



CHEMICAL COMPANY  
OF MALAYSIA BERHAD  
(5136-T)



# BUILDING ON OUR **STRENGTHS**

ANNUAL  
REPORT  
2017



## BUILDING ON OUR STRENGTHS

The honeycomb is regarded as an engineering marvel as well as an architectural masterpiece. Its hexagonal shapes are acknowledged as shapes of **STRENGTH**. This is because the geometry of a honeycomb allows the minimisation of the material used to reach maximum strength.

The structural formula in chemistry also takes the form of the honeycomb shape. Hence its use on the cover to reference our core business in the chemical industry, depicting our focus on Building on Our Strengths by nurturing our **CHEMICALS** and **POLYMERS** businesses to propel them to the fore of their industries.



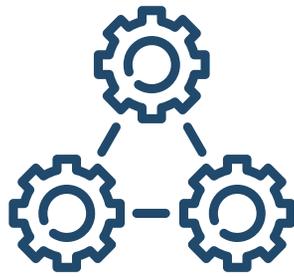
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# EFFICIENCY



Like the honeycomb's efficient use of space, our company becomes more nimble and efficient with a lighter balance sheet as well as a lower cost base following the demerger exercise. Our resources are effectively used to attain better results for the shareholders.





# CORE VALUES

## PASSION

We inspire and energise everyone to be the best



## EXCELLENCE

We consistently deliver outstanding performance through innovative solutions



## TEAMWORK

We succeed together because we work as one



## INTEGRITY

We conduct ourselves with pride in being honest and ethical



## RESPONSIBLE

We honour the trust given to us by being accountable for our actions



## RESPECT

We value differences and sincere intentions as the basis for achieving shared aspirations





# FINANCIAL CALENDAR

Financial year end	31 December 2017
Annual General Meeting	31 May 2018

### Announcement of 2017 Quarterly Results

1st Quarter	23 May 2017
2nd Quarter	25 August 2017
3rd Quarter	24 November 2017
4th Quarter	27 February 2018



# FINANCIAL REVIEW

### Turnover and Profitability (RM'mil)

	Turnover		Profit/(Loss) before tax	
	2017	2016	2017	2016
<b>Continuing operations:</b>				
Chemicals	283.6	214.7	44.0	18.0
Polymers	84.3	81.2	18.8	17.7
Intersegment eliminations and others	2.8	0.5	(48.1)	(33.6)
<b>Total turnover for continuing operations</b>	<b>370.7</b>	<b>296.4</b>	<b>14.7</b>	<b>2.1</b>
<b>Discontinued operation:</b>				
Pharmaceuticals	468.0	312.9	51.8	31.5
Fertilizers	-	145.9	-	(102.8)
<b>Group</b>	<b>838.7</b>	<b>755.2</b>	<b>66.5</b>	<b>(69.2)</b>

### Liquidity (RM'mil)

	2017	2016
Net cash from operating activities	76.5	64.3
Net cash (used in)/from investing activities	(229.2)	14.3
Net cash from/(used in) financing activities	18.6	(111.2)
Exchange difference on translation of the financial statements of foreign operations	6.1	8.2
<b>Net (decrease) in cash and cash equivalents</b>	<b>(128.0)</b>	<b>(24.4)</b>
Cash and cash equivalents at 1 January	288.3	312.7
<b>Cash and cash equivalents at 31 December</b>	<b>160.3</b>	<b>288.3</b>



# FINANCIAL HIGHLIGHTS

## Financial Position as at 31 December

(RM'mil)	2017	2016
Total non-current assets	321.5	1,000.9
Total current assets	539.9	684.4
<b>Total assets</b>	<b>861.4</b>	<b>1,685.3</b>
<b>Financed by:</b>		
Share Capital	81.9	457.6
Reserves	163.4	183.6
Retained earnings	36.9	98.4
Equity attributable to owners of the Company	282.2	739.6
Non-controlling interests	(1.3)	152.2
<b>Total equity</b>	<b>280.9</b>	<b>891.8</b>
Total non-current liabilities	132.8	565.7
Total current liabilities	447.7	227.8
<b>Total liabilities</b>	<b>580.5</b>	<b>793.5</b>
<b>Total equity and liabilities</b>	<b>861.4</b>	<b>1,685.3</b>

## Profit or Loss for the Financial Year

(RM'mil)	2017	2016
Continuing Operations:		
Revenue	370.7	296.4
Profit before tax	14.7	2.1
Tax expense	(17.4)	(9.9)
<b>Profit/(Loss) from continuing operations</b>	<b>(2.6)</b>	<b>(7.8)</b>
Discontinued Operation:		
Profit/(Loss) from discontinued operation, net of tax	42.4	(76.0)
<b>Profit/(Loss) for the year</b>	<b>39.8</b>	<b>(83.8)</b>
Profit/(Loss) attributable to:		
Owners of the Company	25.9	(63.6)
Non-controlling interests	13.9	(20.2)
<b>Profit/(Loss) for the year</b>	<b>39.8</b>	<b>(83.8)</b>

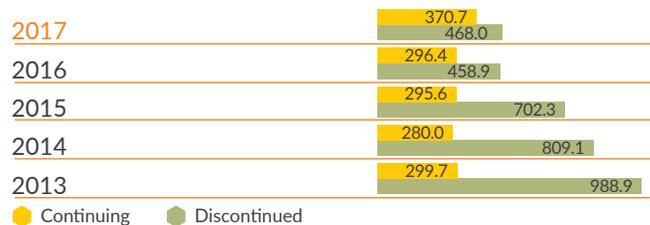


# GROUP FINANCIAL RATIOS

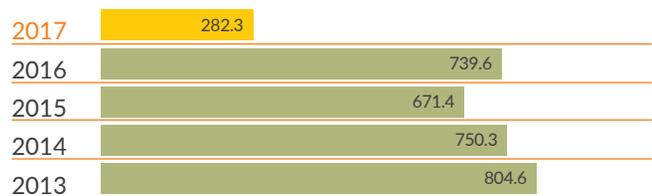
	2017	2016		2017	2016
<b>Profitability (%)</b>			<b>Market Ratios</b>		
Turnover growth rate of continuing operations	25.08	0.28	Net Assets per share (RM)	1.68	1.62
Profit before tax from continuing operations as a % of turnover	3.97	0.72	Earning per share (sen)		
Return on equity	14.17	(9.40)	- from continuing operations	(1.13)	(3.85)
			- from discontinued operation	6.74	(10.14)
			Total Dividend per share (sen)	2.50	5.00
<b>Liquidity</b>			<b>Productivity*</b>		
Current Ratio (x)	1.21	3.00	Turnover per employee (RM'000)	963	381
Acid test ratio (x)	0.66	2.12	Total Assets per employee (RM'000)	2,237	1,053
			Number of employees	385	1,601

\* Figures for 2016 are inclusive of CCM Duopharma Biotech Berhad

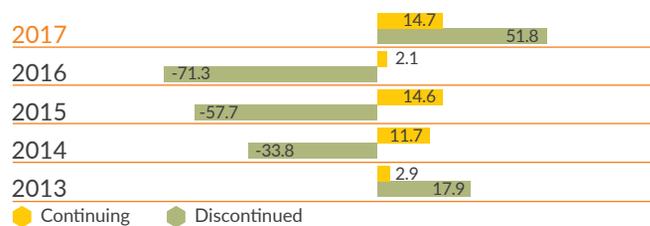
## Turnover (RM'mil)



## Equity Attributable to Owners (RM'mil)



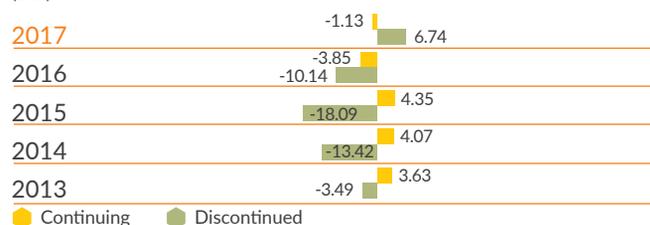
## Profit Before Tax (RM'mil)



## Net Assets Per Share (RM)



## Basic Earnings Per Share (Sen)



## Dividend Per Share (Sen)





## CHAIRMAN'S STATEMENT

### Dear Shareholders,

On behalf of the Board of Directors, I am delighted to present the Annual Report of Chemical Company of Malaysia Berhad (CCM or the Group) for the financial year ended 31 December 2017.



#### CONTINUING TO EMBRACE CHANGE

Our transformation journey started in 2015 when we undertook a strategic review of our businesses and saw that it was best to house all our pharmaceutical businesses under the CCM Duopharma Biotech Berhad (CCMD) umbrella, exit from non-performing business segments and disposals of non-core assets to strengthen our balance sheet. In 2016, we made our exit from the Fertilizers business by closing our fertilizers plant in Shah Alam and also the divesting of our Medan, Bintulu and Lahad Datu businesses.

Further to these strategic transformation initiatives, another key development that we undertook in 2017 was the initiation of a de-gearing exercise which started with raising of cash via a private placement of up to 10% of the issued share capital in CCM, and was completed in October 2017. We also signed a Sale and Purchase Agreement with Global Vision Logistics Sdn. Bhd. on 30 November 2017, to sell our 70.96 acres of land in Shah Alam for RM 190 million. In addition, CCM also undertook the demerger of our Pharmaceuticals business under CCMD at the end of 2017 by way of distribution in specie of our entire equity interest in CCMD to the shareholders of CCM.

The de-gearing, together with the demerger, will certainly help to pare down our debts and lighten our balance sheet. Going forward, we are in a position to utilise our resources more effectively and efficiently, as well as maintain a strong focus on growing our core Chemicals and Polymers businesses. The finer details of the year's achievements are spelt out in the Group Managing Director's Management Discussion and Analysis (MD&A) section of this Annual Report.

Moving forward, we will focus our efforts on steadfastly growing our Chemicals and Polymers businesses and strengthening these businesses' presence in Malaysia and the region. With a good portion of our capital unlocked, we are in a position to bolster our businesses and deliver sustainable, long-term growth.



“With a good portion of our capital unlocked, we are in a position to bolster our businesses and deliver sustainable, long-term growth.”

# CHAIRMAN'S STATEMENT

## COMMENDABLE FINANCIAL PERFORMANCE

The Group achieved an impressive 25 per cent increase in revenue from RM296.4 million to RM370.7 million for the financial year ended 31 December 2017 for its Chemicals and Polymers businesses, mainly due to improved revenues. Meanwhile, the Group's profit before tax (PBT) for the financial year ended 31 December 2017 jumped by more than 6 folds to RM14.7 million from RM2.1 million achieved for the corresponding period of 2016. The significant rise in PBT was attributed to the higher margins in CCM's Chemicals and Polymers businesses. The PBT also included one-off expenses of RM6.8 million for works on dismantling of the Shah Alam fertilizers plant and RM7.0 million for various corporate exercises undertaken during the period under review. Details on the Group's financial performance are elaborated in the MD&A section of this annual report.



RM  
**11.37**  
million

single tier dividend of 2.50 sen per ordinary share paid.

## GOOD SHAREHOLDER VALUE CREATION

On 1 June 2017, the Group paid its interim single tier dividend of 2.50 sen per ordinary share totalling RM11.37 million for the financial year ending 31 December 2017.

On 28 December 2017, the Group completed the distribution in specie of CCM's entire shareholding in CCMD to the shareholders of the Company. Under the distribution in specie, entitled shareholders, became shareholders of CCMD after receiving 1.22 CCMD share for every share they own in CCM, at no cost to them. Entitled shareholders now have direct shareholdings in two distinct listed entities, without additional cash outlay and are able to participate in the growth of both, separately managing their respective portfolio holdings in accordance with their individual investment objectives. Both entities are in distinctly different industrial segments with underlying value and good growth potential in their respective businesses.

## IN APPRECIATION

As the CCM Group embraces another phase of change in our transformation journey, we are confident that we will emerge a leaner, stronger and much-improved group. Many parties have had a hand in our success over 2017 and we want to acknowledge them.

On behalf of the Board, I wish to convey my utmost appreciation to our shareholders, customers, business partners and stakeholders for their steadfast support and confidence in CCM through another challenging year. I also wish to extend my deepest gratitude to CCM's management and staff for their continued support, tireless efforts and commitment towards excellence. I would also like to thank my colleagues on the Board for their dedication in helping the company to stay the course amidst both a challenging and opportunistic year.

Following the demerger of CCMD, we thank the valued team that have played a big part in our success. We wish them the very best in all that they have set their hands to.

At this point, I especially want to offer my congratulations to Tan Sri Datin Paduka Siti Sa'diah binti Sh. Bakir on being appointed as the Chairman of CCMD. As she relinquishes her post as an Independent Non-Executive Director of CCM to move on to the Board of CCMD, I am confident that the company will continue to grow under her leadership. I would also like to mention that Datuk Nik Moustpha bin Haji Nik Hassan has stepped down as an Independent Non-Executive Director from the CCM Board following his appointment to the Board of CCMD. We thank them both for their contributions to CCM and wish them well in their new endeavours at CCMD.

Encik Leonard Ariff bin Abdul Shatar, who has been the Group Managing Director of CCM since January 2015 moves on to CCMD to continue to spearhead the company as its Group Managing Director. We would like to thank him for his commitment and contributions to the company and wish him every success for his new role. My heartiest congratulations to Puan Nik Fazila binti Nik Mohamed Shihabuddin, who assumed the role of Group Managing Director of CCM. Since she has been the Group Chief Operating Officer cum Chief Financial Officer and one of the key members of the transformation team, I believe that she is the ideal candidate to steer the company forward. She would also be the first female Group Managing Director for the company after more than five decades of history.

On another note, I would also like to welcome Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah to the CCM Board and look forward to his positive contributions.

It is my hope that the present leadership and its integrated team with the support of other stakeholders working as a team will embrace the many challenges and opportunities that 2018 may bring. I call upon all of our stakeholders to lend us their steadfast support as we work on achieving our intended goals and focus on delivering sustainable growth for CCM.

Thank you.

**Dato' Hajah Normala Binti Abdul Samad**

*Chairman*

# GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION AND ANALYSIS

## Dear Shareholders,

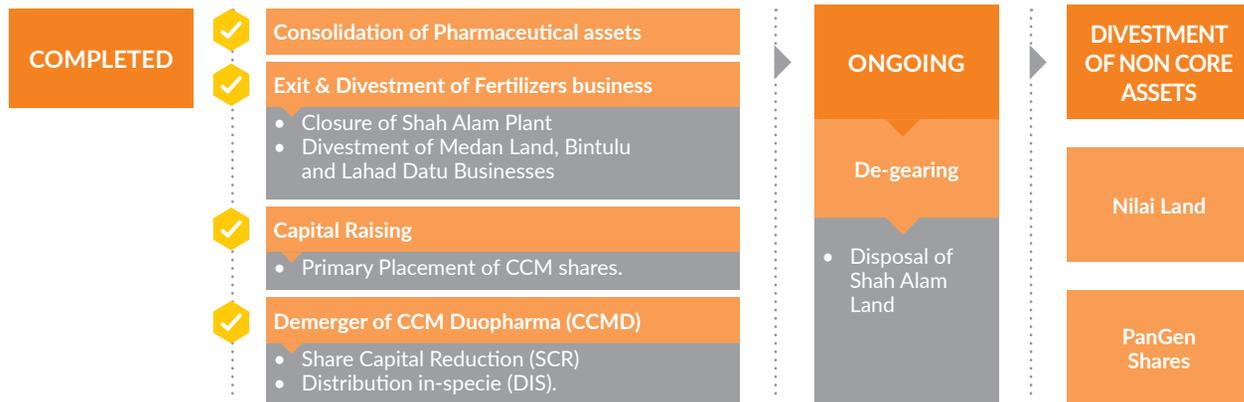
I am pleased to report that Chemical Company of Malaysia Berhad (CCM or the Group) turned in a resilient performance for the financial year ended 31 December 2017 (FY 2017). Leveraging on solid business fundamentals and continuous efforts on operational efficiencies, we grew our revenue by 25% to RM370.7 million and our profit before tax from RM2.1million to RM14.7 million. The year was also one of on-going change for CCM and this was underscored by two significant corporate exercises that we carried out. The details of these key developments as well as CCM's operational and financial performance follow.

## OUR TRANSFORMATION JOURNEY

Established in 1963, CCM has grown from strength to strength and is today a public listed company on the Main Market of Bursa Malaysia Securities Berhad. For more than five decades, CCM has played a key role in enhancing the quality of life for all Malaysians through its development of the nation's chemical, polymers and pharmaceutical industries. CCM's wide range of products and services to the chemical, polymers and healthcare sectors underscore its mission to provide innovative science and technology-based solutions to all stakeholders.

Today, CCM Group continues to leverage on several key strengths to maintain its competitive edge. These include safe and cost-efficient manufacturing processes, strong research and development (R&D) and core technical capabilities, as well as strong branding. CCM was the first ISO-certified chemical manufacturer to obtain its Halal certification in 2004 and the first local pharmaceutical company to obtain the renowned 'Halal Malaysia' certification for its range of health supplements.

In 2015, CCM set out on a journey to unlock value for its shareholders, which saw it exiting and divesting its Fertilizers business in 2016 and more recently, undertaking the demerger of the Pharmaceuticals business. This exercise has today led to CCM being totally focused on its two main businesses, namely the Chemicals and Polymers businesses.





Profit Before Tax  
RM14.7 million



Revenue  
RM370.7 million



## GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION AND ANALYSIS

In 2017, the Group continued its transformation initiatives that involved two distinct corporate exercises. The first initiative was a de-gearing exercise involving the divestment of non-core assets and raising of capital via the private placement of up to 10 per cent of the issued share capital in CCM, whereby the primarily utilisation of proceeds received will be used to repay loans and borrowings of the Company. The private placement exercise was completed on 13 October 2017. One major non-core assets to be divested is 3 parcels of land in Shah Alam, and the Company has also identified other non-core assets to be divested in 2018. The second was the demerger of CCM Duopharma Biotech Berhad (CCMD) from CCM via a distribution in specie of its entire equity interest in CCMD to the shareholders of the Company.

The proposed disposal of Shah Alam land involves the disposal of three parcels of land, measuring approximately 70.96 acres to Global Vision Logistics Sdn. Bhd. for a cash consideration of RM190.0 million. In ensuring the safety aspect of the Shah Alam land, CCM has also undertaken rehabilitation works in accordance to the requirements set by the Department of Environment, Malaysia. The private placement exercise has raised RM60.0 million in cash and was partially used for the repayment of RM35.0 million bank borrowings. The repayment of borrowings will result in interest savings of approximately RM1.7 million per annum.

These initiatives aimed at lightening the Group's balance sheet, will also accord shareholders direct ownership in both CCM and CCMD while enabling them to participate directly in the growth of the two separate entities. The demerger will also enable us to utilise our resources in a more effective and efficient manner even as we now refocus our efforts on growing our Chemicals and Polymers businesses and strengthening their presence on the domestic and international fronts.

CCM has also completed the acquisition of 10% equity interest in CCM Chemicals Sdn. Bhd. (CCMC) from Lanjut Setia Sdn. Bhd. and another 10% equity interest in CCMC from Permodalan Nasional Berhad (PNB) on 24 November 2017, for a total purchase consideration of RM40 million which was funded by proceeds from the private placement exercise and internally generated funds. CCM has allocated RM21.5 million from the private placement exercise to partially fund the CCMC acquisitions. This has led to CCMC becoming a wholly-owned subsidiary of CCM, thereby allowing CCM to realise in full, the earnings of CCMC and any dividend payments by CCMC.

All in all, 2017 saw tremendous structural change within the Group. As a result of these exercises, our core businesses are now streamlined and consolidated so that we are geared up to deliver long-term growth in a sustainable manner.

## OUR FINANCIAL PERFORMANCE

For the financial year ended 31 December 2017, the Group recorded revenue of RM370.7 million, higher by 25% compared to last year where the Group achieved RM296.4 million in revenue. The increase was contributed by improved revenue from both the Chemicals and Polymers Divisions.

The Group's profit before tax for the financial year ended 31 December 2017 saw even better result, increased from RM2.1 million recorded last year to RM14.7 million in the current reporting year. Improvement in profit before tax was contributed by better margins in both Chemicals and Polymers Divisions. The results could have been much higher without one-off expenses of RM6.8 million for works on dismantling of Shah Alam Fertilizers plant and RM7.0 million incurred for various corporate exercises that were undertaken during the year.

The Group financial position as at 31 December 2017 saw drastic changes as compared to its position as at 31 December 2016 following the demerger of CCMD from the Group. The total asset and net assets of the Group shrank by 49% and 62% respectively, as CCMD was deconsolidated from the Group. The Group also undertook a three to one share consolidation exercise to commensurate the demerger and retain an equitable net assets per share of RM1.68 per share as at 31 December 2017 as compared to RM1.62 per share as at the end of previous financial year.

Pursuant to the demerger of CCMD from the Group and the capital reduction of the company as part of the corporate exercise, the Group's debt to equity ratio increased from 0.70 times as at 31 December 2016 to 1.66 times as at 31 December 2017.

We view that this is a temporary position as at the year-end, as the company is currently embarking on its de-gearing exercise which is expected to complete in the second half 2018. The Group continues to strive to maintain the optimal capital structure to fund its planned and future growth plans.

Moving forward, focus on growing the Chemicals and Polymers Division will be the immediate action plan for the Group. Both divisions are currently having similar limitation factor to grow, which are production capacity. Whilst markets in both divisions are growing and expanding, they are currently operating at full capacity. Both Divisions are currently increasing its capacity to take advantage of those growing markets, thus the need to maintain sufficient capital resources, both internally and externally.

# GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION AND ANALYSIS

## PERFORMANCE BY BUSINESSES

### CHEMICALS DIVISION

Our Chemicals Division comes under the ambit of CCM Chemicals Sdn. Bhd. (CCMC). Having established a reputation as the chemical solutions provider with more than 70 years of experience to its name, CCMC is primarily involved in the manufacturing and marketing of chlor-alkali and coagulant products as well as the marketing of industrial and specialty chemicals. Its production of chlorine, caustic soda, hydrochloric acid, sodium hypochlorite and coagulants have positioned the company as the nation's preferred chemical supplier and partner for municipal and industrial water treatment, potable drinking water, oleochemicals, petrochemicals, rubber glove manufacturing and other key industries in Malaysia and the Asean region. The business currently contributes approximately 76% of the Group's revenue.

