have a combined dossier of approximately 700 products registered with the National Pharmaceutical Control Bureau (“NPCB”) of the Ministry of Health. Therefore, we will be able to offer more generic drugs to our current customers and tap into the network already established by our newly acquired companies to distribute our products. We are also confident to bid for larger contracts and reap the benefits of emerging patent cliffs as many patents of drugs made by the US and European companies expire from 2010 to 2018. However, the Company will continue to be selective about which generic drugs it will be manufacturing

over the next few years in order to preserve margins.

This acquisition is also complementary to CCMD’s current product offering of ethical products as Upha’s (one of the acquired companies) sales are largely from the over the counter (“OTC”) products under market leading brands such as *Champs*, *Flavettes*, *Naturalle* and *Proviton*. It gives CCMD an instantaneous increase in OTC offerings to our customers.

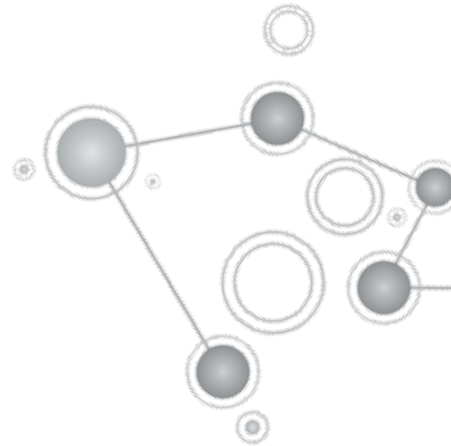
The year under review also saw our earnings improve as a result of the increased demand from all sectors, including government hospitals and export markets. The Company registered a 2.9 per cent increase in profit before tax while our profit after tax chalked up a 3.2 per cent gain. Given a challenging environment with the introduction of Goods and Services Tax (“GST”), the depreciating Ringgit and softer consumer sentiment, we worked relentlessly to increase our trading margin and continuously implement improvement programmes to extract further operational savings whilst focusing on new trading segments and the expansion of our customer base within the region.

As we have done in previous years, we continued to focus on high end specialty drugs and biologics. We aim to be the market leader in the biotherapeutic sector which will eventually contribute 30.0 per cent of our total portfolio revenue base by 2020. Furthermore,

with the acquisition and merger of the pharmaceutical companies, we now have two of the largest biotherapy products, i.e. Erythropoietin (“EPO”) and insulin in Malaysia under one roof. For EPO, CCMD has entered a partnership with South Korean pharmaceutical company, PanGen Biotech Inc., for a biosimilar EPO injectable drug for patients with renal failure, currently at the clinical trial stage and for insulin, we have entered into an agreement with Biocon Ltd, India to market, sell and distribute their range of diabetic products.

Besides that, we focused our efforts in market penetration, especially in terms of expanding to other regions. The Company strived to boost exports to the over 30 countries which we are currently present in, with primary focus on the Middle East and ASEAN region.

The Company will be investing in a few facilities development for its current pharmaceutical sites, which includes among others the building of a new state of the art plant in Klang to replace the current facility. The new plant which consists of two adjoining blocks will be equipped with enhanced cGMP facilities to cater for existing businesses and increased product offerings including specialty products. The new plant will house the Oral Solid Dosage manufacturing facility including specialty product manufacturing site, Quality Control and Quality Assurance and administrative office. Completion of the new state of the art plant will



CHIEF EXECUTIVE OFFICER'S OPERATIONS REVIEW (CONT'D)

cater for the future expansion plans of CCMD including increase in production capacity by approximately 40 to 50 per cent. Construction of the new facility is expected to commence in the first half of 2016 and will take three years to complete. Other developments include the warehouse expansion in Klang and Bangi sites as well as office relocation in Bangi. We target to complete these projects by late 2018.