The Chemicals Division recorded a revenue of RM283.6 million during the current reporting year, which was 32% higher compared to last year's recorded revenue of RM214.7 million. The Division recorded a higher profit before tax of RM44.0 million, as compared to last year's profit before tax of RM18.0 million. The growth in profit before tax was primarily due to higher sales volume sold due to increased demand of their products and higher margin achieved as a result of higher average selling prices of its chlor-alkali products, as well as positive impacts from operational efficiency initiatives undertaken by the Division.

Stellar performance in FY2017 was due to stable production performance from its Pasir Gudang plants. All its plants in Pasir Gudang and Shah Alam have been running at/close to maximum capacity.

On the commercial front, average revenue per metric tonne has improved as the chlor-alkali business reaped the opportunities presented from the high regional caustic soda prices and stable demand from the water industry throughout 2017. The caustic soda prices saw steep increase in almost a decade during 2017. The changes in supply are occurring globally and were affecting trade flows in 2017, thus positively moving regional caustic soda prices upward. Greater domestic demand from China and anti-pollution initiatives taken by the China government resulting with the closure of some plants, affected the global supply. Furthermore, the European Union (EU) prohibitions went into effect against mercury cell production methods in mid December 2017, which is expected to further take down capacity globally.

Increase in sales activities for traded Caustic Soda and Chlorine in new markets namely the rubber gloves industry and prawn farming sector had also contributed to the good 2017 performance. The trading business is no longer registering losses and the new business model as well as closures for the regional markets have brought positive results.

A key factor to the Chemicals Division's performance was due to the recent modernisation of its Pasir Gudang plant which applied the latest technology in chlor-alkali manufacturing i.e. the membrane process which not only saves energy, but also produces consistent high-grade chlor-alkali products with a high level of environmental performance and safety.

The Group will further expand its Chemicals Division through the reactivation of the Pasir Gudang Works 1 (PGW1). The decision on the capacity expansion signifies the commitment for CCM to be the trusted and reliable supplier of chlor-alkali products particularly to the industrial customers in the Southern region which are undergoing intense growth. The proximity of its manufacturing facilities to these customers provides the Company with a logistical advantage. As such, we are confident of being able to secure a major portion of new customers precipitated by this new growth.

The reactivation of PGW1 will also allow our Chemicals Division to leverage on the shorter lead time and at lower cost vis-à-vis starting on a green field site as most of the required infrastructure is already in place. The project is expected to cost the Chemicals Division approximately RM68.5 million, including the cost of equipment purchases and installation. It will take about 18 months to complete, and is scheduled to commence in the first quarter of 2018 and complete in the second quarter of 2019. Our Chemicals Division has also embarked on the initiative to expand its coagulant plant production capacity incorporating an additional production line by adding a third glass lined reactor. The new production line for Polyaluminium Chloride (PAC) is at its final installation stage and is expected to operate at full capacity in 2018 onwards. PAC is used extensively as main coagulant in Potable Water Treatment in Malaysia. As more water treatment plants (WTP's) are being built in Selangor, Kedah, Pulau Pinang, Sabah and Sarawak to cater for forecasted higher population growth, the additional production of PAC from CCMC would fill the shortages of supply of coagulant against demand.

In 2017, the Board gave its approval for CCMC to expand its Calcium Nitrate (CN) plant located in Shah Alam to capture the economic benefit from the expected growth in CN demand, particularly from the strong rubber gloves industries. The plant will use a new technology by utilising a specially designed filter system instead of relying on traditional precipitation process to produce high quality CN. This new process by filter press; essentially mean that at smaller CAPEX (due to smaller footprint) plant is now capable of producing higher output per production line. This CN facility is expected to be commissioned in the third quarter of 2018.

## POLYMERS DIVISION

The Group's Polymers Division focuses on producing polymer coating for the manufacture of both natural and synthetic powder-free gloves. These products can be used in producing various types of glove ranging from examination, food handling, and cleanroom up till surgical gloves production. Our main product groups are anti-tacking coagulant, polymer coating system (on-line or off-line), cleaner system and other specialty additives. Functions of these chemicals are to enhance aesthetics, comfort and protection of the final gloves. Coupled with application technical advice provided by our staff, the ultimate solutions enable better productivity and enhance quality in glove production at our customers' production facilities.

The Polymers Division which focuses on highly niche market segments is the leading supplier of polymer coating products, converting the market trend and customer requirement into products that meet glove production requirement and final glove properties. We work closely with customers to understand their requirements and utilise new product development capability to design and develop products that meet their specific requirements. Most of our products are specifically tailor-made to meet individual customer glove production facilities and finished gloves performance requirements. Our strength lies in our solid knowledge and glove production know-how and also our made-to-order flexible production set-up, which is capable to supply product in various combination and sizes.



## GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION AND ANALYSIS

Polymers Division recorded revenue of RM84.3 million during the current reporting year, which was 3.8% higher compared to last year's revenue of RM81.2 million. The Division also recorded a higher profit before tax of RM18.7 million, an increase of 5.6% as compared to last year's profit before tax of RM17.7 million. The increase in profit before tax was primarily due to changes in product mix and price increase on certain products.

Our products are used by local glove manufacturers as well as exported to other glove producing countries such as Thailand, Indonesia and China. Currently, we are supplying 60% to local manufacturers and 40% export market. In essence, it reflects the current supply profile, whereby based on Malaysian Rubber Glove Manufacturers Association (MARGMA), estimated a total 63% of the world glove demand is supplied by Malaysia gloves manufacturers followed by Thailand (21%) and Indonesia (3%).

Global demand for gloves remains healthy. Based on the forecast by MARGMA, demand for gloves is expected to grow 8-10% per annum over the next two years, resulting in an additional demand of approximately 40 billion pieces of gloves per annum. The strong demand for gloves will likely continue to be underpinned by trends observed worldwide, including more stringent healthcare regulations, increasing healthcare spending, growing usage in emerging countries and widening application of gloves in other industries such as industrial, food processing, cleanroom and others.

The recent enforcement of environmental regulations and partial shutdown of vinyl gloves factories in China has caused a spike in cost as well as decrease in supply of vinyl gloves. This has possibly created an increase in demand for rubber and nitrile gloves in the world's most populated country, China.

However, we do foresee some challenges in the industry. The fluctuation of the Malaysian Ringgit (RM) against major foreign currencies will have an impact on the raw material cost. It would be difficult for us to pass the cost to customers as competition is stiff. The ever evolving and demanding application standard and product performance requirements is also challenging as we need to timely introduce new products that meet the specific glove manufacturer requirements and at the right costing. Hence, a lot of investment is required to nurture the right talents and establish facilities to ensure appropriate product introduction cycle and customer acceptance.

Apart from that, glove manufacturers are embarking on automation and machinery upgrading to enhance productivity and efficiency. This has resulted changes in process, manpower requirements as well as raw materials involved in the glove manufacturing process.

Nevertheless, our Polymers Division will continue to do product improvements to match with the change in process and performance requirements, keeping abreast with the latest market and technology trend. We are looking at advanced product features as first mover into the market which is mainly focusing on providing better protection and comfort for the users of the product.

Other than that, we are also looking at simplified manufacturing steps and effective use of raw materials for our new products. We are also venturing into new application areas especially for cleaners products range. Our initial focus will be on areas with similar product technology and where chemical cleaning is required.

To stay ahead of the game, our Polymers Business will also embark on the debottlenecking of its plant capacity and extend growth in line with the rubber glove industry. CCM's Polymers Division has invested RM20.8 million to acquire a parcel of land and factory in Bangi that will see the relocation of its current warehouse and head office to the new site. This will enable the debottlenecking of the existing plant's capacity by 10% to 19,800 MT/annum from 18,000 MT/annum by end 2018.

Moving forward, the Polymers Business will focus its efforts on expanding its customer base by intensifying efforts to grow market share in the major glove manufacturing companies. A market survey carried out in 2017 by third party research house concluded potential assessable market at respective company. A dedicated and detailed growth strategy and management action plan was established to track progress and implementation of action.

A strategic Research and Development programme was also developed to capture changing technology trend and regulatory requirement. Long and short term initiatives were established to keep abreast with the latest trends and requirement. Resources required i.e. facilities and talents were looped in to ensure success of the initiatives.

To further enhance innovation of product and technology for business sustainability as well as growth in respect of technical talent, we continue to collaborate with technology partners especially universities. Forefront technology or new knowhow discovered in laboratory environment has potential and can be converted into industrial application. This partnership is valuable to the Polymers Division.

## PHARMACEUTICALS DIVISION

Pharmaceuticals Division's revenue for the current reporting year was RM468.0 million, increased by 49% compared to the last year's revenue of RM312.9 million, mainly due to supply of renal and endocrine products and increased demand from public health sector via tenders. The Division recorded profit before tax of RM51.8 million for the current reporting year, an increase of 65% as compared to the last year's profit before tax of RM31.5 million. The higher profit recorded was attributed by the over-riding increase in sales despite having lower margins.

Following the completion of the distribution of its entire shareholding in CCMD to the shareholders of CCM on 28 December 2017, CCMD has ceased to be a subsidiary of CCM. Post demerger, the details of CCMD's performance can now be found in the CCM Duopharma Biotech Berhad Annual Report.

## OTHER INITIATIVE

### Bumiputera Empowerment Initiatives

CCM's Bumiputera Vendor Development Programme (BVDP) was established to support the Malaysian Government in its efforts to create a "Bumiputera Commercial and Industrial Community" (Masyarakat Perniagaan dan Perindustrian Bumiputera) under the "Majlis Ekonomi Bumiputera" (MEB). The year in review, saw us continuing to do our bit to develop capable Bumiputera vendors to address and tap into opportunities in the growing halal pharmaceuticals, polymer and chemical industries. Five new vendors were appointed, namely Nashmir Capsule Sdn. Bhd., Utama Multimodal Logistics Sdn. Bhd., Widespread Malaysia Sdn. Bhd., NSF Engineering Sdn. Bhd. and Chemtrax Sdn. Bhd. A total of RM 20 million worth of business opportunities and services were procured by Bumiputera companies in 2017.

CCM, together with selected vendors, also participated in the GLC ExplorAce 2017 event with the theme Excelling in The Digital World (Cemerlang Mendepani Dunia Digital). This annual event brought local entrepreneurs and vendors together to provide small and medium Bumiputera enterprises with a platform to gain knowledge and pitch business ideas and proposals.

# GROUP MANAGING DIRECTOR'S MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS RISKS

As CCM ventures forth amidst challenging market and operating conditions, we are aware of certain risks that we may be exposed to as a result of local operating conditions or global uncertainties, that could impact our operational and financial performance. These key risks as well as the respective risk mitigation strategies are spelt out in the Report of the Risk Management Committee and Statement on Risk Management and Internal Control that can be found on pages 80 to 84 and 89 to 94 of this Annual Report respectively.

## OUTLOOK AND STRATEGIES FOR GROWTH

As CCM embraces a new financial year, we do so with a cautious optimism. The global upswing in economic activity that started in 2016 continues to strengthen with global growth of 3.6% in 2017 from 3.2% in 2016. The IMF projected that the world economy will likely grow 3.7% in 2018. Global market growth is expected to be driven by the emerging markets with the developed economies making strides at a more gradual pace. However, the global recovery is not complete: while the baseline outlook is strengthening, growth remains weak in many countries, and inflation is below target in most advanced economies. As such, global risks remain burdensome and difficult to predict.

The Malaysian economy is expected to remain resilient in 2018, with real GDP forecast to expand between 5% and 5.5% (2017: 5.9%), led by domestic demand. The domestic economy is expected to experience broad-based growth across a range of diversified sectors. Domestic demand is expected to remain the primary anchor of growth, underpinned by robust growth in private-sector expenditure.

Against this backdrop, CCM will continue to build on what has been achieved over the years and forge ahead with improved operational efficiency at the upgraded chlor-alkali plant, plus the introduction of more innovative product offerings across our core business units.

As CCM steps forward to consolidate its position as a market leader in the Chemicals and Polymers businesses, we have set our sights on achieving above market growth in both sales and profitability in the medium term. To help us get where we need to, we will leverage on the following strategies:

### On Track Strategic Transformation Initiatives

CCM will be continuing its strategic transformation initiatives in 2018, particularly in identifying other non-core assets to be divested.

The Group has identified three major non-core assets to be divested in 2018. The first is the Shah Alam land with a net book value of RM185.9 million, to be disposed at RM190.0 million which represents a premium of 2.2%. This proposed sale has obtained shareholders' approval at its Extraordinary General Meeting held on 2 March 2018, and expected completion date to be in early June 2018.

The second identified non-core asset is the disposal of Pangen Biotech Inc. shares where CCM has 8.39% stake in the company. The interest in Pangen was previously strategical under pharmaceutical business and since the completion of the recent corporate demerger, CCM shall dispose the shares as we are no longer in the pharmaceutical business. The third identified non-core asset is a parcel of land in Nilai which carries a net book value of RM19.8 million and with a size of approximately 18.2 acres.

The divestment of these three non-core assets is expected to bring a gross cash proceed of about RM260.0 million. The proceeds will be used to pare down existing borrowings and this represents an opportunity of interest savings of approximately RM13.0 million to RM14.0 million per annum. With the completion of the above strategic initiatives, it is expected that the Group's financial performance and balance sheet position, particularly its financial gearing, will be in good form and will act as a catalyst for future growth.

### Continuous Investment in Research and Development (R&D)

As part of our commitment to becoming a world class player in the Polymers market, CCM will place a high priority on research and development (R&D) investments over the next five years. The Group currently invests between RM2.0 million to RM3.0 million a year in R&D which is expected to double in 2018. We see product innovation as key to increasing yields and to improving long-term sustainability. CCM is also working closely with private and public universities in Malaysia including Monash University, Universiti Putra Malaysia and Universiti Malaysia Terengganu, to seek opportunities for any smart partnership and collaborations.

### Other Growth Opportunities

In line with our growth aspirations, we will continue to be on the lookout for potential attractive investment opportunities, domestically and regionally to complement our existing business portfolios.

### IN APPRECIATION

As CCM continues to embrace change, we are confident of stepping out into a positive future. We have much to be thankful for and are truly appreciative of the unwavering support that our shareholders, customers, government agencies, regulators, business partners and suppliers have accorded us.

I also wish to express my deepest gratitude to the dedicated management and staff of CCM who have stood resiliently alongside us and excelled amidst the period of change we have undergone. My sincere thanks also to our Board of Directors for their counsel, guidance and invaluable feedback which helped steer us through the year.

The demerger exercise meant that we have to lose some of our talented Management Team. Encik Leonard Ariff bin Abdul Shatar, our Group Managing Director (GMD) since January 2015, was elected to spearhead CCMD as its GMD upon completion of the demerger of CCMD. Joining him at CCMD are Encik Ibrahim Hussein Salleh, General Manager, Legal/Company Secretary and Puan Anita Esa, Head, Group Risk Management who were redeployed to CCMD at the end December 2017.

On top of this, Encik Abd Rahman Abdullah Thani, Director Fertilizers/Program and Communication left the company in July 2017, while Puan Norzaimah binti Maarof, Director Group Corporate Development, and Encik Anuar bin Kasim, Chief Executive Officer, Chemicals Division, all left in December 2017. We thank them all for their time with us and their worthy contributions to the Company.

As I move on to take up my new responsibilities at CCM, I certainly look forward to working with the rest of our Management Team, CCM's diligent staff and all our stakeholders. The future holds much promise for us and I for one am confident that as we all work together, we will move forward to new heights of success.

Thank you.

**Nik Fazila binti Nik Mohamed Shihabuddin**  
*Group Managing Director*



# SUSTAINABILITY & CORPORATE RESPONSIBILITY

## SUSTAINABILITY AT CCM

Sustainable long-term growth remains a strategic priority for us here at CCM. As we go about our business, we seek opportunities to leverage our influence as the leader in each of the sectors in which we operate in. Our holistic approach to sustainability is achieved by successfully integrating responsible management and sustainable development practices that balance out our economic ambitions with good environmental and societal considerations. Not only is this approach enabling us to maximise opportunities in areas such as innovation, community development and value creation, it is helping us enhance the sustainable development agenda of the nation.



## VALUING OUR STAKEHOLDERS

As we advance forward in our sustainability journey, we are more convinced than ever of our role to enhance the quality of life of all our stakeholders by making positive contributions to the economy, people and the planet. We have a long history of stakeholder engagement and are committed to engaging in constructive and meaningful dialogue with our stakeholders. Effective communication helps us to build trust and leverage on the expertise of our diverse stakeholders. Stakeholder engagement also helps us to reaffirm the most material issues and devise ways to address them within the Group.

In 2017, CCM continued to make good strides forward in its pursuit of responsible business and sustainable growth. We continued to implement proven sustainability initiatives on the Economic, Environmental and Social (EES) fronts while rolling out new ones.



## ECONOMIC

CCM is a Government-Linked Company (GLC) and is presently one of the largest manufacturers of chemicals and polymers in Malaysia. We have a strong corporate presence in Malaysia with more than 50 years history to our name as well as a regional presence through our offices in Singapore and Indonesia. Today, through our offer of a wide range of products and services to the chemicals and polymers sectors, we remain committed to providing sustainable solutions based on innovative sciences to these sectors to enhance the quality of life of our stakeholders.

CCM has set high benchmarks by implementing responsible, sustainable and consistent compliance procedures throughout the Group to meet growing domestic and overseas needs. We continue to make significant contributions to Malaysia's economic development as well as generate economic value for other nations, regions and communities by providing employment, paying taxes, supporting local goods and services as well as developing infrastructure. We consider it our responsibility to make a broader contribution to sustainable development in the communities in which we operate and continue to invest in national projects.

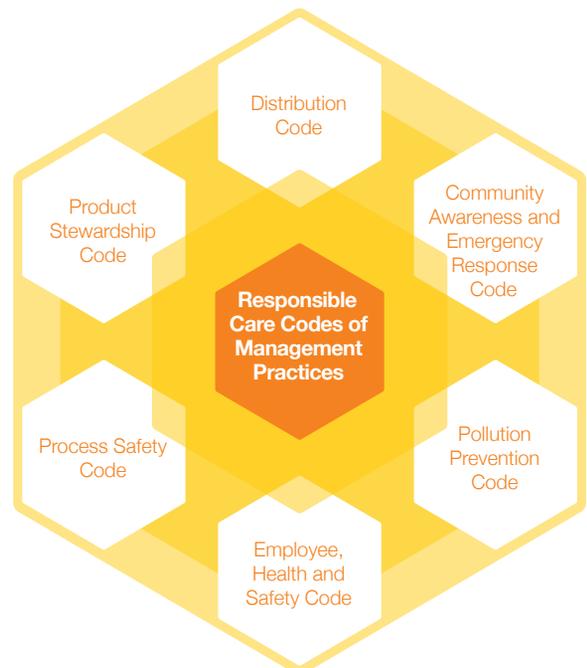
As a key player in the chemicals and polymers industries, we continue to assume a leadership role and work in partnership with our peers within the industry, governments, NGOs and local communities to realise our vision of Enhancing Quality of Life.

## Chemical Industries Council of Malaysia

CCM is currently serving as an Executive Committee member of the Chemical Industries Council of Malaysia (CICM). CICM is the umbrella body representing the various subsector chemical groups comprising the oleochemicals, paints, fertilisers, petrochemicals, agriculture chemicals, industrial gases, coating resins and biodiesel sectors. We also chair CICM's Regulatory Affairs Committee and are a member of the Technical Committee of its Responsible Care Programme (RCP).

As a signatory of the Responsible Care Charter, our Chemicals business actively subscribes to and implements the six codes of management practices throughout its operations.

We pursue safe chemicals management and performance excellence groupwide. Our commitment helps boost public confidence and trust in the industry's dedication to safely manage chemicals throughout their lifecycles. This ensures that chemistry can continue to contribute to a healthier environment, improved living standards and a better quality of life for all.



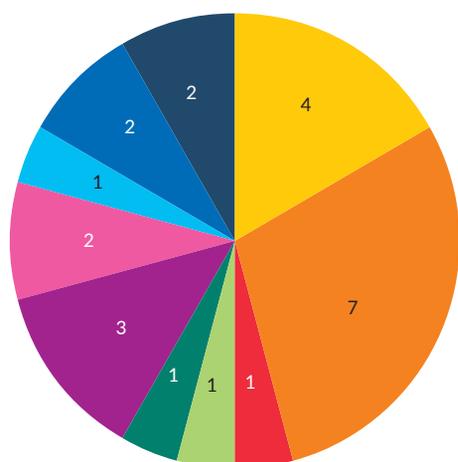
# SUSTAINABILITY & CORPORATE RESPONSIBILITY

## Bumiputera Vendor Development Programme (BVDP)

In support of the government's efforts to create a Bumiputera Commercial and Industrial Community (Masyarakat Perniagaan dan Perindustrian Bumiputera) under the Bumiputera Economic Council (Majlis Ekonomi Bumiputera) initiative, CCM established the Bumiputera Vendor Development Programme (BVDP). The CCM BVDP aims to support local businesses and expand our own business which ultimately contributes to the economic growth of the communities in which we operate. Vendors are provided guidance in developing and supplying products and services to our exact specifications. Their business competency performance is also evaluated.

The year in review saw us continuing to do our bit to develop capable Bumiputera vendors to address and tap into opportunities in the growing Halal pharmaceuticals, polymer and chemical industries. Five new vendors were appointed, namely Nashmir Capsule Sdn. Bhd., Utama Multimodal Logistics Sdn. Bhd., Widespread Malaysia Sdn. Bhd., NSF Engineering Sdn. Bhd. and Chemtrax Sdn. Bhd. To date, 24 vendors have been appointed by CCM under the programme.

### CCM's BVDP Vendors Appointed by Anchor Companies



## Investing in Skilled Technical Workers

CCM has invested in the development of the next generation of skilled technical workers in Malaysia by contributing machinery and equipment worth RM2.5 million to Kolej WIT, a leading engineering and technical-based training college in the country. The contribution is part of CCM's efforts to foster the practical application of skills and knowledge amongst students to ensure a steady pool of quality skilled technical workers in Malaysia, in line with the government's TN50 goal of spearheading the nation to become a top 20 country in the world by 2050.

## ENVIRONMENTAL

As part of our long-standing commitment toward managing our environmental footprint, we address key environmental impacts across our businesses and focus on continuous improvement, with particular emphasis in the areas that are most relevant to each business. Our environmental sustainability efforts are focused on two complementary areas, namely minimising the environmental footprint of our operations and supply chain, as well as reducing the environmental impact of our products and packaging. We also implement various engagement activities to inculcate a culture of environmental awareness and responsibility among our employees, customers and communities.



### Energy Efficient New Technology

A major improvement in 2017 was the consolidation of the chlor-alkali operations at Pasir Gudang Works 2 (PGW2) and the decommissioning of PGW1 operation. The main equipment with high electrical demand was replaced with new technology resulting in savings of RM3.8 million in 2017.

### 3R eCO-Buddies

In line with our efforts to minimise environmental pollution, all our manufacturing plants are equipped with wastewater treatment facilities. March 2017 saw the launch of the 3R eCO-Buddies initiative in conjunction with the Q1 Town Hall session at the CCM Polymers site. This initiative involves the proper identification, segregation and recycling of washed water. The successful implementation of the recycling system resulted in hard savings of RM750,000 per annum in 2017.

### Rehabilitation of the Shah Alam Plant

The CCM Shah Alam Plant (SAP) began operations in 1964 with the commissioning of a chlor-alkali plant, followed by the commissioning of the compound fertilizer plant in 1965. At that time, much of the roofing and cladding of the fertilizer plant were made from asbestos, well before building regulations relating to asbestos were implemented in the 1980s. This posed an environmental challenge when the site was scheduled for decommissioning between 2015 and 2017.

CCM took responsibility for ensuring that demolition activities for the whole site were dutifully carried out without posing any health risk to the surrounding communities and future re-development. To this end, we engaged contractors who were licensed to carry out safe, efficient, and environmentally-friendly removal solutions for asbestos-containing materials (ACMs) still on the SAP site. All in all, 770 metric tonnes of ACMS were successfully dismantled and disposed to Kualiti Alam Waste Management Centre (WMS) at a total cost of RM2.04 million.

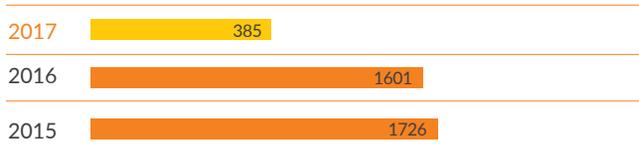
## SOCIAL: LABOUR PRACTICES

### Diversity

CCM welcomes diversity and the benefits that the differences between people can bring to the Company. Workplace diversity fosters mutual respect among employees. Diversity not only involves how people perceive themselves, but how they perceive others, and those perceptions affect their interaction with their peers. All races and age groups are well represented with men slightly outnumbering women. Our diversity indicators are presented in the charts on the next page:

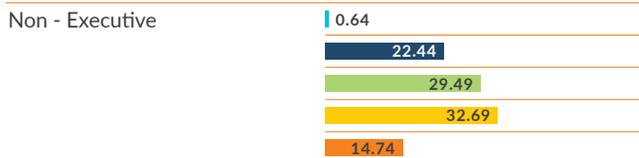
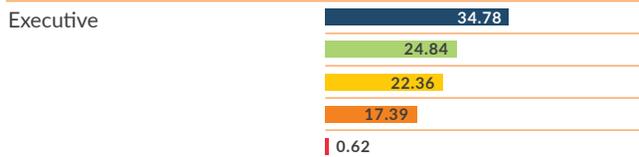
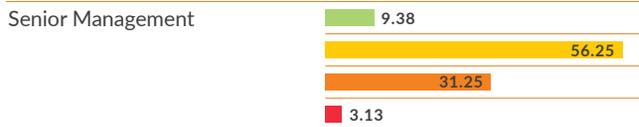
# SUSTAINABILITY & CORPORATE RESPONSIBILITY

## Total Number of Employees by Year



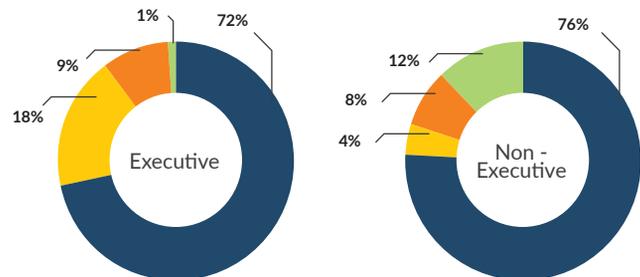
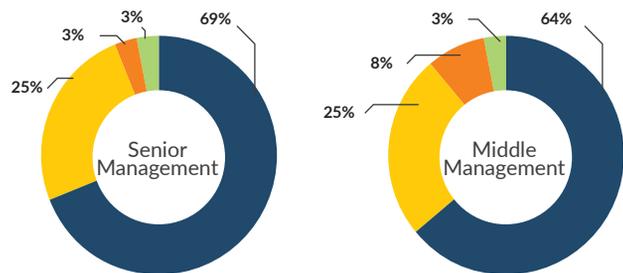
## Breakdown by Age Group (%) at Different Levels of Management

Legend: Below 20 (Blue), 20-29 (Dark Blue), 30-39 (Green), 40-49 (Yellow), 50-59 (Orange), Above 60 (Red)



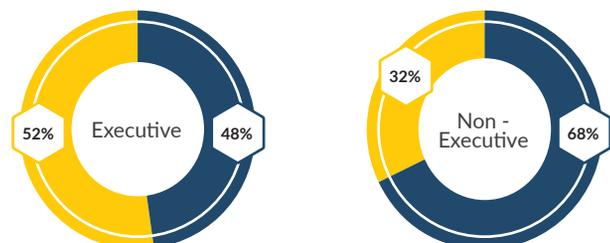
## Breakdown of Employees by Ethnicity (%) Excluding Temporary Workers

Legend: Malay (Dark Blue), Chinese (Yellow), Indian (Orange), Others (Green)



## Breakdown by Gender (%) at Different Levels of Management

Legend: Female (Yellow), Male (Dark Blue)





## Employee Engagement

Our success depends on our people performing to the best of their abilities. To achieve this, they must feel motivated, connected and valued. Ensuring our employees are engaged helps foster a culture of personal responsibility and innovation. Our annual employee engagement survey is a key element in gauging how employees feel connected and motivated. It is also a method to ensure we deliver our promises so that all employees can perform to the best of their abilities. The survey encompasses a wide range of topics. In 2017, our overall results showed an improvement with an 87% rating compared to 82% in 2016.

Numerous initiatives have been held to foster teamwork and interpersonal relationships between employees of all levels. This approach ensures our employees are continuously engaged and motivated. In 2017, our engagement efforts encompassed Breakfast with the GMD sessions, Quarterly Townhall sessions as well as festive celebrations and sports activities, among other activities.

## Operational Excellence

CCM has always promoted Total Quality Management via an Operational Excellence culture with Quality People and Quality Processes delivering Quality Products and Quality Services to our customers.

In 2017, CCM continued to train staff on QC Tools and Lean Six Sigma. An additional 32 employees were trained in 2017 for OE-QC Tools classes, while two classes in Lean Six Sigma Green Belt were conducted with a total of 22 employees trained and passing the examination. In 2017, a total of 10 employees were certified as CCM Lean Six Sigma Green Belts. In 2017, the Lean Six Sigma programme contributed savings of RM25.26 million, while the programme has generated annualised savings amounting to RM110.57 million since June 2012.

## Innovation & Quality Convention

The CCM Group's 22nd CCM Innovation & Quality Convention was held on 7 September 2017 as a platform for employees to share their experiences and successes in OE projects implementation. Teams from across the CCM Group presented their OE projects in a friendly competition for the best OE improvement teams. Our employees demonstrated their knowledge and skills by applying OE tools such as the Lean Six Sigma and Plan-Do-Check-Act methodologies to improve efficiency and effectiveness in their work.

## Upholding Integrity

In 2017, we undertook various measures that underscored our commitment to upholding integrity. Following the commitment made by our suppliers under the Integrity Pact since 2015 to work together with CCM to fight corruption, the practice was expanded to the regional offices. The year also saw a three-year Organisation Integrity Plan being formulated and validated by representatives from the Malaysian Institute of Integrity and the Malaysian Anti-Corruption Commission (MACC). The plan was subsequently approved by the Board of Directors for implementation.

On 30 November 2017, we held our fifth Integrity Day with the theme "Embarking on Anti Bribery Compliance with ISO 37001".



## SUSTAINABILITY & CORPORATE RESPONSIBILITY

### SOCIAL: OCCUPATIONAL SAFETY AND HEALTH

The health and safety of our employees, customers and suppliers has always been a priority for CCM. Our dedicated safety team is committed to improve our Safety, Health and Environment (SHE) performance and to minimise incidents wherever we are working. To maintain our excellent safety record, thorough and frequent training is essential, with regular audits to ensure all our employees follow the correct procedures. We also encourage our suppliers and contractors to join our safety programmes.

#### EX-STORM Exercise

As a breach or breakdown in our facilities could cause a major hazard, our Emergency Response Plan is a crucial element in ensuring that any untoward incident is managed in a responsible and systematic way. Our Pasir Gudang plant is one of the active members of the Pasir Gudang Emergency Mutual Aid (PAGEMA) Group which collaborates to uphold high SHE practices and regulations among member companies. In 2017, PAGEMA's annual mock exercise, was expanded to involve five disaster scenarios at five companies and locations occurring over the span of 12 hours due to an earthquake.

CCMC PGW was selected as one of the five hosts for the event named 'Exercise for Special Team Operation & Response Mechanism' (EX-STORM) which was postulated this year as a national disaster exercise drawing in 700 fire and rescue personnel. The scenario involved a chlorine gas release from a storage tank due to pipelines breaking down. This accident had caused a widespread plume of toxic gas escaping into the environment affecting the community within a 10km radius of the plant.

#### Chemical Emergency Service (CES) Team

The CES Team was formed to provide advice on safety measures and the remedial actions to be taken when a chemical emergency occurs during transportation or product unloading at customer premises and to provide a trained professional team to respond to chemical emergencies. Today, CCMC collaborates with the Fire and Rescue Department Malaysia, specifically with their Hazardous Materials (HAZMAT) team to share information and knowledge about our manufactured products as well as carries out joint spill exercises/simulations. CCMC is regarded as a Subject Matter Expert (SME) by the Fire and Rescue Department Malaysia.

#### Towards a World Class SHE Culture

A SHE culture is of paramount importance in our business operations and we strive to achieve world class standards in this area. This is especially important as we need to ensure we meet all regulatory requirements in our operations and premises and obtain mandatory licences on a yearly basis. Since 2016, CCMC has organised a SHE perception survey to gauge our progress towards reaching the standard of world class SHE companies. In 2017, we embarked on our "Towards World Class SHE Culture" programme, a journey and commitment by senior management and staff to achieve world class performance which targets zero incident, zero pollution and zero waste. The ultimate aim of this programme is for the Chemicals Division to achieve a "Zero by Design" SHE culture and way of life.

## **SOCIAL: SOCIETY**

As part of our developmental efforts, we are committed to investing back into the communities in which we operate. We enhance the well-being of communities via direct financial support, through employee volunteerism activities for humanitarian projects and fundraising activities, as well as through partnerships with organisations and other philanthropic causes.

### **CCM PINTAR Programme**

CCM PINTAR programme is a school adoption programme initiated by Khazanah Nasional Berhad. Our involvement in the PINTAR programme began in 2007 and we have adopted 15 schools to date. The programme aims to provide support to participating schools towards a holistic development of future generation and improve socio-economic standards through educational achievement. In 2017, more than 50 activities were conducted at 15 primary schools nationwide involving more than 11,600 students and 850 teachers.

### **Rakan Saintis Sungai CCM (RSS)**

Developing youth as environmental ambassadors, the Rakan Saintis Sungai CCM (RSS) programme offers students a first-hand learning experience on water conservation. Introduced in 2010 as Program Rakan Alam Sekitar, the programme was later rebranded as Program Rakan Saintis Sungai CCM. This programme raises awareness by educating primary and secondary school students on the importance of environmental conservation, emphasising river health in particular. Participants develop a responsible attitude to their natural surroundings and water resources. In 2017, the RSS programme was organised in the states of Johor and Perak.

### **Skim Latihan 1Malaysia Programme**

This programme is aimed at providing soft-skills and on-the-job training for Malaysian graduates, especially those from under-privileged families. This is one of CCM's Corporate Responsibility initiatives which are aligned with CCM's Corporate Values. Since 2013, CCM has provided on-job-training placements to 209 trainees with 33 of them being absorbed into the CCM workforce.

### **In Support of World-class Golf**

We continue our support for the Professional Golf of Malaysia (PGM) platform by enabling players to showcase their skills. CCM believes that our local players have what it takes to achieve global recognition. With hard work, passion and continuous support, we are confident that they can make a name for themselves internationally and make Malaysia proud. In 2017, the PGM CCM Seriemas Championship was held at the Kota Seriemas Golf and Country Club in Nilai, Negeri Sembilan. With total prize money of RM220,000, the tournament attracted top local players who battled it out against international professional golfers.

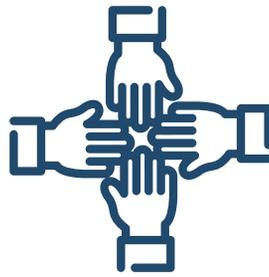
### **Kayuhan Kasih Merdeka 2017**

The Kayuhan Kasih Merdeka 2017 event was held to commemorate Malaysia's 60th Merdeka celebrations and inculcate patriotism among Malaysians. Held at the Seri Alam police headquarters, this cycling event aimed to foster unity and national pride through a fun community-based activity. Aside from nurturing love for the country and promoting a healthy lifestyle, the event also sought to help those in need. Kayuhan Kasih Merdeka 2017 received positive response from the community and attracted more than 200 participants who cycled along the 20km route with the Jalur Gemilang flying high on their bicycles.

For the finer details of CCM's sustainability efforts, please refer to the CCM Sustainability Report 2017 which is available on the Company's website, [www.ccemberhad.com](http://www.ccemberhad.com).



# TEAMWORK



Similar to the team spirit displayed by the hardworking bees in building their honeycomb hive over time, our Company's team of committed employees have worked together concertedly over the years to lay the foundation for a better future by embracing our vision of 'Enhancing Quality of Life'.





# KEY HIGHLIGHTS

1



**JANUARY 2017**

CCM continues to nurture the development of local golfers



2



**APRIL 2017**

MSAM 2017 : Promoting investment education and social outreach to the public

3



**MAY 2017**

CCM 55<sup>th</sup> Annual General Meeting

4



**JULY 2017**

Contributions to Kolej WIT : CCM supports the growth of skilled workforce

6



**AUGUST 2017**

Kayuhan Kasih Merdeka : To instil patriotism and dedication to community welfare

5



**JULY 2017**

CCM PINTAR Programme : Strengthening English proficiency

7



**OCTOBER 2017**

CCM announces two major corporate proposals for greater focus and growth

8



**OCTOBER 2017**

Rakan Saintis Sungai developing youth as environmental ambassadors

9



**OCTOBER 2017**

Lending a Helping Hand through Back to School Programme



10



**NOVEMBER 2017**

Joint Malaysia-Singapore Chemical Spill Exercise : CCM Chemicals' emergency response team tackled hazardous accidents

11



**DECEMBER 2017**

CCM Main Stack Demolition : Successful controlled demolition of 53-year old reinforced concrete stack

12



**DECEMBER 2017**

Expansion of Polymers Business : Debottlenecking of Bangi plant capacity



# CORPORATE INFORMATION

## Company Secretary

Noor Azwah binti Samsudin  
(LS 0006071)

## Registered Office

13th Floor, Menara PNB  
201-A, Jalan Tun Razak  
50400 Kuala Lumpur  
Tel : 03-2612 3888  
Fax : 03-2612 3999

## Works

Shah Alam  
Bandar Baru Bangi  
Pasir Gudang

## Registrar

**Symphony Share Registrars Sdn. Bhd.**  
Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor Darul Ehsan  
Tel : 03-7841 8000  
Fax : 03-7841 8008

## Auditors

**KPMG PLT**  
**Chartered Accountants**  
Level 10, KPMG Tower 8  
First Avenue, Bandar Utama  
47800 Petaling Jaya  
Selangor Darul Ehsan  
Tel : 03-7721 3388  
Fax : 03-7721 3399

## Bankers

**Malayan Banking Berhad**  
Menara Maybank  
100, Jalan Tun Perak  
50050 Kuala Lumpur

**Sumitomo Mitsui Banking  
Corporation Malaysia Berhad**  
Suite 22-03, Level 22  
Integra Tower  
The Intermark  
348, Jalan Tun Razak  
50400 Kuala Lumpur

**OCBC Bank (Malaysia) Berhad**  
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18, Jalan Tun Perak  
50050 Kuala Lumpur

**AmBank (M) Berhad**  
Level 1, Menara Dion  
Jalan Sultan Ismail  
50250 Kuala Lumpur

**Affin Islamic Bank Berhad**  
17th Floor, Menara Affin  
80, Jalan Raja Chulan  
50200 Kuala Lumpur  
Tel : 03-2055 9000  
Fax : 03-2026 1415

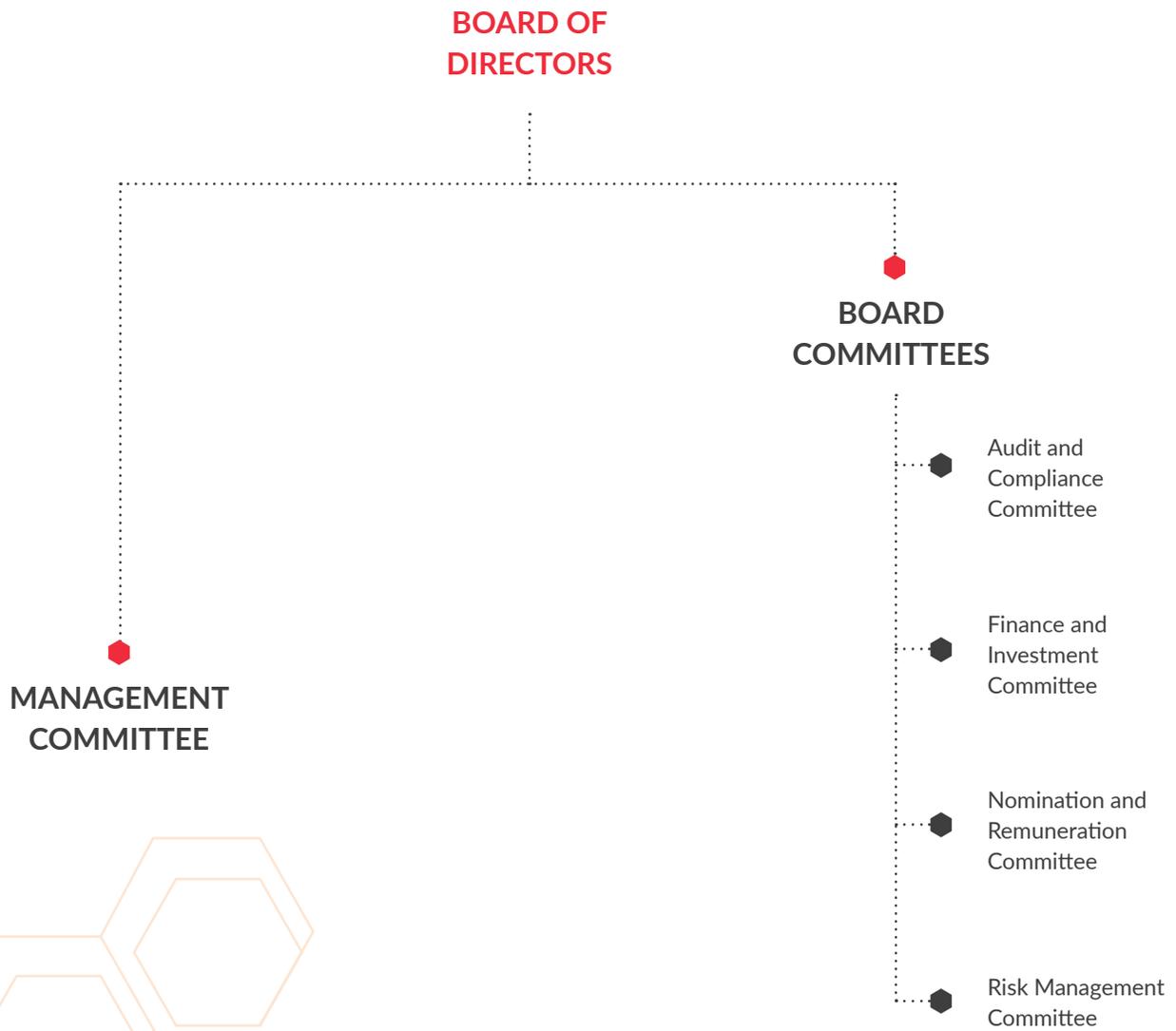
**Bank of Tokto-Mitsubishi  
UFJ (Malaysia) Berhad**  
Level 9 - 11, Menara IMC  
8, Jalan Sultan Ismail  
50250 Kuala Lumpur

## Solicitor

**Raja, Darryl & Loh**  
18th Floor, Wisma Sime Darby  
Jalan Raja Laut  
50350 Kuala Lumpur  
Tel : 03-2694 9999  
Fax : 03-2693 3823