RESEARCH AND DEVELOPMENT

With respect to the growing technological advancements and automation, we worked this year to differentiate ourselves and continuously innovate for the betterment of our customers. Research and Development ("R&D") has always been a pivotal aspect in our business and over the years, we have developed internal competencies and synergies.

We are focused on product innovation and introducing new generics and biosimilars, to meet the demands of our customers. At the same time, the Company also actively works with universities and collaborates with third party Research and Formulation organisations to develop new products and improve our current ones.

Our collaboration with PanGen Biotech Inc. for the development and manufacturing of the Erythropoietin ("EPO") biosimilar treatment for anaemia and end-stage renal failure patients has been on track with the ongoing implementation of the Phase III Clinical Trial.

We launched three new ethical products to the market; *Zynomax*, an antibiotic for the treatment of mild to moderate infections, *Atorvas*, primarily prescribed as a lipid-lowering agent and for the prevention of events associated with cardiovascular disease, whereas *Fenofibrate*, is prescribed for the reduction of cholesterol levels

in patients at risk of cardiovascular diseases. *Atorvas* made a successful entry into the market with 10,000 boxes sold within 50 days while *Zynomax* captured 7.0 percent of the market within eight months of its launch.

CCMD also launched four new Over The Counter products including the *CHAMPS* Multivitamin with Taurine, *CHAMPS* Multivitamin with Iron and Zinc; *Flavettes* Vitamin C Time Release and *Flavettes* Vitamin C Buffer Plus BioFlavonoids for better absorption and lower acidity.

MARKETING

Over the last few years, we have been rationalising our product SKUs (Stock Keeping Units) in order to be more effective and competitive in the market. We also worked on our brand revitalising programmes on our core brands namely *CHAMPS*, *Flavettes*, *Proviton* and *Naturalle* over a period of two years. In 2015, we completed the rebranding and new packaging livery of *Naturalle*, *Dermoplex* and *Eye Glo*.

Apart from continuous advertising spend on printed and electronic media, we have also broadened our reach to the consumers via social media platforms, i.e. Instagram and Facebook. As for the medical fraternity, we have conducted various Continuing Medical Education ("CME") programmes as part of our stakeholder engagement activities throughout the year. We are confident the enhanced marketing approach will strengthen our brand presence and visibility in the market as one of the leading local pharmaceutical company in the region.

ACKNOWLEDGEMENT

I would like to take this opportunity to thank Tan Sri Dato' Dr. Abu Bakar bin Suleiman, our Chairman, who had been instrumental in charting the strategic

direction of the Company for more than 10 years. His passion and vast experience in the healthcare industry has greatly benefited the Company.

I would also like to thank Tan Sri Dato' Dr. Jegathesan a/l N. M. Vasagam @ Manikavasagam for his continuous contribution and support to the Company. Both Tan Sri Abu Bakar and Tan Sri Jegathesan have been with the Company to since it was listed and have been instrumental in shaping the Company to what it is today. Though it saddens us to see them stepping down from the Board, we respect their decision not to seek reappointment in the upcoming Annual General Meeting. We wish both of them the best in their future undertakings.

I am pleased to welcome Dr Byung-Geon Rhee who joined the Board in October 2015 as well as Tan Sri Siti Sa'diah binti Sh. Bakir and Dato' Azmi bin Mohd Ali who joined in April 2016. We are looking forward to grow the business exponentially under the guidance of the Board members.

With our recent acquisition and expansion plans, I am certain that 2016 will see us setting our sights on new frontiers and working our way towards becoming the largest pharmaceutical manufacturer in Malaysia and in the region.

I take this opportunity to thank each and everyone who has been directly or indirectly involved in the development of our Company. I am certain that with your continuous support, we will be on the right track towards success.

On behalf of the Management team of CCMD, I thank all our staff, associates, partners, vendors, customers and stakeholders who have remained with us through the years. We look forward to your support in the coming years.

Leonard Ariff bin Abdul Shatar
Chief Executive Officer