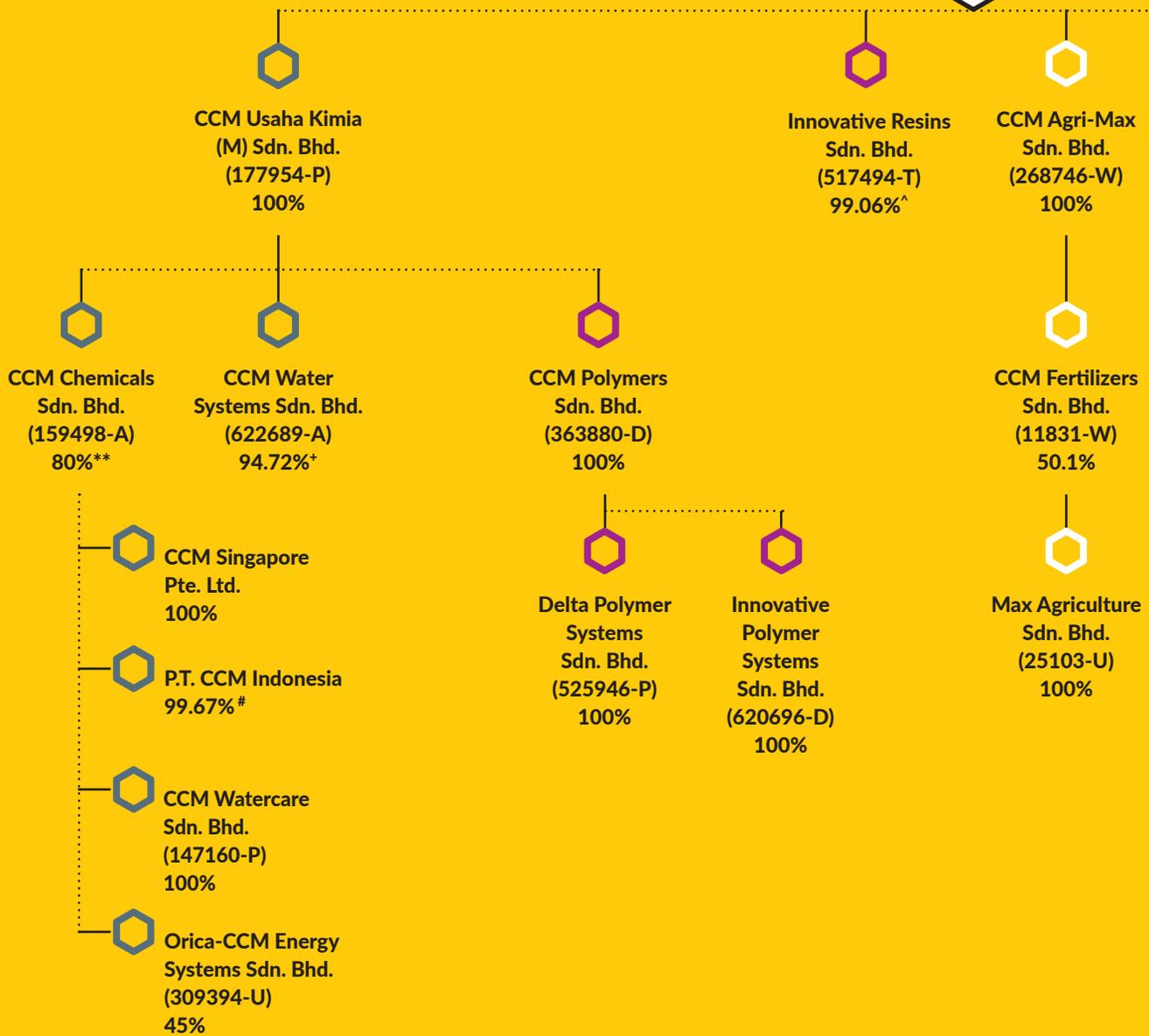


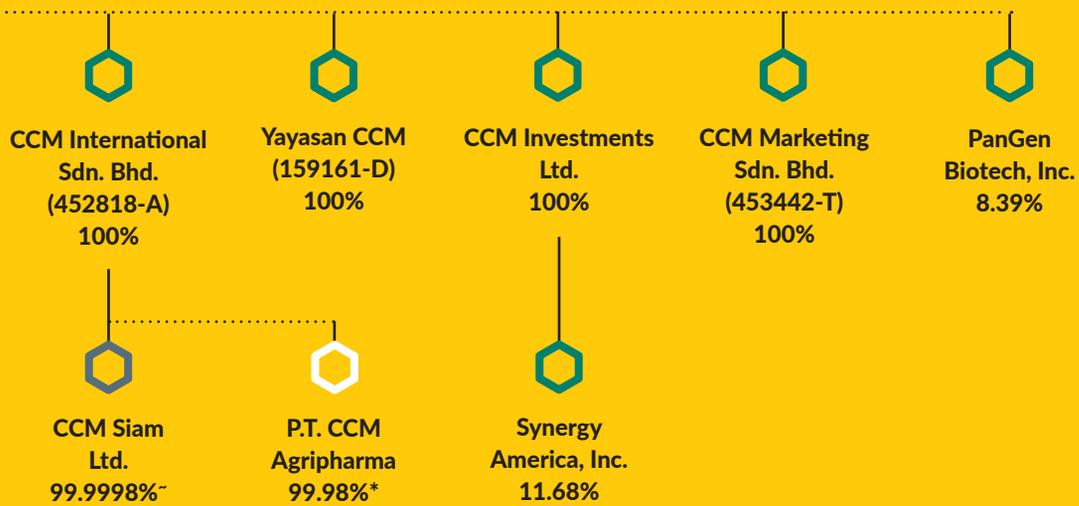
# BOARD AND MANAGEMENT STRUCTURE



# GROUP STRUCTURE

AS AT 30 MARCH 2018





**N.B**

- # 0.33% held by CCM Watercare Sdn. Bhd.
- + 5.28% held by CCM
- ^ 0.94% held by CCM Usaha Kimia (M) Sdn. Bhd.
- \* 0.02% held by CCM
- ~ 0.0001% held by CCM Marketing Sdn. Bhd. and 0.0001% held by Innovative Resins Sdn. Bhd.
- \*\* 20% held by CCM
- Fertilizers Business
- Chemicals Business
- Polymers Business
- Others



# VERSATILE



As versatile as the honeycomb structure, our human capital are quick to adapt to the changes and overcome challenges to lead the organisation to a new height of success.





## BOARD OF DIRECTORS



**DATIN PADUKA  
KARTINI BINTI  
HJ ABDUL  
MANAF**

**DR. LEONG  
CHIK WENG**

**KHALID  
BIN SUFAT**

**DATO' HAJAH  
NORMALA BINTI  
ABDUL SAMAD**



**NIK FAZILA  
BINTI NIK  
MOHAMED  
SHIHABUDDIN**

**DATO' AZMI  
BIN MOHD.  
ALI**

**DATO' SERI IR.  
DR. ZAINI  
BIN UJANG**

**DATO' WAN  
MOHD. FADZMI  
BIN CHE WAN  
OTHMAN  
FADZILAH**

## BOARD OF DIRECTORS

### DATO' HAJAH NORMALA BINTI ABDUL SAMAD

Age : 55 years  
Nationality : Malaysian  
Gender : Female

**POSITION ON THE BOARD**  
Non-Independent Non-Executive  
Chairman

**DATE OF APPOINTMENT  
TO THE BOARD**  
25 March 2016

#### MEMBERSHIP OF BOARD COMMITTEES

- Member, Risk Management Committee

#### DIRECTORSHIPS OF OTHER PUBLIC COMPANIES AND LISTED ISSUERS

Pertubuhan Keselamatan Sosial (PERKESO)

#### SECURITIES HOLDINGS IN THE COMPANY AND ITS SUBSIDIARIES

None as at 30 March 2018

#### FAMILY RELATIONSHIP WITH ANY DIRECTOR AND/OR MAJOR SHAREHOLDER

None

#### CONFLICT OF INTEREST WITH THE COMPANY

None

#### LIST OF CONVICTIONS FOR OFFENCES WITHIN THE PAST 5 YEARS AND PARTICULARS OF ANY PUBLIC SANCTION OR PENALTY IMPOSED BY THE RELEVANT REGULATORY BODIES DURING THE FINANCIAL YEAR

None

#### NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

Nine (9) out of eleven (11) meetings

#### QUALIFICATIONS

- Master of Business Administration majoring in Human Resource, Nottingham Trent University, United Kingdom
- Bachelor of Administration Management, Paramount University of Technology, United Kingdom
- Diploma in Professional Safety Management, Construction and Industrial Safety Training Centre (CONSIST), Australia
- Diploma in Human Resource Administration, Malaysian Institute of Personnel Management (MIPM)
- Certificate in Personnel Management, Malaysian Institute of Personnel Management (MIPM)
- Certificate in Safety & Health Officer, National Institute of Safety & Health (NIOSH)
- Certificate in Training & Development (UK)

#### WORKING EXPERIENCE AND OCCUPATION

Dato' Hajah Normala is currently the Member of Parliament for Pasir Gudang Constituency in Johor since 2013. She is also a Committee member of the International Bureau of Wanita UMNO Malaysia and a member of the Wanita UMNO for Johor State. In addition, she is the Chief of the UMNO's Women's Wing for Pasir Gudang Division and one of the board members for Pertubuhan Keselamatan Sosial (PERKESO).

Before her foray into politics, Dato' Hajah Normala has accumulated over 32 years of experience in Human Resources and Workers' Safety and Health. She began her career in Human Resource in 1981 with Pan Century Edible Oils Sdn. Bhd., Pasir Gudang and progressed to the position as Head of Human Resources in 1992 at Pan Century Oleochemicals Sdn. Bhd. She later joined Grand Bank Yachts Sdn. Bhd. in 1995 as a Human Resources Manager and resigned in 2013.

Dato' Hajah Normala is very active in non-governmental organisations and holds various positions such as Chairman of Mimbar Permuafakatan Ibu Bapa Malaysia ("MAPIM"), Pasir Gudang and Supreme Council Member of MAPIM (National Level), Chairman of the Women's Bureau of Drug Prevention Association of Malaysia ("PEMADAM") Johor, Chairman of the Development Council of Women & Family for Pasir Gudang, Chairman of Perkumpulan Wanita ("PERWANI") Parliament Pasir Gudang, Chairman and Founder of Koperasi Seri Cempaka Pasir Gudang Berhad and Chairman of the Advisory Board of Community College Pasir Gudang.

She was the former Deputy Chairman of the Federation of Malaysian Manufacturers ("FMM"), Johor Branch since 2000 and also chaired various committees on FMM. She was also the former Deputy Chairman of Human Resources Officers Group for Pasir Gudang Industrial Area, former Deputy Chairman of Malaysian Employers Federation Johor, Honorary Secretary of Malaysian Association of Safety and Health Officers, former Panel Member of Appeal Cases Committee for Court of Appeals SOCSO cases and former Panel Member of Industrial Court Malaysia.

## NIK FAZILA BINTI NIK MOHAMED SHIHABUDDIN

Age : 51 years  
Nationality : Malaysian  
Gender : Female

**POSITION ON THE BOARD**  
Group Managing Director

**DATE OF APPOINTMENT  
TO THE BOARD**  
28 December 2017



### MEMBERSHIP OF BOARD COMMITTEES

None

### DIRECTORSHIPS OF OTHER PUBLIC COMPANIES AND LISTED ISSUERS

None

### SECURITIES HOLDINGS IN THE COMPANY AND ITS SUBSIDIARIES

None as at 30 March 2018

### FAMILY RELATIONSHIP WITH ANY DIRECTOR AND/OR MAJOR SHAREHOLDER

None

### CONFLICT OF INTEREST WITH THE COMPANY

None

### LIST OF CONVICTIONS FOR OFFENCES WITHIN THE PAST 5 YEARS AND PARTICULARS OF ANY PUBLIC SANCTION OR PENALTY IMPOSED BY THE RELEVANT REGULATORY BODIES DURING THE FINANCIAL YEAR

None

### NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

None

### QUALIFICATIONS

- Bachelor of Economics (Accounting), Flinders University of South Australia, Adelaide, Australia
- Chartered Accountant, Malaysian Institute of Certified Public Accountants (MICPA)
- Chartered Accountant, Malaysian Institute of Accountants (MIA)
- Associate Member, Certified Practising Accountant (CPA) Australia

### WORKING EXPERIENCE AND OCCUPATION

Nik Fazila was appointed as Group Managing Director of Chemical Company of Malaysia Berhad on 28 December 2017. She joined CCM in March 2012 as Director, Finance and was appointed as the Group Chief Operating Officer cum Chief Financial Officer on 1 May 2016, overseeing the functions of Group Human Resources, Group Information Technology & Systems and Office Services, while still holding the role as Chief Financial Officer.

Nik Fazila has close to 30 years of experience in the field of accounting, finance, business assurance and various corporate transactions. She started her career with Price Waterhouse (now known as PricewaterhouseCoopers - PwC) in the audit and business advisory services, and was with PwC for 10 years from 1988 to 1998. Her last position at PwC was as Senior Manager, Audit & Business Advisory.

She has also served three (3) Main Board of public listed companies in Malaysia, as General Manager, Finance and Chief Financial Officer. During her tenure at those public listed companies, apart from accounting, finance and treasury, she was involved in various corporate transactions, namely merger and acquisitions, corporate restructuring, creditors' scheme of arrangement and capital repayment exercises. The listed companies that she had worked for were Sapura Telecommunication Berhad, KUB Malaysia Berhad and UDA Holdings Berhad. Her last employment prior to joining CCM was as Chief Financial Officer of Biotropics Malaysia Berhad, a subsidiary of Khazanah Nasional Berhad. She holds directorships on the board of several companies within the CCM Group.

## BOARD OF DIRECTORS

### KHALID BIN SUFAT

Age : 62 years  
Nationality : Malaysian  
Gender : Male

#### POSITION ON THE BOARD

Senior Independent Non-Executive Director

#### DATE OF APPOINTMENT TO THE BOARD

11 October 2010



#### MEMBERSHIP OF BOARD COMMITTEES

- Chairman, Audit and Compliance Committee
- Chairman, Nomination and Remuneration Committee

#### DIRECTORSHIPS OF OTHER PUBLIC COMPANIES AND LISTED ISSUERS

- UMW Holdings Berhad
- Kuwait Finance House (Malaysia) Berhad

#### SECURITIES HOLDINGS IN THE COMPANY AND ITS SUBSIDIARIES

None as at 30 March 2018

#### FAMILY RELATIONSHIP WITH ANY DIRECTOR AND/OR MAJOR SHAREHOLDER

None

#### CONFLICT OF INTEREST WITH THE COMPANY

None

#### LIST OF CONVICTIONS FOR OFFENCES WITHIN THE PAST 5 YEARS AND PARTICULARS OF ANY PUBLIC SANCTION OR PENALTY IMPOSED BY THE RELEVANT REGULATORY BODIES DURING THE FINANCIAL YEAR

None

#### NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

Eleven (11) out of eleven (11) meetings

#### QUALIFICATIONS

- Chartered Association of Certified Accountants, UK (ACCA)
- Malaysian Institute of Certified Public Accountants (MICPA)

#### WORKING EXPERIENCE AND OCCUPATION

Khalid, an accountant by profession, has vast experience in the banking industry having held several senior positions namely General Manager, Maybank in 1994, Executive Director of United Merchant Finance Berhad from 1995 to 1998 and Managing Director of Bank Rakyat from 1998 to 2000.

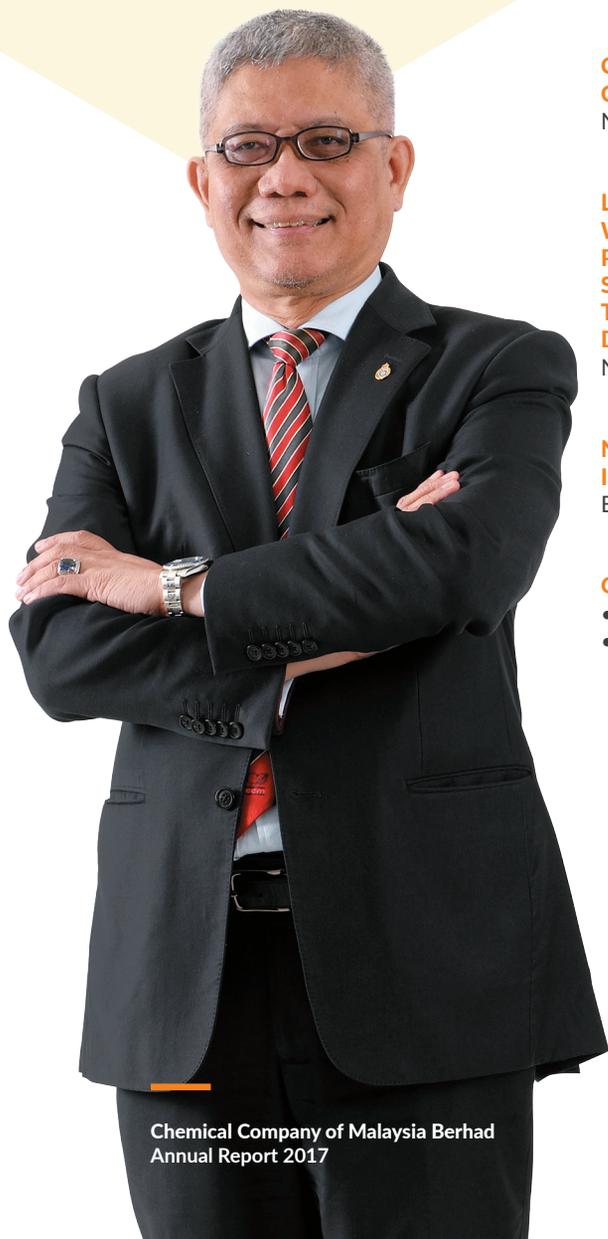
After his exposure in the banking industry, he went on to manage several listed companies namely Executive Director of Tronoh Mines Malaysia Berhad from January 2002 to February 2003, Deputy Executive Chairman of Furqan Business Organisation Berhad from February 2003 to December 2003 and Group Managing Director of Seacera Tiles Berhad from August 2006 to November 2007.

## DATO' AZMI BIN MOHD. ALI

Age : 57 years  
Nationality : Malaysian  
Gender : Male

**POSITION ON THE BOARD**  
Non-Independent Non-Executive  
Director

**DATE OF APPOINTMENT  
TO THE BOARD**  
8 October 2010



### MEMBERSHIP OF BOARD COMMITTEES

- Chairman, Risk Management Committee
- Member, Finance and Investment Committee

### DIRECTORSHIPS OF OTHER PUBLIC COMPANIES AND LISTED ISSUERS

- SP Setia Berhad
- Perbadanan Nasional Berhad
- Cliq Energy Berhad (In court-sanctioned liquidation under Section 218 (1) (h) of the Companies Act, 1965)

### SECURITIES HOLDINGS IN THE COMPANY AND ITS SUBSIDIARIES

None as at 30 March 2018

### FAMILY RELATIONSHIP WITH ANY DIRECTOR AND/OR MAJOR SHAREHOLDER

None

### CONFLICT OF INTEREST WITH THE COMPANY

None

### LIST OF CONVICTIONS FOR OFFENCES WITHIN THE PAST 5 YEARS AND PARTICULARS OF ANY PUBLIC SANCTION OR PENALTY IMPOSED BY THE RELEVANT REGULATORY BODIES DURING THE FINANCIAL YEAR

None

### NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

Eleven (11) out of eleven (11) meetings

### QUALIFICATIONS

- LL.B (Hons), University of Malaya
- Master of Laws (LL.M) in the United States of America & Global Business Law, University of Suffolk, Boston, USA

### WORKING EXPERIENCE AND OCCUPATION

Dato' Azmi Mohd Ali is the Senior Partner of Azmi & Associates, a full service corporate and commercial law firm of close to 75 lawyers, based in Kuala Lumpur, Malaysia. The firm, Azmi & Associates under his leadership is recognised as one of the largest law firms (by size) in Malaysia.

He holds LL.B (Hons.) from the University of Malaya and LL.M in US & Global Business Law from the Suffolk University, Boston, U.S.A. He is an experienced and is one of the leading corporate lawyers in Malaysia with expertise in the areas of mergers and acquisitions, joint ventures, cross-border transactions, project finance, privatisation, energy, oil and gas and foreign investments.

Prior to his endeavour in private practice, Dato' Azmi has spent 6 ½ years as an in-house counsel of PETRONAS. He was involved in projects of national importance for Malaysia and negotiated and concluded the NGPSA, a major gas development project for Malaysia, in 1990. His accomplishments as a corporate lawyer are well noted and have earned him numerous awards, accolades and recognitions from reputed international legal publications. He won the prestigious International Law Office 2016 Clients Choice Award for Malaysia in Mergers & Acquisitions.

Currently, he is a Director of another listed company, namely S P Setia Berhad. He has also previously served as a Director of Sime Darby Berhad for more than 5 years. He is also a Director of Perbadanan Nasional Berhad (PNS), a Government-owned company providing finance for franchise business. He is also a Director of Institute of Corporate Directors Malaysia, established under the auspices of Securities Commission and Bank Negara Malaysia. He also serves as a Director of Terralex, a Florida-based world-wide network of 155 law firms with 19,000 lawyers within its member firms spanning across 100 jurisdictions world-wide.

On the academic front, he is a Director of a public university, Universiti Malaysia Kelantan and has also served as an Adjunct Professor of Law at the International Islamic University of Malaysia for more than 3 years and is now an Adjunct Professor at the Universiti Kebangsaan Malaysia's Law Faculty for 2 years. He is also one of the 4 certified arbitrators for Malaysia for the Panel of Conciliators and the Panel of Arbitrators of International Centre for Settlement of Investment Disputes (ICSID).

## BOARD OF DIRECTORS

### DR. LEONG CHIK WENG

Age : 55 years  
Nationality : Malaysian  
Gender : Male

**POSITION ON THE BOARD**  
Independent Non-Executive Director

**DATE OF APPOINTMENT TO THE BOARD**  
11 October 2010

#### MEMBERSHIP OF BOARD COMMITTEES

- Chairman, Finance and Investment Committee
- Member, Nomination and Remuneration Committee

#### DIRECTORSHIPS OF OTHER PUBLIC COMPANIES AND LISTED ISSUERS

- A-Rank Berhad

#### SECURITIES HOLDINGS IN THE COMPANY AND ITS SUBSIDIARIES

None as at 30 March 2018

#### FAMILY RELATIONSHIP WITH ANY DIRECTOR AND/OR MAJOR SHAREHOLDER

None

#### CONFLICT OF INTEREST WITH THE COMPANY

None

#### LIST OF CONVICTIONS FOR OFFENCES WITHIN THE PAST 5 YEARS AND PARTICULARS OF ANY PUBLIC SANCTION OR PENALTY IMPOSED BY THE RELEVANT REGULATORY BODIES DURING THE FINANCIAL YEAR

None

#### NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

Nine (9) out of eleven (11) meetings

#### QUALIFICATIONS

- Bachelor of Science in Chemical Engineering, West Virginia University, Morgantown, W. V.
- Ph.D, in Chemical Engineering, University of Massachusetts, Amherst, MA
- Executive Training in Product & Manufacturing Strategy Development, Stanford University, School of Business

#### WORKING EXPERIENCE AND OCCUPATION

Dr. Leong Chik Weng is the Founder of E-Lock Corporation Sdn. Bhd. and is currently its Chief Executive Officer. He was the Technical Director of Raychem Corporation, Menlo Park, California, USA and later joined Guidant Corporation, Santa Clara, USA as its Consultant. He was the Managing Director of Universal Search Machine Sdn. Bhd. from 1998 to 2000.



## DATO' SERI IR. DR. ZAINI BIN UJANG

Age : 53 years  
Nationality : Malaysian  
Gender : Male

### POSITION ON THE BOARD

Independent Non-Executive Director  
(Resignation w.e.f. 28 December 2017)

### DATE OF APPOINTMENT TO THE BOARD

10 January 2011

### MEMBERSHIP OF BOARD COMMITTEES

- Member, Risk Management Committee
- Member, Finance and Investment Committee
- Member, Audit and Compliance Committee

### DIRECTORSHIPS OF OTHER PUBLIC COMPANIES AND LISTED ISSUERS

- Pengurusan Aset Air Berhad

### SECURITIES HOLDINGS IN THE COMPANY AND ITS SUBSIDIARIES

None as at 30 March 2018

### FAMILY RELATIONSHIP WITH ANY DIRECTOR AND/OR MAJOR SHAREHOLDER

None

### CONFLICT OF INTEREST WITH THE COMPANY

None

### LIST OF CONVICTIONS FOR OFFENCES WITHIN THE PAST 5 YEARS AND PARTICULARS OF ANY PUBLIC SANCTION OR PENALTY IMPOSED BY THE RELEVANT REGULATORY BODIES DURING THE FINANCIAL YEAR

None

### NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

Eleven (11) out of eleven (11) meetings

### QUALIFICATIONS

- Bachelor of Chemical Engineering (Hons.) Universiti Teknologi Malaysia
- Master of Science (Environmental Engineering), University of Newcastle, United Kingdom
- Doctor of Philosophy (Environmental Engineering), University of Newcastle, United Kingdom
- Advanced Management Program, Harvard Business School, Harvard University
- Professional Engineer, Malaysia
- Chartered Engineer, United Kingdom

### WORKING EXPERIENCE AND OCCUPATION

Dato' Seri Ir. Dr. Zaini is a professional environmental engineer cum scientist who integrates studies on water ecology with engineering systems towards pollution control and sustainability, especially with reference to river rehabilitation in developing countries. His interest in the field leads him to collaborate with leading scholars worldwide, particularly in membrane bioreactor, granulation process and biofouling control.

He was Vice Chancellor of the oldest technical university in Malaysia and South East Asia, Universiti Teknologi Malaysia. For his remarkable contribution to the nation, he became the first recipient of the prestigious Malaysia Merdeka Award 2009 for the category of Outstanding Scholastic Achievement in environmental and sustainability water.

He has been conferred the Darjah Seri Setia Tuanku Muhriz Yang Amat Terbilang ("SSTM") and Panglima Jasa Negara ("PJN"). He was the 'Tokoh Maal Hijrah 1433H' of Negeri Sembilan 2011, a Fellow of the Academy of Science Malaysia, Senior Advisor to the Prince Khalid bin Sultan Chair on Water Research, King Saud University, Chairman of the Environmental Quality Council, Malaysia and Fellow of the Institute of Chemical Engineers, United Kingdom. He is a Visiting Professor at Imperial College London (UK) and Research Associate at Massachusetts Institute of Technology. He has registered more than 20 intellectual property rights and published more than 250 technical papers and 33 books.

## BOARD OF DIRECTORS

### DATIN PADUKA KARTINI BINTI HJ ABDUL MANAF

Age : 56 years  
Nationality : Malaysian  
Gender : Female

**POSITION ON THE BOARD**  
Non-Independent Non-Executive  
Director

**DATE OF APPOINTMENT  
TO THE BOARD**  
10 January 2011



#### MEMBERSHIP OF BOARD COMMITTEES

- Member, Audit and Compliance Committee
- Member, Finance and Investment Committee
- Member, Nomination and Remuneration Committee

#### DIRECTORSHIPS OF OTHER PUBLIC COMPANIES AND LISTED ISSUERS

- Sime Darby Berhad
- UMW Holdings Berhad

#### SECURITIES HOLDINGS IN THE COMPANY AND ITS SUBSIDIARIES

None as at 30 March 2018

#### FAMILY RELATIONSHIP WITH ANY DIRECTOR AND/OR MAJOR SHAREHOLDER

None

#### CONFLICT OF INTEREST WITH THE COMPANY

None

#### LIST OF CONVICTIONS FOR OFFENCES WITHIN THE PAST 5 YEARS AND PARTICULARS OF ANY PUBLIC SANCTION OR PENALTY IMPOSED BY THE RELEVANT REGULATORY BODIES DURING THE FINANCIAL YEAR

None

#### NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

Ten (10) out of eleven (11) meetings

#### QUALIFICATIONS

- Master of Business Administration, Ohio University, USA
- Bachelor of Business Administration, Ohio University, USA
- Diploma in Banking Studies, Universiti Teknologi Mara
- Certified Financial Planner, Financial Planning Association of Malaysia
- Capital Markets Services Representative License, Securities Commission

#### WORKING EXPERIENCE AND OCCUPATION

Datin Paduka Kartini started her career with Permodalan Nasional Berhad ("PNB") in March 1983 and is presently its Deputy President, Strategic Investments. In her career of over 30 years at PNB, she has served in various capacities and has been involved in various aspects of investment management and corporate finance, including mergers and acquisitions, corporate restructuring, portfolio management, property investment as well as business development.

## DATO' WAN MOHD FADZMI BIN CHE WAN OTHMAN FADZILAH

Age : 52 years  
Nationality : Malaysian  
Gender : Male

**POSITION ON THE BOARD**  
Independent Non-Executive Director

**DATE OF APPOINTMENT  
TO THE BOARD**  
9 March 2018



### MEMBERSHIP OF BOARD COMMITTEES

- Member, Audit and Compliance Committee

### DIRECTORSHIPS OF OTHER PUBLIC COMPANIES AND LISTED ISSUERS

- Hap Seng Consolidated Berhad
- Sumitomo Mitsui Banking Corporation Malaysia Berhad

### SECURITIES HOLDINGS IN THE COMPANY AND ITS SUBSIDIARIES

None as at 30 March 2018

### FAMILY RELATIONSHIP WITH ANY DIRECTOR AND/OR MAJOR SHAREHOLDER

None

### CONFLICT OF INTEREST WITH THE COMPANY

None

### LIST OF CONVICTIONS FOR OFFENCES WITHIN THE PAST 5 YEARS AND PARTICULARS OF ANY PUBLIC SANCTION OR PENALTY IMPOSED BY THE RELEVANT REGULATORY BODIES DURING THE FINANCIAL YEAR

None

### NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

None

### QUALIFICATIONS

- Chartered Banker, Asian Institute of Chartered Bankers
- Bachelor of Construction Economics, RMIT University Australia
- Advanced Management Program, Wharton Business School, University of Pennsylvania, USA
- Senior Executive Finance Program, Templeton College University of Oxford

### WORKING EXPERIENCE AND OCCUPATION

Dato' Wan Mohd Fadzmi has extensive experience in the domestic and international banking industry. During his 22-year career with Malayan Banking Berhad, he was holding various senior management positions including the Chief Executive and Country Heads for the Bank's operations in London, New York and Hong Kong.

He was a Director of global financial banking strategic business group of RHB Bank Berhad from July 2010 to June 2011 before assuming the position as the President/Chief Executive Officer in Bank Pertanian (M) Berhad (Agrobank) from July 2011 to August 2017.



## SENIOR MANAGEMENT



**Mukri Bin Harun**  
Acting Chief Executive Officer, Chemicals



**Dr. Khew Mei Ching**  
Chief Executive Officer, Polymers



**Noor Azwah Binti Samsudin**  
Head, Legal & Secretarial/Group Company Secretary



**Wan Aishah Idris Binti Muhamad Idris**  
Head, Group Risk, Integrity & Assurance



**Nur Melissa Fernandez Abdullah**  
Head, Program and Communication

## Mukri Bin Harun

Age : 50 years  
Nationality : Malaysian  
Gender : Male



### Position

Acting Chief Executive Officer, Chemicals

### Date of Appointment to Key Senior Position

1 January 2018

### Directorships of Public Companies and Listed Issuers

None

### Family Relationship with any Director and/or Major Shareholder

None

### Conflict of Interest with the Company

None

### List of Convictions for Offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year

None

### Qualifications

- Bachelor of Science ( Mechanical Engineering ), Clarkson University, New York USA

### Working Experience and Occupation

Mukri was appointed as Acting Chief Executive Officer on 1 January 2018. Prior to his appointment, Mukri was the Chief Manufacturing Officer of CCM Chemicals Sdn. Bhd. ("CCMC") from February 2015 until December 2017. He was also the General Manager for Manufacturing, Safety, Health & Environment of CCMC from 1 Jan 2010 until 23 February 2015.

Mukri has an extensive experience in chemical process industry and managing safety, health and environment functions in manufacturing industry. He started his career in 1991 with Felda Mills Corporation as Mill Engineer. Thereafter, he joined ICI Industrial Chemicals in 1994 as Plant Engineer where he was involved in managing chemicals bulk terminal and chemicals repacking operations. He was subsequently appointed as General Manager, Manufacturing at CCMC where he was involved in the modernisation and upgrading of Chlor-alkali facilities at Pasir Gudang Works.

## SENIOR MANAGEMENT

### Dr. Khew Mei Ching

Age : 51 years  
Nationality : Malaysian  
Gender : Female



#### Position

Chief Executive Officer, Polymers

#### Date of Appointment to Key Senior Position

1 January 2016

#### Directorships of Public Companies and Listed Issuers

None

#### Family Relationship with any Director and/or Major Shareholder

None

#### Conflict of Interest with the Company

None

#### List of Convictions for Offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year

None

#### Qualifications

- PH.D (Chemistry), University of Malaya
- Bachelor of Technology, University of Science Malaysia

#### Working Experience and Occupation

Mei Ching was appointed as the Chief Executive Officer of CCM Polymers Sdn. Bhd. in April 2015. Prior to her appointment, Mei Ching was the Chief Scientific Officer of CCM Chemicals Sdn. Bhd. since Dec 2009. She was redesignated as Chief Executive Officer, Polymers on 1 January 2016.

Mei Ching has an extensive experience in the field of polymer and manufacturing technology specialising in research and development, plant process and product application. She started her career in 1992 in technical and process at Sumirubber Industries Sdn. Bhd. and subsequently joined WRP Asia Pacific Sdn. Bhd. until 2001. Thereafter, she moved to Synthomer Sdn. Bhd. as Technical Manager where she was involved in the setting up and commissioning of the first nitrile butadiene rubber synthesis plant in Malaysia. She had also worked with the technical team to provide application support to the glove industry in the Asia region. She was subsequently seconded to the Polymer Division as Head of Technology in 2007 involved in new product development and technology transfer of coating, construction and adhesive products.

## Noor Azwah Binti Samsudin

Age : 47 years  
Nationality : Malaysian  
Gender : Female



### Position

Head, Legal & Secretarial/Group Company Secretary

### Date of Appointment to Key Senior Position

8 December 2006

### Directorships of Public Companies and Listed Issuers

None

### Family Relationship with any Director and/or Major Shareholder

None

### Conflict of Interest with the Company

None

### List of Convictions for Offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year

None

### Qualifications

- LLB, University of Sheffield, United Kingdom
- Certificate in Legal Practice, Legal Qualifying Board, Malaysia

### Working Experience and Occupation

Noor Azwah joined CCM as Company Secretary in 2006 and assumed the role of Head, Legal and Secretarial on 1 January 2018. She is the Company Secretary for the CCM Group and is also responsible for the legal and corporate secretarial services of the Group. Prior to her appointment, Noor Azwah has served in the legal and corporate secretarial capacity in the automotive and insurance industries. She is also an affiliate member of the Malaysian Institute of Chartered Secretaries and Administrators.

## SENIOR MANAGEMENT

### Wan Aishah Idris Binti Muhamad Idris

Age : 47 years  
Nationality : Malaysian  
Gender : Female

#### Position

Head, Group Risk, Integrity & Assurance

#### Date of Appointment to Key Senior Position

13 August 2014

#### Directorships of Public Companies and Listed Issuers

None

#### Family Relationship with any Director and/or Major Shareholder

None

#### Conflict of Interest with the Company

None

#### List of Convictions for Offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year

None

#### Qualifications

- BA Accounting & Finance, University of South Wales, United Kingdom
- Association of Certified Chartered Accountants (ACCA)
- Certified Internal Auditor (CIA)



#### Working Experience and Occupation

Wan Aishah Idris joined the Company in August 2014 as the Head of Group Integrity and Assurance to oversee both the Integrity and Internal Audit functions. She is a Certified Internal Auditor, as well as a Certified Integrity Officer (CeIO).

Effective 1 January 2018, her role was expanded with the inclusion of the Group Risk Management function to her portfolio.

She started her career as an accountant/auditor trainee at Grant Thornton, Cardiff, United Kingdom, whilst pursuing her ACCA examinations. Subsequently, she served in the internal audit departments of Malaysia Airlines System Berhad and UEM Group Berhad.

Prior to her appointment at CCM, Wan Aishah Idris was the Head of Group Internal Audit at UEM Group Berhad.

## Nur Melissa Fernandez Abdullah

Age : 45 years  
Nationality : Malaysian  
Gender : Female



### Position

Head, Program and Communication

### Date of Appointment to Key Senior Position

1 January 2018

### Directorships of Public Companies and Listed Issuers

None

### Family Relationship with any Director and/or Major Shareholder

None

### Conflict of Interest with the Company

None

### List of Convictions for Offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year

None

### Qualifications

- Bachelor of Science (Horticulture), Universiti Putra Malaysia
- Masters of Arts, Communication Management, University of South Australia

### Working Experience and Occupation

Melissa joined CCM in 2005 as the Corporate Affairs Manager. She was promoted as General Manager, Corporate Affairs in 2010 and redesignated as Head, Program and Communication in January 2018. She oversees the communications, corporate branding, stakeholder management, Safety, Health and Environment programmes and Operational Excellence initiatives for the Group.

Melissa has 20 years of experience in the marketing and communications field. She started her career in Isetan of Japan in 1997 as Management Trainee and later moved on to Medical Online Sdn. Bhd. in 2001 as Manager, Advertising and Promotions, focusing on promoting the Telehealth project to all the relevant stakeholders. She then joined Damansara Women's Specialist Centre as the Group Business Development Manager in 2003 where she was involved in the initial phase of the Tropicana Medical Centre project and subsequently joined AMB Exhibitions Sdn. Bhd. in 2004 as the AVP, Marketing Communications focusing on trade exhibitions in the Asean region.



# RESILIENT



Resilience is another quality of the honeycomb that is reflected in our organisation. We adapt quickly to external market shifts, realigning our business strategy to focus our efforts on the core areas that we can win and we delivered the results.





# CORPORATE GOVERNANCE OVERVIEW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

This Corporate Governance Overview Statement outlines Chemical Company of Malaysia Berhad (CCM or the Company) and its subsidiaries' (collectively referred to as the Group) approach towards corporate governance, its key focus areas and future priorities. The Group recognises the importance of having instructive corporate governance disclosures which will allow stakeholders to appreciate the direction that the Group is heading towards and how the outcomes of good corporate governance will be delivered.

This Corporate Governance Overview Statement is augmented with a Corporate Governance Report, which provides detailed disclosures on the application of each Practice as codified in the Malaysian Code on Corporate Governance (MCCG). The Corporate Governance Report is available on the Company's website as well as via the announcement made on the website of Bursa Malaysia Securities Berhad.

The Corporate Governance Overview Statement and Corporate Governance Report are made pursuant to paragraph 15.25 of the Main Market Listing Requirements by Bursa Malaysia Securities Berhad (MMLR) and are narrated with reference to the guidance provided in Practice Note 9 of MMLR and the Corporate Governance Guide (3rd Edition) issued by Bursa Malaysia Securities Berhad.

The Corporate Governance Overview Statement should also be read alongside other statements in this Annual Report (e.g. Statement on Risk Management and Internal Controls, Reports on Board Committees and Sustainability Statement) for a holistic understanding of the Group's corporate governance framework and practices.

## Corporate governance approach

Whilst being replete in the Annual Report, it is worth reinforcing that the year 2017 was a monumental year for the Group. The year culminated with the conclusion of the year-long corporate restructuring exercise, which saw the demerger of CCM's largest subsidiary, CCM Duopharma Biotech Berhad (CCMD) from the Group as well as changes in the Company's top leadership. Towards the tail end of the financial year, Puan Nik Fazila binti Nik Mohamed Shihabuddin assumed the role Group Managing Director, succeeding Encik Leonard Ariff bin Abdul Shatar, in line with the succession plan put in place as part of the corporate restructuring exercise. Puan Nik Fazila is tasked to keep up the momentum of delivering the Group's long-term strategic vision.

It is during this transformational period that the Board has renewed its focus and commitment to maintaining a robust and dynamic governance framework that supports the new leadership and drives the long-term sustainability of the Company in its newfound position. The Board recognises that the architecture and implementation of the governance framework is paramount for the effective development of strategy and business plan, the monitoring of Group's performance and the management of risks. Whilst the circumstances of the Group may evolve over time, the Group's overarching governance approach remains consistent and is anchored on the Group's six core values of **Passion, Excellence, Teamwork, Integrity, Responsible** and **Respect**.

The Group's overall corporate governance approach is to:

- Create a purpose and value driven corporate governance framework by promoting individual accountability;
- Humanise governance through the mastery of intersection between rules, processes, ethics and morality; and
- Drive the application of good governance practices in tandem with the value creation process of the Group.

The Board regularly reviews the Group's corporate governance policies and procedures to ensure they reflect the latest curation of thoughts, market dynamics and best practices whilst simultaneously addressing the needs of the Group. In performing its duties, the Board continuously encourages and promotes meaningful and thoughtful application of corporate governance practices in line with established benchmarks. This proved to be a watershed effort during the year as the domestic corporate governance ecosystem was introduced to a series of corporate governance reforms, namely the operationalisation of Companies Act 2016, the release of the latest iteration of MCCG, amendments to MMLR as well as the release of the 3rd edition Corporate Governance Guide by Bursa Malaysia Securities Berhad.

#### Summary of corporate governance practices

In seeking to actualise its corporate governance aspirations, CCM has benchmarked its practices against the relevant promulgations and best practices.

CCM has consistently applied all the Practices espoused by MCCG, save for:

- Practice 6.2 (the establishment of a dedicated remuneration committee);
- Practice 7.2 (the disclosure of top five Senior Management on named basis);
- Practice 11.2 (the adoption of Integrated Reporting); and
- Practice 12.3 (the use of technology to facilitate remote shareholders' participation in general meetings).

In relation to the aforementioned departed Practices, the Company has provided forthcoming, clear and compelling explanations for their non-application. The Board appreciates the line of sight or Intended Outcome outlined in MCCG and has therefore put in place alternative practices, taking into account the Intended Outcomes envisioned by the said Practices of MCCG.

As the Company scales up in size and scope by progressing along its current trajectory, the Board will consider the adoption of the departed Practices as the Company would be better positioned to implement these Practices in substance at that juncture. Whilst CCM does not fall within the ambit of Large Companies<sup>1</sup> as defined by MCCG, the Company has on its own volition disclosed measures that the Company has taken or intends to take to adopt the departed Practices as well as the timeframe for adoption of the departed Practices. Further details on the application of each individual Practice of MCCG are available in the Corporate Governance Report.

<sup>1</sup> Large Companies are companies on the FTSE Bursa Malaysia Top 100 Index; or companies with market capitalisation of RM2 billion and above, at the start of the companies' financial year.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

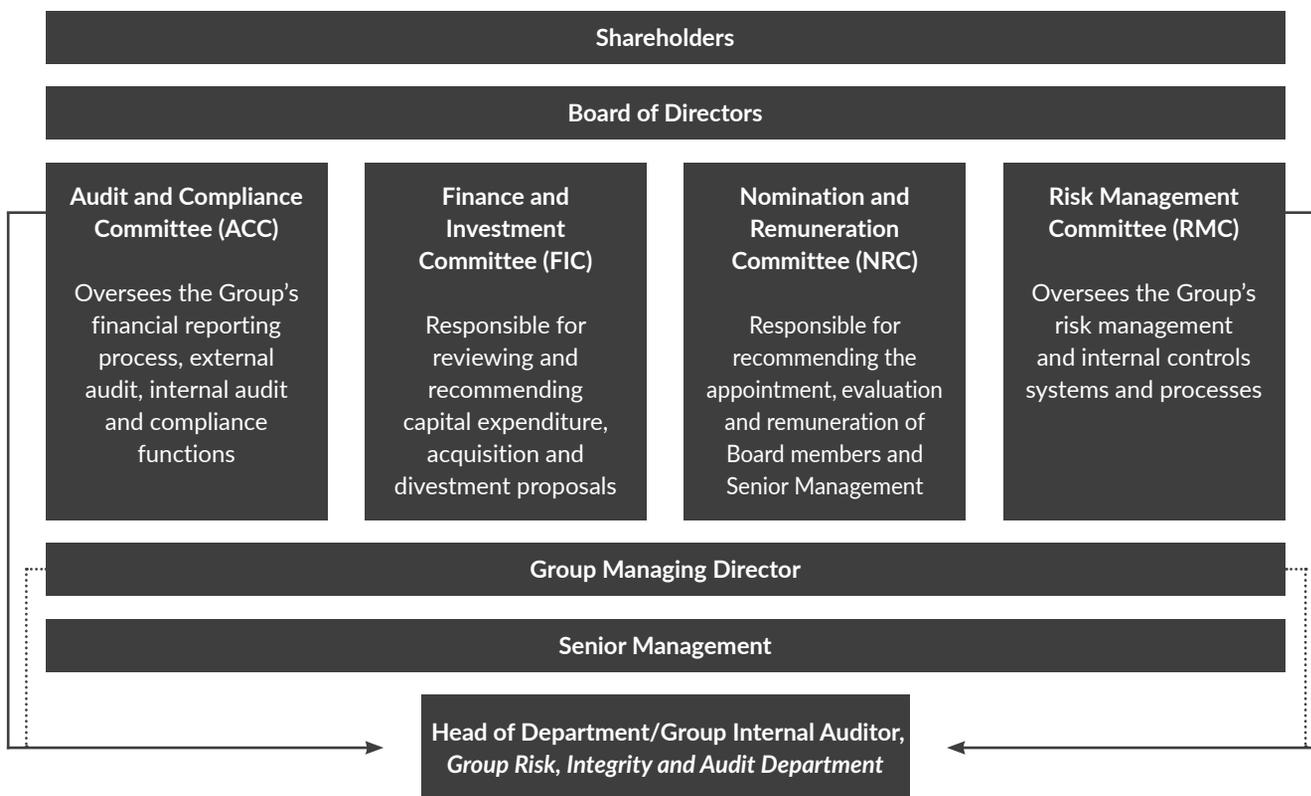
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

A summary of CCM's corporate governance practices with reference to the MCCG is outlined below.

## *Roles and responsibilities of the Board*

In an age where boards are expected to be far-sighted and more vigilant than ever, the Board of CCM assumes an active role in setting the strategic direction and providing leadership for overall direction for the Group. In ensuring the proper management of the affairs of the Group, the Board is cognisant of the need for the Group to operate within a framework of prudent and effective risk management and internal control mechanisms.

Board Committees have been established to assist the Board in its oversight function on specific matters. Whilst oversight of selected responsibility areas is delegated to the Board Committees, the Board nevertheless retains collective oversight and jurisdiction over the Board Committees. The Board Committees reports their activities and findings to the Board and are guided by their respective Terms of Reference.



**Note:**

Upon the conclusion of CCMD's demerger on 28 December 2017, the Group Integrity and Assurance Department (previously headed by the Group Internal Auditor) and the Group Risk Management Department (previously headed by the Group Risk Officer) were combined under a single Group Risk, Integrity and Audit Department.

The Board has formalised a Board Charter which serves as an authoritative document that governs the conduct of the Board, Board Committees and individual Directors. The Board Charter sets out the roles, responsibilities and authority of the Board. The Board has recently undertaken a review of the Board Charter and Terms of Reference of Board Committees during the year to ensure that they remain contemporaneous vis-à-vis latest regulatory developments, stakeholders' expectations and corporate governance best practices.

During the year, the Board and Board Committees have met regularly to deliberate on matters under their purview. Directors have devoted sufficient time to prepare, attend and actively participate during the Board and/or Board Committees meetings. The overarching agenda for the Board during the year was overseeing and supporting Senior Management on the execution of the strategic plan and the corporate restructuring exercise. Accordingly, the Board has deliberated on pertinent issues including the Company's annual business plan, annual budget, significant acquisitions and disposals, financial results as well as key performance indicators. Meeting attendance of individual Directors during the year is outlined below.

Director	Designation	Board	ACC	NRC	RMC	FIC
Dato' Hajah Normala binti Abdul Samad**	NINEC	9/11		7/7	0/0	
Nik Fazila binti Nik Mohamed Shihabuddin****	GMD	0/0				
Khalid bin Sufat	INED	11/11	11/11	7/7		
Dato' Azmi bin Mohd Ali	NINED	11/11			4/4	5/5
Dr. Leong Chik Weng	INED	9/11		6/7		4/5
Dato' Seri Ir. Dr. Zaini bin Ujang***	INED	11/11	0/0		4/4	3/5
Datin Paduka Kartini binti Hj Abdul Manaf	NINED	10/11	10/11	7/7		5/5
Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah*****	INED	0/0	0/0			
Leonard Ariff bin Abdul Shatar*	GMD	10/11				
Tan Sri Datin Paduka Siti Sa'diah binti Sh. Bakir*	INED	10/11	10/11		4/4	
Datuk Nik Moustpha bin Hj Nik Hassan*	INED	11/11	11/11	6/7		

■ Chairman      ■ Member

Notes:

\*Resigned on 28 December 2018 upon completion of CCMD demerger

\*\*Resigned as NRC Member and appointed as RMC Member w.e.f. 28 December 2017

\*\*\*Appointed as ACC Member w.e.f. 28 December 2017

\*\*\*\*Appointed as Group Managing Director w.e.f. 28 December 2017

\*\*\*\*\*Appointed as Board Member and ACC Member w.e.f. 9 March 2018

NINEC	Non-Independent Non-Executive Chairman
GMD	Group Managing Director
INED	Independent Non-Executive Directors
NINED	Non-Independent Non-Executive Directors



## CORPORATE GOVERNANCE OVERVIEW STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

There is a clear separation of roles between the Chairman of the Board and the Group Managing Director to bring about an effective check and balance mechanism. The Group Managing Director as the “Chief of Management” is responsible for the day-to-day business and activities of the Group and implements the strategies, policies and decisions approved by the Board. The Board has also appointed a Senior Independent Director who chairs the NRC and serves as a sounding board to the Chairman and an intermediary for other Directors when necessary.

In performing their duties, the Board is supported by a suitably qualified and competent Company Secretary. The Company Secretary acts a corporate governance counsel and provides the Board with periodic updates on the latest regulatory developments and facilitate the implementation of pertinent corporate governance enumerations. The Company Secretary assists in the agenda setting and disseminates complete and accurate meeting materials to Directors in a timely manner in order to facilitate informed and rigorous Board or Board Committee discussions.

As the Board is the pivot of good governance culture, it continuously strives to set the “tone at the top” and cascade ethical values and standards across every level of the Group. As such, the Board has approved a Code of Conduct to govern employees in their day-to-day professional conduct and decision-making process. As part of a far-reaching effort to promote ethical conduct, a Whistleblowing Policy has also been put in place to allow employees and other stakeholders to raise legitimate concerns without fear of retaliatory actions.

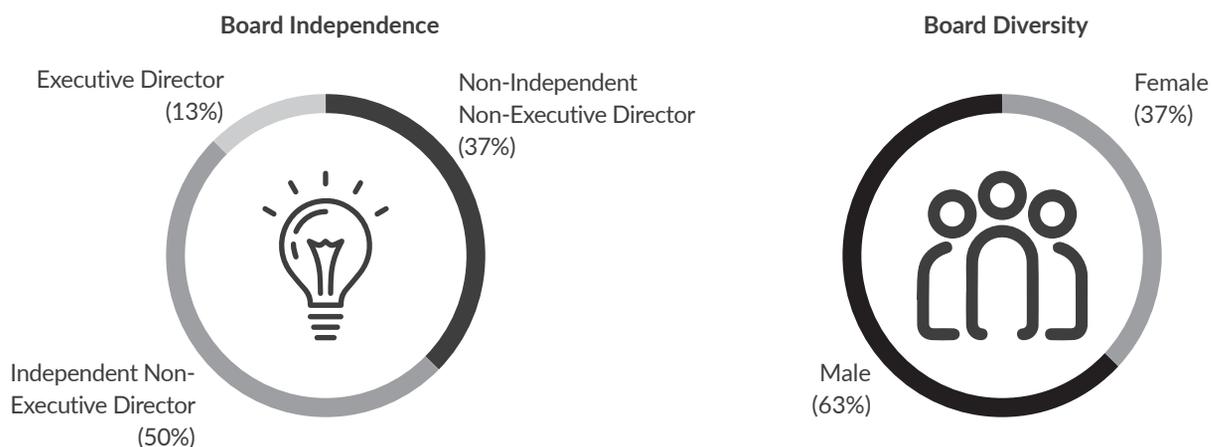
### **Board composition**

In the post-restructuring era of the Company, it is especially imperative for the Board to have an appropriate mix of skills, qualifications and experience that can support the Company’s leadership in driving the long-term vision for the Group. The Board, through the NRC, periodically reviews its composition to dovetail with the strategic trajectory of the Company. The combined skills and expertise of Directors provide a breadth and depth of diverse perspectives that can refine the decision making of the Board in pertinent areas.

CCM also has a long-standing history of constituting a diverse Board in the facet of gender. At present, there are three women Directors out of the eight Board members in aggregate. Taking cue from the policy pronouncement by the government, the Board has now furthered this agenda by codifying a stipulation in the Board Charter which calls for the Board to comprise at least 30% women Directors at any one time. It is also worthwhile to acknowledge that CCM is one of the few listed issuers that have a female Non-Executive Director as the Board Chairman (i.e. only 9 out of the top 300 listed issuers by market capitalisation have female Non-Executive Chairmen)<sup>2</sup>.

A microscopic view of the Board composition is depicted on the following page:

<sup>2</sup> Based on latest available annual reports as at 31 July 2017



Appointments to the Board are made via a formal, rigorous and transparent process. In assessing and recommending candidates for directorships, the NRC is guided by the Group's Board Selection and Nomination Procedure which outlines the skills, experience and attributes required in a candidate. The NRC has additionally engaged independent search firms and consultants in order to diversify its sourcing for potential Directors.

On an annual basis, the Board, Board Committees and individual Directors including Independent Directors are subjected to a rigorous evaluation process that effectively review their performance and assess their effectiveness. The assessment is administered using questionnaires that incorporate both qualitative and quantitative criteria, based on a self and peer rating assessment model.

In addition to the aforementioned evaluation, Independent Directors are also subjected to an annual test of independence, which is based on a set of qualitative evaluation criteria, so as to ascertain their continued objectivity and impartiality. As an additional measure to mitigate the risk of entrenchment, CCM has codified a policy stipulation that limits the cumulative (consecutive or intermittent) tenure of Independent Directors to 9 years. The Board is of the view that such a quantitative measure would bring about the qualitative outcome of "independence in mind".



## CORPORATE GOVERNANCE OVERVIEW STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### **Remuneration**

A fair remuneration package is critical to attract, retain and motivate Directors and Senior Management personnel. Towards this end, the Board has adopted a Remuneration Policy and Procedures to provide a formal and transparent process for setting the remuneration of Directors and Senior Management.

The Board acknowledges that remuneration is a key component in driving talented and high-calibre individuals to run the business successfully. For the Group Managing Director and other Senior Management personnel, the components parts of remuneration are structured so as to link rewards to performance whilst for Non-Executive Directors, the remuneration packages are based on their position in the Board, participation in boardroom activities and specific skills or expertise that they bring to the Board. Based on the recent Report on Non-Executive Directors Remuneration 2017 released by KPMG, it was noted that the Company is one of the pay leaders in the industrial products sector.

The Board, through its NRC, aims to undertake a review on the remuneration of Directors and Senior Management once every three years.

### **Audit Committee**

The Board has established an ACC to provide a robust and comprehensive oversight on the financial reporting, external and internal audit processes as well as compliance matters of the Company. The ACC is chaired by the Senior Independent Director, who is distinct from the Chairman of the Board. The composition of the ACC allows it to possess the financial literacy and business knowledge that are required to have a sound understanding of the financial matters of the Company.

The ACC has unrestricted access to both the internal and external auditors, who, in turn report to the Board through the ACC. The Board has established a formal and transparent arrangements to maintain an appropriate relationship with the external auditor. This includes adopting policies and procedures to assess the suitability and independence of the external auditor on an annual basis. During the year under review, the external auditor has provided assurance that its personnel are and have been independent throughout the conduct of the audit in accordance to the terms of relevant professional and regulatory requirements.

### **Risk management and internal controls**

In order to address risks in an increasingly complex and disruptive global environment, the Board has instituted a stand-alone Risk Management Committee at the Board level to assist in the oversight of existing and emerging risks that are surrounding the Group. A robust risk management and internal control framework that has been established allows the Group to identify, monitor and mitigate key business risks and is thus important in supporting the delivery of long-term value to the Group's stakeholders. The Group's risk management and internal control framework is firmly rooted on the Group's Management and Manual Guidelines, which in turn is aligned to the globally recognised International Organisation for Standardisation (ISO) 31000.

The Group has established an in-house internal audit function (Group Internal Audit) which resides within the Group Risk, Integrity and Audit Department (formerly the Group Integrity and Assurance Department). The Group Internal Audit reports and make recommendations directly to the ACC. The Group Internal Audit is accorded with appropriate standing and authority to enable the discharge of its duties with independence and without undue influence. The Group Internal Audit has unfettered access to the relevant personnel, properties and records within the Group so as to discharge its functions in an unbridled manner.

### ***Communication with stakeholders***

As stewards of the Company, the Board strives to foster a candid and transparent relationship with the stakeholders of the Company. Accordingly, the Board seeks to ensure that there is continuous communication and dissemination of information to stakeholders through a plethora of platforms including the Company's website, announcements to Bursa Malaysia Securities Berhad as well as social media sites. The Company's website contains recent announcements, past and current reports to shareholders, including summaries of key financial data, operational briefing presentations as well as copies of recent notices and summary of minutes of general meetings. During the year in review, CCM's Group Corporate Affairs Department who is responsible for the investor relations function has also supplemented these efforts by actively engaging local and regional shareholders and potential investors through regular briefing sessions.

The Board has adopted a Communication Policy and Corporate Disclosure Policy that govern communication methods between the Group and its stakeholders.

### ***Conduct of general meeting***

The Annual General Meeting (AGM) serves as an invaluable platform for shareholders to engage the Board and Senior Management in a productive dialogue and provide constructive feedback that contributes to the overall betterment of the Group. During the previous AGM, all Directors were present to provide clear and meaningful response to shareholders' questions. The Lead Partner from the external audit firm was also present to answer questions from shareholders relating to the external audit process and outcome.

In order to encourage shareholders' participation, the Board ensures the location of the general meetings is easy to reach or conveniently accessible to shareholders. In addition, shareholders have been provided with 28 days' notice for the upcoming AGM to accord them with adequate time to prepare and ultimately make informed decisions during the AGM. The notice for AGM outlines the resolutions to be tabled during the said meeting and is accompanied with explanatory notes and background information where applicable.

### ***Focus areas during the year***

The events which occurred during the year, namely the corporate restructuring exercise and local regulatory reforms in the area of corporate governance, have necessitated the Board to pay closer attention to its value creation role. The Board played a crucial role in overseeing the demerger of CCMD from its Group and the resulting changes in the Company's leadership. In light of these developments, Directors were expected to devote more time and effort to gain a granular understanding of the complexities and nuances of the Group's business in order to successfully attain the long-term vision for the Group.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

As the Company is also under the close scrutiny of institutional investors, there is no room for neglect in its corporate governance practices. During the year in review, the Board's focus on corporate governance revolved around the following areas:



## Review of corporate governance policies and procedures

In light of the changes in the rich domestic corporate governance tapestry, the Board took the initiative to review and update its existing policies and procedures. More specifically, changes were made to the Board Charter, Terms of Reference for each Board Committee, Policy on External Auditor as well as the instruments that are deployed for the assessment of the Board, Board Committees and individual Directors. The Board has additionally formalised Remuneration Policy and Procedures to govern the process of formulating and administering remuneration packages of Directors and Senior Management personnel.

As these documents serve as guiding literature for the Board, the Board was cognisant to ensure that the changes made reflect the latest regulatory developments, expectations of stakeholders and the evolving operational and strategic circumstances of the Group. The Board has also ensured that the relevant policies and procedures including the Board Charter and Board Committees' Terms of Reference are made accessible on the Company's website.

Premised on the notion of transparency, the Company has on its own volition provided disclosures on the measures that the Company has taken or intends to take to adopt the departed Practices of MCGG as well as the timeframe for adoption of the departed Practices. The Board recognises that this is a positive step which would allow CCM to be placed alongside Large Companies based on the hallmark of transparency.



## Succession planning

During the year in review, the Board oversaw the succession of Puan Nik Fazila binti Nik Mohamed Shihabuddin as Group Managing Director upon the completion of the corporate exercise. The Board is mindful that a seamless succession plan can safeguard the Group's business continuity and retain the confidence of stakeholders. Moving forward, the Board will continue to support Puan Nik Fazila in her new role and in her quest to take the Group to greater heights.

The succession plan put in place as part of the corporate restructuring exercise also sought to ensure that no overlaps between the Board and Senior Management members of CCM and that of CCMD. This serves to ensure there is clear disentanglement in the newly-minted corporate structure.

In line with this plan, Encik Leonard Ariff bin Abdul Shatar, Tan Sri Datin Paduka Siti Sa'diah binti Sh Bakir and Datuk Nik Moustpha bin Haji Nik Hassan stepped down from CCM's Board in order to transit onto CCMD's Board. Tan Sri Datin Paduka Siti Sa'diah assumed the role of Chairman of CCMD whilst Encik Leonard Ariff bin Abdul Shatar was made the Group Managing Director of CCMD.



## Directors' professional development

Directors were provided with opportunities to develop and maintain their skills and knowledge throughout the year. The Group has organised in-house talks and training sessions facilitated by third party experts to keep Directors abreast on the latest market developments that may impact the Group. Additionally, Directors have discretionally exercised their own initiative to request for external trainings, seminars or conferences that enhance their skill sets and knowledge in areas relevant to the Group.

Visits to the Group operational sites were also arranged for Directors in order for them to gain first-hand views of the Group's operations and thus, cultivate a holistic understanding of the Group's business. Such exposures were particularly important as the Group streamlined its business during the year in review, with the chemicals and polymers divisions taking centre-stage as the principal business activities of the Group.

During the year in review, the Directors of CCM have participated the following professional development programmes:

Director	Programme	Date
Dato' Hajah Normala binti Abdul Samad	1. CCM Group Directors and Senior Management Training 2017 on Companies Act 2016: Overview of the changes and how they affect your business.	27 February 2017
	2. CCM Group Directors and Senior Management Training 2017 on Malaysia Global Leadership: Halal Pharmaceuticals & Informed Choice	31 March 2017
	3. CCM Group Directors and Senior Management Training 2017 on The Evolving Rules of Social Media: How to leverage social media to grow your company, engage stakeholders and actually makes sales.	7 April 2017
	4. CCM Group Directors and Senior Management Training 2017 on The Outward Mindset: Leadership and Self Betrayal.	13 July 2017

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Director	Programme	Date
Dato' Azmi bin Mohd Ali	1. Opportunities in the Growing Malaysian Economy	20 January 2017
	2. CCM Group Directors and Senior Management Training 2017 on Companies Act 2016: Overview of the changes and how they affect your business	27 February 2017
	3. IMD Seminar: Value Creation and Business Partnering by Professor Salvatore Cantal, IMD on Value Creation and Business Partnering	1 March 2017
	4. Companies Act 2016 on What Lawyers and Pupils need to know by Norhisham Abd Bahrin	9 March 2017
	5. Global Transformation Forum 2017	22-23 March 2017
	6. CCM Group Directors and Senior Management Training 2017 on Malaysia Global Leadership: Halal Pharmaceuticals & Informed Choice	31 March 2017
	7. Seminar on The New Companies Act 2016 - The Key Issues and Potential Pitfalls for Directors by Mr. Lee Shih, Partner, Dispute Resolution Division, Skrine & Co	12 May 2017
	8. Presented a Career Talk for Universiti Teknologi Mara (UiTM) Law Students at UiTM Shah Alam Building entitled: Building a Career in Corporate Law.	21 June 2017
	9. S P Setia Directors Training on - New Accounting Standards; - Shariah & Ecosystem of Business for S P Setia and - New Malaysian Code on Corporate Governance	10 July 2017
	10. CCM Group Directors and Senior Management Training on The Outward Mindset: Leadership and Self-Betrayal	13 July 2017
	11. Presented Talk for UPM@SME on Entrepreneurship and Business Networking	8 October 2017
Dato' Seri Ir. Dr. Zaini bin Ujang	1. CCM Group Directors and Senior Management Training 2017 on Malaysia Global Leadership: Halal Pharmaceuticals & Informed Choice	31 March 2017
	2. CCM Group Directors and Senior Management Training 2017 on The Evolving Rules of Social Media: How to leverage social media to grow your company, engage stakeholders and actually makes sales.	7 April 2017

Director	Programme	Date
Datin Paduka Kartini binti Hj. Abdul Manaf	1. PNB Investment Series 2017 – Value Creation: Creating A Customer Focus Organisation.	1 March 2017
	2. Anti Money Laundering Seminar for Board of Directors and Senior Management of PNB	21 March 2017
	3. Global Transformation Forum 2017	22-23 March 2017
	4. Management Retreat 2017	27-29 April 2017
	5. Seminar on The New Companies Act 2016 - The Key Issues and Potential Pitfalls for Directors by Mr. Lee Shih, Partner, Dispute Resolution Division, Skrine & Co	12 May 2017
	6. PNB Investment Series 2017 – The Future of Fintech/ Digital Distruption	24 May 2017
	7. CCM Group Directors and Senior Management Training on The Outward Mindset: Leadership and Self-Betrayal	13 July 2017
	8. Corporate Exercise and Asset Pricing in Malaysia	9 August 2017
	9. CCM Group Directors and Senior Management Training on Cyber Security and Digital Transformation	20 September 2017
	10. Talent Value Workshop	5 October 2017
Khalid bin Sufat	1. Fintech & Digital Economy Conference 2017	12 January 2017
	2. MFRS9 – Financial Instrument	29 March 2017
	3. CCM Group Directors and Senior Management Training 2017 on Malaysia Global Leadership: Halal Pharmaceuticals & Informed Choice	31 March 2017
	4. Compliance Forum	18 May 2017
	5. Fintech: Opportunities for FIs	11 July 2017
	6. CCM Group Directors and Senior Management Training on The Outward Mindset: Leadership and Self-Betrayal	13 July 2017
	7. Dialogue: Value Based Intermediation	24 August 2017
	8. Economic Forum	12 September 2017
	9. CCM Group Directors and Senior Management Training on Cyber Security and Digital Transformation	20 September 2017
	10. Anti Money Laundering /Banking Secrecy	31 October 2017
	11. MIA International Accountants Conference	7-8 November 2017
	12. Corporate Governance Programme	13 November 2017
	13. Leveraging Technology for Growth	14 November 2017
	14. Update on Shariah Governance	29 November 2017

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Director	Programme	Date
Dr. Leong Chik Weng	1. CCM Group Directors and Senior Management Training 2017 on The Evolving Rules of Social Media: How to leverage social media to grow your company, engage stakeholders and actually makes sales	7 April 2017
Nik Fazila binti Nik Mohamed Shihabuddin	1. CCM Group Directors and Senior Management Training 2017 on Companies Act 2016: Overview of the changes and how they affect your business.	27 February 2017
	2. Global Transformation Forum	22-23 March 2017
	3. CCM Group Directors and Senior Management Training on The Outward Mindset: Leadership and Self-Betrayal	13 July 2017
	4. Strategic ERM Workshop	23 August 2017
	5. Khazanah Mega Trends	2 & 3 October 2017
Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah	1. Dialog Niaga Agrobank 2017	13 February 2017
	2. Panelist: Dialog Niaga Agrobank	14 February 2017
	3. The Sir John Monash Lecture: "Global Food Security in the 21 <sup>st</sup> Century. A challenge we can meet." By Dr Jim Peacock	23 March 2017
	4. Panelist - Session 3: Roadmaps: Scaling up DFIs for the SDGs	11 May 2017
	5. 40 <sup>TH</sup> ADFIAP Annual Meeting and Conference	11 May 2017
	6. Compliance Conference 2017	18 May 2017
	7. Global Symposium on Microfinance 2017	22 May 2017
	8. Panelist for Scaling Up for Greater Social Impact - Global Symposium on Microfinance	23 May 2017
	9. SDG Business Summit Co-organised by UN Malaysia, SIDC and GCMY	25 May 2017
	10. Conversion Process towards becoming Islamic Financial Institutions	20 September 2017
	11. International CEO Forum 2017	25 October 2017
	12. Islamic Retail Banking Symposium	14 November 2017
	13. Mandatory Accreditation Programme for Board of PLCs	30 January 2018

### Corporate governance priorities (2018 and beyond)

As the Company strive forward in its post-restructuring agenda, the Board will accordingly continue to implement improvement measures in the area of corporate governance. More specifically, the Board has identified the following forward-looking agenda items to propel the Group forward in its corporate governance objectives.

#### *Short and medium term plan (one to three years)*

##### **Risk management framework**

The Board intends to review the prevailing risk management framework with a view of reflecting the rationalised strategic direction of the Group. As the Group continues to streamline its business and accord greater focus on the chemicals and polymers segments as its principal business activities, the Group's risk management framework has to be primed for these changes.

In order to facilitate this process, the Group is seeking to deploy a more data-driven risk reporting mechanism which can support and provide more granular insights for informed decision making. Advanced risk analytics capabilities will enable clearer visibility into the challenges associated with managing the manifold risks in key areas such as operations, regulatory compliance and supply chain.

Moreover, the Board and Risk Management Committee will seek to proactively engage the Executive Risk Management Committee and the Group Risk, Integrity and Audit Department in regular updates and discussions on risk-appetite dialogue so as to reinforce a two-dimensional risk management communication (i.e. top down and bottom-up risk management approach).

##### **Enhancing the Company's website**

The Company's website is an essential and accessible platform for stakeholders, including shareholders and potential investors to obtain information on the Group. As such, the Board is mindful to ensure that the Company's website is updated with the latest developments on the Group and users are able to easily navigate through the website.

In light of the recent changes to the Group, the Company aims to ensure that changes are reflected to capture its recalibrated strategic direction and competitive market positioning.

The Company will also endeavour to harness technological advancements to improve the efficiency at which the general meetings are run and to pave the way for remote shareholders' participation.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### *Long term plan*

#### **Corporate reporting**

Although the Company is not a Large Company and therefore is not subjected to Practice 11.2 of MCGG (i.e. adopting Integrated Reporting), CCM nevertheless wishes to benchmark itself against such a renowned practice. In the long run, the Board intends to undertake a readiness assessment and gauge the necessary measures to transition from CCM's prevailing corporate reporting regime into Integrated Reporting.

CCM has, in the past, consistently incorporated a Sustainability Statement in its annual report. For the next financial year, the Company aims to produce its inaugural Sustainability Report, in accordance to the guidelines outlined in Practice Note 9 of MMLR as well as the Sustainability Guide and Toolkits by Bursa Malaysia Berhad. These developments signal a significant step forward and has positioned CCM on a solid footing to adopt Integrated Reporting.

#### **Board Independence**

CCM has achieved the higher order practice of having at least 50% Independent Directors on the Board with the appointment of Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah on 9 March 2018. The appointment was made with a view to reinforce the objectivity and impartiality of the Board. The Board is confident that, equipped with the counterweight, Directors will be able to encourage, support and motivate each other in paving the way for a sustainable future of the Group.

Notwithstanding, the Board acknowledges that corporate governance is an ongoing process of improvement and elevation. As such, the Board shall continue to assess and implement measures that can safeguard its independence in the long-term whilst simultaneously ensuring it remains dynamic and contemporaneous to the needs of the Company.



# REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE

The Board is pleased to issue the following report of the Audit and Compliance Committee and its activities during the financial year ended 31 December 2017.

## Composition of Audit and Compliance Committee and Meetings

The Audit and Compliance Committee comprises four (4) members, all of whom are Non-Executive Directors.

Following the corporate exercise undertaken by the Group, Tan Sri Datin Paduka Siti Sa'diah binti Sh Bakir and Datuk Nik Moustpha bin Haji Nik Hassan had resigned from the Committee on 28 December 2017. Subsequently, Dato' Seri Ir. Dr Zaini bin Ujang was appointed as a Member of the Committee on even date. On 9 March 2018, the Company has appointed Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah as a new member on the Audit and Compliance Committee.

For 2017, a total of eleven (11) meetings of the Audit and Compliance Committee were held. The status of directorship and attendance record of each of the members during the financial year, were as follows:

Name of Directors and Status	No. of Meetings Attended
Khalid bin Sufat <b>Chairman, Senior Independent Non-Executive Director</b>	11/11
Datin Paduka Kartini binti Hj. Abdul Manaf <b>Member, Non-Independent Non-Executive Director</b>	10/11
Tan Sri Datin Paduka Siti Sa'diah binti Sh. Bakir <b>Member, Independent Non-Executive Director</b> <i>(Resigned w.e.f. 28 December 2017)</i>	10/11
Datuk Nik Moustpha Bin Hj Nik Hassan <b>Member, Independent Non-Executive Director</b> <i>(Resigned w.e.f. 28 December 2017)</i>	11/11
Dato' Seri Ir. Dr. Zaini bin Ujang <b>Member, Independent Non-Executive Director</b> <i>(Appointed w.e.f. 28 December 2017)</i>	0/0
Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah <b>Member, Independent Non-Executive Director</b> <i>(Appointed w.e.f. 9 March 2018)</i>	0/0



# REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE

## SUMMARY OF WORK DONE DURING THE FINANCIAL YEAR

### External Audit

- i) Reviewed the external auditor's audit plan and engagement strategy for the financial year ended 31 December 2017, covering the audit focus area, which also include a review on the IT systems, audit materiality and methodology.
- ii) Reviewed the external auditor's report for the financial year ended 31 December 2016, including matters relating to adjustments arising from the external audit review and adequacy of disclosures, prior to making recommendations to the Board for approval.
- iii) Deliberated on the observations highlighted by the external auditors, and the respective management action plans and status updates.
- iv) Held private meetings and discussions with the external auditors to allow for discussions on matters of concern.
- v) Evaluated the performance and independence of the external auditors and made recommendations to the Board on their re-appointment and audit fees.
- vi) Reviewed the quarterly reports in respect of the results to ensure compliance to the Malaysian Financial Reporting Standards and regulatory requirements and recommended to the Board for subsequent release to Bursa Malaysia.
- vii) Reviewed the notes to the draft announcements of the audited and unaudited financial statements to Bursa Malaysia, to ensure compliance to the regulatory requirements.
- viii) Reviewed the related party transactions entered into by the Group and the disclosure of such transactions in the annual report and circular on recurrent related party transactions; and
- ix) Reviewed the Directors' Statement on Risk Management and Internal Control (SORMIC) for inclusion in the 2017 Annual Report. The SORMIC was supported by the Annual Assurance Statement on Risk Management and Internal Controls, which were signed off by the Group Managing Director.

## Internal Audit

- i) Reviewed the scorecard and status reports of internal audit activities of the Group, on a quarterly basis, to ensure that all planned activities were properly carried out.
- ii) Deliberated on the internal audit reports prepared by the Group Internal Auditor, as well as the agreed Management's action plans and deadlines for implementation. Where necessary, instructed additional actions to be taken by Management in addressing the audit issues.
- iii) Monitored the status of corrective actions taken by Management, on a quarterly basis, to ensure that all audit issues are adequately addressed within the agreed timeline.
- iv) Monitored the status of legal actions taken by the Company on matters relating to debtors, sales tax, employee Industrial Relations matters and major insurance claims.
- v) Ensured the recommended principles and best practices of the Malaysian Code on Corporate Governance are implemented throughout the Group.
- vi) Reviewed and recommended to the Board on special projects/ corporate exercises entered into with Related Party(ies) so as to ensure that the terms are not more favourable to the Related Party(ies) than those generally available to the public and not to the detriment of the minority shareholders' and that they are conducted at arms' length and on normal commercial terms.
- vii) Held private meetings and discussions with the Group Internal Auditor on significant audit and internal control matters.
- viii) Deliberated on the structure of the internal audit function and the dissolution of the Integrity Committee following the demerger of CCMD from CCM.
- ix) Reviewed and approved the 2018 Annual Internal Audit Plan to ensure adequate coverage of the Group's operations.
- x) Reviewed the 2018 budget and Key Performance Indicators of the Group Integrity and Assurance Department; and
- xi) Reviewed and updated the Board on the revised Internal Audit Charter and Management Control Policy.

## Integrity

- i) Reviewed and updated the Board on the 2017- 2019 Organisation Integrity Plan; and
- ii) Deliberated on the special investigation reports prepared by the Group Internal Auditor and provided feedback on the actions taken by the Management on the issues at hand. The progress of the significant cases was monitored until their closure.



# REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE

## STATEMENT ON INTERNAL AUDIT FUNCTION

The Group Integrity & Assurance Department, which conducted all internal audit assignments within the Group, supports the Audit and Compliance Committee by providing an independent, objective assurance and consulting services designed to add value and improve the company's operations.

### (i) Reporting Line

The internal audit function's purpose, authority and responsibilities are stated in the Internal Audit Charter, which is approved by the Audit and Compliance Committee. The Charter also specified the positioning of the internal audit function that reports directly to the Audit and Compliance Committee, to promote independence and enable it to maintain objectivity to render unbiased judgements. The principal responsibility of the internal audit function is to undertake regular and systematic audit assessments on the operations of the CCM Group of Companies so as to provide reasonable assurance that such internal control systems and governance processes are adequate and continue to operate effectively and efficiently in achieving the objectives of the Group.

### (ii) Audit Planning and Work Done

Adopting a risk-based approach after evaluation and assessment of risks at Company and Group level, the Group Integrity & Assurance Department formulated an Annual Audit Plan, which was reviewed and approved by the Audit and Compliance Committee. The scope of the Annual Audit Plan covers all business units and operations of the Company and its subsidiaries.

Group Integrity & Assurance Department adopts the COSO Internal Control Framework in conducting the audit assignments, which covered 5 elements of internal controls, namely:

- Control Environment,
- Risk Assessment,
- Control Activities,
- Information and Communication, and
- Monitoring.

In 2017, the areas under review included:

- IT systems,
- Human Resource,
- Sales and Marketing,
- Procurement,
- Project Management,
- Warehouse and Inventory Management,
- Distribution,
- Governance,
- Operations at the regional offices.

The Internal Audit reports, which included issues and action plans, were presented to and discussed with the Management. Group Integrity & Assurance Department subsequently monitored the implementation of the agreed action plans to ensure satisfactory closure of audit issues. The reports together with follow-up action plans and implementation status were then submitted and presented to the Audit and Compliance Committee for their deliberation and subsequent approval.

In 2017, Group Integrity & Assurance Department together with the Group Risk Department conducted Risk Control Self-Assessment Workshops throughout the Group to enhance the knowledge and understanding amongst the employee on the importance of managing risks by implementing the relevant controls.

(iii) Internal Audit Resources and Cost

All audit assignments conducted in 2017 was carried out by nine (9) auditors. Following the demerger of the CCMD from the CCM Group of Companies on 28 December 2017, the number of auditors remaining at CCM as at 31 December 2017 was three (3). All auditors possess accounting background, and is headed by a qualified Group Internal Auditor.

The total expenditure incurred for Group Integrity & Assurance Department for the financial year ended 31 December 2017, which amongst others included departmental expenditures such as office running expenses, training expenses, travelling expenses, staff remuneration, etc. was RM2.35 million.

#### STATEMENT ON GROUP INTEGRITY FUNCTION

In respect of integrity matters, the Group Integrity & Assurance Department reports to the Integrity Committee. The Integrity Committee is a sub-committee of the Audit & Compliance Committee and was chaired by Datuk Nik Moustpha bin Haji Nik Hassan (Independent Non-Executive Director). Due to the smaller size of the Group following the disposal of Fertilizers Business and demerger of CCMD from CCM, the Committee was dissolved on 25 November 2017. Hence, all related integrity matters are now undertaken to the Audit and Compliance Committee.

The Group Integrity & Assurance is responsible for, amongst others, conducting programmes to further inculcate and enhance integrity in the Group's culture, managing the CCM Whistleblowing hotline and enhancing business practices to further improve governance.

The key activities in 2017 were as follows:

- i) Sharing of CCM Chairman's integrity message and the related cases with all staff during the respective Division's Town Halls in March 2017.
- ii) Validation of the 2017 - 2019 Organisational Integrity Plan by representatives from the Institut Integriti Malaysia (INTEGRITI) and Malaysian Anti-Corruption Commission (MACC) in April 2017.
- iii) Conducting training for Board of Director and Senior Management entitled 'The Outward Mindset: Leadership & Self Betrayal' in July 2017.
- iv) Organising the Annual Integrity Day 2017 in November 2017 in conjunction with the launching of Sahabat Gerakan Revolusi Anti Rasuah (GERAH) by MACC.
- v) Implementation of Integrity Pact with the suppliers of CCM International (Philippines) Inc.



# REPORT OF THE RISK MANAGEMENT COMMITTEE

The Board is pleased to issue the following report on the Risk Management Committee and its activities during the financial year ended 31 December 2017.

## Composition of Risk Management Committee and Meetings

The Risk Management Committee (RMC) comprises three (3) members, all of whom are Non-Executive Directors.

Following the corporate exercise undertaken by the Group, Tan Sri Datin Paduka Siti Sa'diah binti Sh Bakir resigned from the Committee on 28 December 2017 and was replaced by Dato' Hajah Normala binti Abdul Samad on even date.

A total of four (4) meetings were held during the financial year. The status of directorship and attendance record of each of the members are as follows:

Name of Directors and Status	No. of Meetings Held
Dato' Azmi bin Mohd Ali <b>Chairman, Non-Independent Non-Executive Director</b>	4/4
Dato' Seri Ir. Dr. Zaini bin Ujang <b>Member, Independent Non-Executive Director</b>	4/4
Tan Sri Datin Paduka Siti Sa'diah binti Sh Bakir <b>Member, Independent Non-Executive Director</b> <i>(Resigned w.e.f 28 December 2017)</i>	4/4
Dato' Hajah Normala binti Abdul Samad <b>Member, Non-Independent Non-Executive Chairman</b> <i>(Appointed w.e.f. 28 December 2017)</i>	0/0

## ACTIVITIES DURING THE YEAR

### Risk Reporting

Quarterly reports to RMC highlighting the Group's Risk Profile to enable Board and Management to focus on, appraise and consider key risks affecting the Group's businesses and operations and the system of internal control necessary to manage and mitigate such risks. The RMC reviewed the top risks for the Group and its business divisions. The reports highlight the movements of risk ratings as well as the progress of treatment plans that were identified to mitigate the risks.

The top risks for 2017 are in the following areas:

1. Operational Risk

The management of the operational risk (such as those relating to health and safety, production, distribution, compliance) is closely monitored by respective Risk Owners, with risk mitigation plans proposed and implemented. Continuous Risk and Control Self-Assessment (RCSA) activities are conducted in all Divisions to create a risk-awareness culture, which will ensure greater understanding of the importance of risk management and ensure that its principles are embedded in key operational processes. The RCSAs provide reasonable assurance that all risks are identified and addressed. In total seven (7) RCSAs were conducted which covers all Divisions; Pharmaceuticals, Chemicals and Polymers.

Chemical facilities are inherently complex with various hazards. These risks are closely managed through the implementation of Safety, Health and Environment (SHE) programmes. In respect of this, Chemicals Division presented to the RMC a study on Environmental and Safety as well as pertinent risk issues and SHE initiatives undertaken in protecting all CCM's businesses/ sites from potential disaster.

2. Project Risk

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

3. Competition Risk

The Group continue to review current business status against its competitors and market. Strategies are developed, reviewed and updated to ensure its relevance in maintaining CCM's competitive position. These strategies are explained in the Group Managing Director's Management and Analysis.

4. Financial and Liquidity Risk

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

5. Culture Building

Risk management culture is continuously inculcated throughout the organisation through continuous monitoring and planned risk review sessions by Group Risk Management. A Risk Awareness Campaign was conducted throughout the CCM Group to increase the awareness on Risk Management; and seven (7) RCSA activities were carried out in 2017 to ensure the application of Enterprise Risk Management (ERM) in day-to-day business operations.



## REPORT OF THE RISK MANAGEMENT COMMITTEE

### 6. Emerging Risk Monitoring

Assessment and monitoring of emerging risk was started in April 2016 as part of our commitment towards proactively strengthening controls in the changing business climate. Seventeen emerging risks were taken from Global Risk Report 2016. The report is based on the annual Global Risks Perception Survey, completed by almost 750 members of the World Economic Forum's global multi-stakeholder community. News and reports of the selected risks were tracked weekly and mapped against the proximity to CCM and frequency of occurrence. This assessment highlights the emerging risks that may have impact on the Group's businesses and operations to enable Management to proactively develop internal control necessary to manage these risks. The emerging risk that had been identified to have potential impact on the Group are 'Water Crisis' by Pharmaceuticals Division and 'Cyber Attack' by IT department in Berhad. Controls have been developed to mitigate these risks.

### 7. Review on Specified Matters

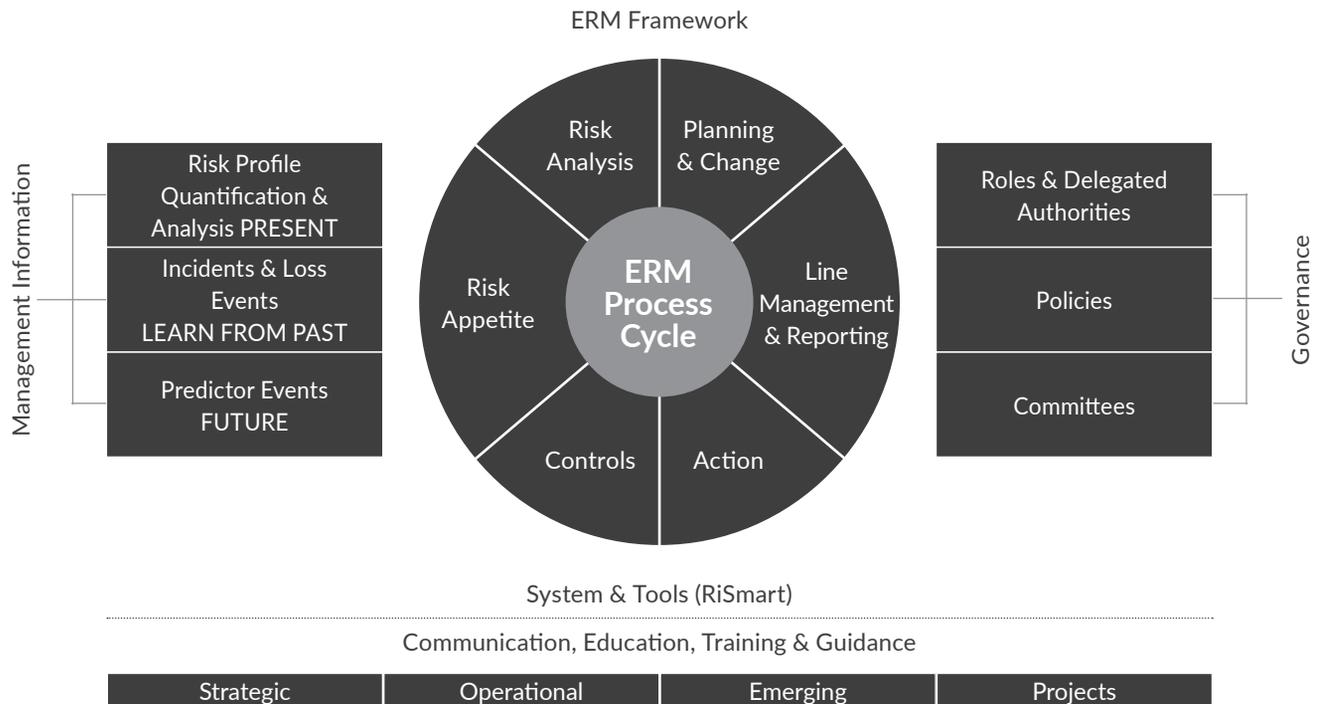
Group Risk Management had initiated review of the current state of CCM Group's Network Infrastructure and penetration test on the entire network infrastructure to benchmark against industry best practice and to counter / mitigate any potential risks that may arise.

In addition, Group Risk Management had also reviewed specified matters on CCM Fertilizers Sdn. Bhd. in relation to the rehabilitation work and Stack Demolition at the Shah Alam plant.

## RISK MANAGEMENT FUNCTION

The Group's Risk Management Committee (RMC) is supported by an in-house risk management function i.e. Group Risk Management (GRM). GRM provides risk advisory and supports various Boards, Executive and Division Risk Committees in the Group on all matters of Enterprise Risk Management (ERM).

The ERM framework defines the policy and objectives and sets the risk reporting structure. The framework structure includes risk profiling of current and historical risk information to anticipate probable future exposures. The framework ties into the Group's governance policies and guidelines via deliberations at various risk committees. The framework operates within the context of Strategic, Operational, Emerging and Project risks categories.



The RMC receives reports from the Executive Risk Management Committee (ERMC) which is chaired by the Group Managing Director and comprises Senior Management of the Group. The ERMC is assisted by the Divisional Risk Committees whose role is to identify, mitigate and manage risks within their businesses. The ERMC retains the overall risk governance responsibility and risk oversight of the Group and its subsidiaries. The ERM structure is summarised below:

**Enterprise Risk Management Reporting Structure**



# REPORT OF THE RISK MANAGEMENT COMMITTEE

The Group adopts ISO 31000 guidelines in its risk management processes, whereby the Group has established its external and internal context for its risk management activities, and conducted risk identification, analysis, evaluation and treatment, with continuous monitoring, review, communication and consultation. Risks events are analysed in terms of its likelihood of occurrence and significance of their consequences, where an approved Risk Matrix is used to ensure consistent practice throughout the Group.

Risk Matrix

		CONSEQUENCES 				
LIKELIHOOD 	High	High High	Extreme	Extreme	Extreme	
	Moderate	High	High High	Extreme	Extreme	
	Minor	Moderate	High	High High	Extreme	
	Trivial	Moderate	Moderate	High	High High	
	Trivial	Minor	Moderate	High	High High	



# REPORT OF THE NOMINATION AND REMUNERATION COMMITTEE

The Board is pleased to issue the following report on the Nomination and Remuneration Committee and its activities during the financial year ended 31 December 2017.

## Composition of Nomination and Remuneration Committee

During the year, the Nomination and Remuneration Committee comprises five (5) members, all of whom are Non-Executive Directors.

Following the corporate exercise undertaken by the Group, Dato' Hajah Normala binti Abdul Samad and Datuk Nik Moustpha bin Hj Nik Hassan had resigned from the Committee on 28 December 2017. As a result, the current Committee composition consist of three (3) members.

A total of seven (7) meetings were held during the year. The attendance record of each member during the financial year are as follows:

Name of Directors and Status	No. of Meetings Attended
Khalid bin Sufat Chairman, Senior Independent Non-Executive Director	7/7
Dr. Leong Chik Weng Member, Independent Non-Executive Director	6/7
Datin Paduka Kartini binti Hj. Abdul Manaf Member, Non-Independent Non-Executive Director	7/7
Dato' Hajah Normala binti Abdul Samad Member, Non-Independent Non-Executive Director <i>Resigned with effect from 28 December 2017</i>	7/7
Datuk Nik Moustpha bin Hj Nik Hassan Member, Independent Non-Executive Director <i>Resigned with effect from 28 December 2017</i>	6/7

## ACTIVITIES DURING THE FINANCIAL YEAR

During the year, the Committee:

- (i) Reviewed the result of the Board Effectiveness Assessment of the Board of Directors and Committees of the Board which included the Audit and Compliance Committee, Risk Management Committee and Finance and Investment Committee, and recommended improvement plans.
- (ii) Recommended for approval of the Board the appointment of new Directors within the CCM Group.



## REPORT OF THE NOMINATION AND REMUNERATION COMMITTEE

- (iii) Reviewed and recommended for Board approval the composition and the remuneration for the Board sub-committee of CCM Group.
- (iv) Reviewed and recommended for Board approval on Directors casual vacancy and retirement by rotation.
- (v) Ensured that all Directors received appropriate continuous training programmes in order to keep abreast with developments in the relevant industry and with changes in the relevant statutory and regulatory requirements.
- (vi) Reviewed and made recommendation to the Board on the policy of allowing executives of the Company / Group to be appointed to board of other listed entities.
- (vii) Reviewed and recommended for Board approval the Group's Policy on Promotion Increment Quantum.
- (viii) Reviewed and recommended for approval of the Board the appointment, renewal of contracts of service or promotions and the remuneration package of Group Managing Director and Key Responsible Persons of the Group, where appropriate.
- (ix) Reviewed and recommended for Board approval the Group's Key Performance Indicators for 2017.
- (x) Reviewed and recommended for Board approval the establishment of KPIs for the Group Managing Director.
- (xi) Reviewed and recommended for Board approval the bonus and salary review of Group Managing Director and Key Responsible Persons of the Group.
- (xii) Reviewed and recommended for Board approval, the Performance Discretionary Bonus for the Group Managing Director for financial year 2016.
- (xiii) Reviewed and recommended for Board approval the annual global salary review, bonus and incentive package for employees of the Group.
- (xiv) Reviewed and recommended for Board approval the proposed reorganisation of the Group.
- (xv) Reviewed and recommended for Board approval the employees severance package and implementation of the same for certain companies within the Group.
- (xvi) Reviewed the analysis on Benefits-in-Kind for the Group.
- (xvii) Reviewed and recommended for Board approval changes to the Group's Leave Policy.
- (xviii) Reviewed and recommended for Board approval the proposed immediate action plans in optimising the size of staff force at Head Office.
- (xix) Reviewed and recommended the redeployment package for employees of the Company.
- (xx) Reviewed and recommended the proposal for ex-gratia payment in-lieu of discretionary bonus and employees assistance programme, as part of the severance package for certain companies within the Group.
- (xxi) Considered other matters as referred by the Board.



# REPORT OF THE FINANCE AND INVESTMENT COMMITTEE

The Board is pleased to issue the following report on the Finance and Investment Committee and its activities during the financial year ended 31 December 2017.

## Composition of the Finance and investment Committee and Meetings

The Finance and Investment Committee comprises four (4) members, all of whom are Non-Executive Directors.

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

Name of Directors and Status	No. of Meetings Attended
Dr. Leong Chik Weng Chairman, Independent Non-Executive Director	4/5
Dato' Seri Ir. Dr Zaini bin Ujang Member, Independent Non-Executive Director	3/5
Dato' Azmi bin Mohd Ali Member, Non-Independent Non-Executive Director	5/5
Datin Paduka Kartini binti Hj Abdul Manaf Member, Non-Independent Non-Executive Director	5/5

## ACTIVITIES DURING THE FINANCIAL YEAR

During the year, the Committee reviewed, approved and recommended to the Board of Directors the following:

- (i) Operational plan and budget for the year.
- (ii) Business reviews and implementation of strategic plans, directions and internal corporate restructuring.
- (iii) Expenditures and investment proposals in relation to new equipment, machine replacements and refurbishments, office renovations and construction of related plant facilities as well as new projects undertaken within the Group.
- (iv) Acquisition and disposal of the Group's interests, assets and properties.
- (v) Funding requests by entities within the Group.



## REPORT OF THE FINANCE AND INVESTMENT COMMITTEE

- (vi) Investments, divestment and collaboration opportunities.
- (vii) Appointment of advisors and consultants.
- (viii) Any other matters as referred to by the Board.

The Committee also monitored the progress of investment proposals, capital expenditures and projects approved by the Board of Directors during the year.

In addition, the Committee also reviewed the post-Expenditure Review of the investment proposals, capital expenditures and projects approved by the Board of Directors at least one year upon commencement of the projects.



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## RESPONSIBILITY

The Board is responsible for the review of the adequacy and effectiveness of the Group's system of risk management and internal controls, which include financial, operational and compliance controls. It should be appreciated that, however effective a system is, it can only provide reasonable and not absolute assurance against material misstatement, loss or fraud. It should be further noted that such a system is designed to manage and mitigate, rather than eliminate, the risks of failure to achieve its business objectives and strategies.

The risk management and control processes are implemented by the Management, led by the Group Managing Director and Senior Management of the Group, who collectively are responsible for good business practices and governance.

## RISK MANAGEMENT

The Board confirms that as an integral part of the system of internal control, there is an ongoing group-wide risk management process for identifying, evaluating and managing the significant risks faced by the Group. Risk management is practised within the Group on an iterative basis. All new and major investments have to observe a process approval that includes an assessment of the associated risks. During the year under review, the Group has adopted a Risk Management Manual and Guidelines, which is based on ISO 31000, premised on international guideline for managing risk, to ensure that risk management process is consistent across the Group.

The line functions within the organisation structure – including the monitoring and assurance functions – provide the necessary support to the Board of Directors in ensuring the effectiveness of the Group's risk management framework. Responsibilities are allocated to the respective functions to enable the Group to have adequate lines of defence in managing its risk.

In managing risk, the Group's three (3) lines of defence are:

1. The first line of defence are functions and businesses that own and manage the risk;
2. The second line of defence are functions that specialises in risk management and compliance; and
3. The third line of defence are functions that provide the independent assurance on the effectiveness of the risk management processes, namely the internal audit function.

Risk owners across the business divisions of the Group (who are the first line of defence in risk management) define, highlight, report on and manage a variety of risks, including business and operational risks anticipated by them, and the process is subjected to regular review by the Board. The Group has an Executive Risk Management Committee which is chaired by the Group Managing Director and comprises Senior Management of the Group, to provide oversight and added impetus to the risk management process.



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Management from all Business Divisions or major departments conducted risk assessments to identify the risks relating to their areas of supervision and control, analysed the likelihood of these risks occurring and the consequences if they do occur and evaluated the risk level by comparing against the approved risk criteria, as well as determined the actions being and/or to be taken to manage these risks to an acceptable level. The risk profiles and risk treatment measures determined from this process are documented in risk registers with each business or operations area having its respective risk register. The overall process is facilitated by the Group Risk Management Department which is dedicated to this role.

The Management has put in place internal controls to ensure that the Company's objectives are achieved through adequate mitigation of the identified risks.

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

The Board, through the Audit and Compliance Committee, had approved a Management Control Policy which dictates the responsibilities of the Audit and Compliance Committee, the Management and the Internal Audit function with regards to internal controls.

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

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

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

The key elements of the Group's system of internal controls are described below:

#### Board Committees

The delegation of responsibilities to the various committees of the Board of Directors is clearly defined. At present, the committees which are established are the Audit and Compliance Committee, Nomination and Remuneration Committee, Finance and Investment Committee and Risk Management Committee. There is also an Integrity Committee, which is chaired by a member of the Board, who reports to the Audit and Compliance Committee.

## **Assignment of Authority and Responsibility**

Clearly defined lines of authority within a divisionalised organisation structure have been established to facilitate the supervision and monitoring of conduct and operations of individual business units and support services departments. The Board has approved a defined and documented Limits of Authority (LOA) which is used consistently throughout the Group. These LOAs specify clear division and delegation of responsibilities from the Board to the Board Committees and to members of Management and the authorisation levels of various aspects of operations. These are regularly reviewed and updated to resolve operational effectiveness and challenges and to reflect changing risks. Additionally, the Group has a Project Review Committee to provide added assurance to the Finance and Investment Committee in the feasibility evaluation of project/investment proposals and subsequent evaluation of the progress and results of endorsed project/investment through a process of due scrutiny. The Project Review Committee is chaired by the Group Managing Director and members include the Group Senior Management.

## **Planning, Monitoring & Reporting**

The Group undertakes a strategic and budgeting planning process annually, to establish plans and targets against which performance is monitored. These business plan and budgets are subjected to evaluation and assessment by the Senior Management Group and the Finance and Investment Committee before it is recommended to the Board for approval. Monthly review is carried out by the Divisions and Group Management Committee to ensure that the businesses are operating according to the plans, as well as to monitor adherence to the internal control procedures established. Quarterly financial and operational reports are tabled and presented to the Board providing financial information including key performance and risk indicators. The information is reviewed by the Audit and Compliance Committee before it is presented to the Board for consideration and approval.

## **Policies & Procedures**

There are policies and procedures in place to ensure adequacy of controls, and compliance with relevant law and regulations. These policies and procedures are periodically reviewed and updated to reflect changes in business structure and processes. In various instances, these documents form an integral part of the Integrated Quality Management Systems ("IQMS"). Chemical Company of Malaysia Berhad (CCM) IQMS is ISO 9001, 14001 and OHSAS18001 certified namely by Bureau Veritas. Certain companies within the Group have ISO 9001:2008 and MS 49:1994 accreditations for operational purposes. These certifications demonstrate our ongoing commitment to drive for excellence and continuous quality improvement.

The Group has implemented Enterprise Resource Planning System (SAP) across its key business activities namely its Pharmaceutical Business, Chemicals Business, Polymers Business and the regional entities (covering 3 countries) and the holding company, CCM Berhad. This is part of the Group's initiative to establish best practices across key business functions promoting greater visibility, transparency and efficiency.

The Board has received assurance from the Group Managing Director who also assumed the role of Chief Financial Officer, on the adequacy and effectiveness of controls in the business processes.



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### Business Continuity Management (“BCM”)

A framework on BCM has been established to ensure continuity of business in the event of a disaster. Recognising the diverse nature of risk and business within the Group, BCM in the Group is a business-owned and business-driven process that establishes a fit-for-purpose strategic and operational framework to proactively improve the business resilience against the crisis and its ability to achieve its key objectives.

The framework includes a Crisis Management component at Group level which provides a rehearsed method of restoring the Group's ability to supply its key products and services to an agreed or acceptable level within an agreed time after a crisis. Processes within the framework also support the objective of protecting the Group's reputation and brand and adds to the overall assurance of achieving the strategic objectives of the Group.

As part of the continuous BCM process, the Group also has a Succession Planning Framework for key positions; which amongst others includes structured plans to improve the Group's bench strength in key positions, talent identification and retention, and strengthening the process in performance management.

### Code of Conduct and Core Values

The Senior Management sets the tone for an effective control environment and culture within the Group through the Group's mission, vision and core values. The Group developed its key pillars for all CCM employees to embrace on, based on the below six (6) core value tenets:

- Passion – Inspire and energise to be the best
- Excellence – consistently deliver outstanding performance
- Teamwork – work as one
- Integrity – being honest and ethical
- Responsible – being accountable for our actions
- Respect – value differences

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

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

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

## **Corporate Integrity Pledge**

In May 2014, the Company signed the Corporate Integrity Pledge with the Malaysian Anti-Corruption Commission (MACC) to mark its commitment to enhance corporate governance, accountability and transparency in all aspects of the business operations in the CCM Group.

By signing the pledge, CCM is making a unilateral declaration that it will not commit corrupt acts, will work towards creating a business environment that is free from corruption and will uphold the Anti-Corruption Principles for Corporations in Malaysia in the conduct of its business and in its interactions with its business partners and the Government.

## **Human Resource Management**

Key Performance Indicators are used to measure the achievement of staff in achieving the business and operational objectives. To enhance the competencies of the Group's talent pool, staff are kept updated with required training programmes ensuring their capabilities to carry out duties and responsibilities towards achieving the Group's objectives.

In order to ensure unsatisfactory performance and/or workplace conflicts are properly dealt with, the Group has in place guidelines for handling misconduct and disciplinary matters which include breach of integrity and other misconduct which do not comply with the terms and conditions of service whether expressed or implied.

## **Group Risk Management**

The Group Risk Management Department, which provides the second line of defence, maintains regular communication and consultation with management and also facilitates risk analysis including those relating to strategic business objectives, operational initiatives and emerging issues in the Group. It also conducts periodic follow-up in the updating of risk profiles and the implementation of risk treatment measures by management.

## **Internal Audit**

The Group Internal Audit (GIA) function is the third line of defence that independently reviews the adequacy and integrity of the system of internal controls in managing the key risks, and reports accordingly to the Audit and Compliance Committee of the Board on a quarterly basis. Where weaknesses have been identified as a result of the reviews, improvement measures are recommended to strengthen controls; and follow-up audits are conducted by GIA to assess the status of implementation thereof by management. In carrying out its work, GIA focuses on areas of priority as directed and approved by the Audit and Compliance Committee of the Board.

The Board remains committed towards maintaining a sound system of internal controls and believe that a balanced achievement of the Group's business objectives and operational efficiency can be attained. The Group continues to take measures to further strengthen the internal control environment.



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## BOARD'S ASSESSMENT

The Board is of the view that the Company's overall risk management and internal control system is operating adequately and effectively, in all material aspects, and have received the same assurance from the Group Managing Director who also assumed the role of Chief Financial Officer of the Company.

The Board confirms that the risk management process in identifying, evaluating and managing significant risks faced by the Group has been in place throughout 2017 up to the date of approval of this statement.

For the financial year 2017, the Board is of the view that the system of internal controls was adequate and effective and, has not resulted in any material loss, contingency or uncertainty that would require disclosure in the Annual Report 2017.

## REVIEW OF STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide (AAPG) 3 (previously, Recommended Practice Guide (RPG) 5 (Revised 2015)), *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants (MIA) for inclusion in the annual report of the Group for the year ended 31 December 2017, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

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

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The statement has been approved by the Board of Directors at its meeting on 15 March 2018.



# OTHER DISCLOSURES

## UTILISATION OF PROCEED FROM CORPORATE PROPOSALS (If any)

The Company had raised a total of RM60.1 million under a placement exercise which was completed on 13 October 2017. The utilisation of the proceed from the placement exercise was as follow:

	Actual Utilisation (RM'million)
Partial repayment of bank borrowings	(32.5)
Partial payment for acquisition of minority interests in CCM Chemicals Sdn. Bhd.	(24.1)
Defrayment of expenses related to the proposal	(1.0)
TOTAL	(57.6)

## AUDIT AND NON-AUDIT FEES FOR SERVICES RENDERED TO THE LISTED ISSUER OR ITS SUBSIDIARIES FOR THE FINANCIAL YEAR

During the year ended 31 December 2017, the following amount have been paid or payable to the auditors of the Company and Group for work performed:

	Audit Work (RM)	Non-Audit Work (RM)
Company level	86,000	65,000
Group level	673,000	122,000

## MATERIAL CONTRACTS INVOLVING INTERESTS OF DIRECTORS, CHIEF EXECUTIVE OFFICER WHO IS NOT A DIRECTOR OR MAJOR SHAREHOLDER

There was no other material contract entered into by the CCM Group during the two (2) years immediately preceding the date of this Annual Report, other than contracts entered into in the ordinary course of business:

- (a) Debt Settlement Agreement ("DSA") dated 11 August 2017 entered into between CCM and CCM Marketing Sdn Bhd ("CCMM"), a wholly owned subsidiary of CCM. Upon the fulfillment of all the conditions precedent of the DSA, the transfer of 204,665,784 CCM Duopharma Biotech Berhad shares from CCMM to CCM arising from the DSA pursuant to the Internal Reorganisation exercise was completed on 25 September 2017.
- (b) Sale of Shares Agreement dated 19 September 2017 entered into by CCM with the following parties, in relation to the Proposed Acquisitions of:
  - (i) 10% equity interest in CCM Chemicals Sdn Bhd from Lanjut Setia Sdn Bhd ("Proposed Acquisition 1"); and
  - (ii) 10% equity interest in CCM Chemicals Sdn Bhd from Permodalan Nasional Berhad ("Proposed Acquisition 2")



## OTHER DISCLOSURES

for a total purchase consideration of RM40,000,000. Save for the Interested Directors namely Dato' Hajah Normala binti Abdul Samad, Dato' Azmi bin Mohd Ali, Dato' Seri Ir. Dr. Zaini bin Ujang and Datin Paduka Kartini binti Hj Abd Manaf who are the directors nominated by Permodalan Nasional Berhad ("PNB") and PNB as the major shareholder of CCM, none of the directors or major shareholders of CCM or any persons connected to them have any interest, direct or indirect, in the Proposed Acquisition 2.

The Proposed Acquisitions were completed on 24 November 2017. As a result, CCM Chemicals Sdn Bhd is now a wholly-owned subsidiary of the Company.

### MATERIAL LITIGATION, CLAIMS OR ARBITRATION

Save as disclosed below, neither CCM nor any of its subsidiaries are engaged in any material litigation, claims or arbitration proceedings, either as plaintiff or defendant, which will have a material effect on the financial position of the CCM Group and the Board is not aware of any proceedings pending or threatened against CCM and/or its subsidiaries or any facts likely to give rise to any proceedings which might materially affect the financial position and business of the CCM Group.

- a) PT CCM Indonesia, a subsidiary of CCM, had on 23 September 2014 submitted five (5) letters of appeal to the Indonesian Tax Court against the objection decisions of the Director-General of Tax, Indonesia on several tax adjustments/ corrections made by the tax auditor totalling IDR36.1 billion (or equivalent to RM9.7 million) in aggregate. The appeals have been heard and are now pending decision by the Indonesian Tax Court.

### REVALUATION POLICY OF LANDED PROPERTY

Land & Buildings are stated at cost or Director's valuation based on open market valuations by professional firms of valuer less accumulated depreciation. Additions to land and buildings subsequent to the valuations are stated at cost.

### RECURRENT RELATED PARTY TRANSACTION OF A REVENUE OR TRADING NATURE

At an Annual General Meeting (AGM) held on 24 May 2017, the Company obtained the 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 24 May 2017 until the conclusion at the forthcoming AGM of the Group. The disclosure of the recurrent related party transactions conducted during the financial period ended 31 December 2017 is set out on page 206 of the Annual Report.

# DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

Amounts in RM'000 unless otherwise stated

The Directors of Chemical Company of Malaysia Berhad have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017. This report and the financial statements will be presented to the shareholders at the Annual General Meeting to be held on 31 May 2018.

## PRINCIPAL ACTIVITIES

Chemical Company of Malaysia Berhad is an investment holding and management company with subsidiaries engaged in the manufacturing and marketing of chemicals, polymers and pharmaceuticals products and services as stated in Note 6 to the financial statements.

On 28 December 2017, the Group completed the demerger of CCM Duopharma Biotech Berhad where the pharmaceutical operations were demerged from the Group. Moving forward the Group will focus on chemical and polymer operations. Details of the demerger are set out in Note 32 to the financial statements. Other than mentioned above, there were no other significant changes in the principal activities of the Group.

## ULTIMATE HOLDING COMPANY

The Company is a subsidiary of Permodalan Nasional Berhad ("PNB"), of which is incorporated in Malaysia and regarded by the Directors as the Company's ultimate holding company, during the financial year and until the date of this report.

## RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	25,919	6,583
Non-controlling interests	13,899	-
	39,818	6,583

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.



## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

### DIVIDENDS

Since the end of the previous financial year, the Company paid a first interim ordinary dividend of 2.50 sen per ordinary share totalling RM11,365,797 in respect of the financial year ended 31 December 2017 on 1 June 2017.

The Directors do not recommend any final dividend to be paid for the financial year ended 31 December 2017.

### DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this report are:

Dato' Hajah Normala bt Abdul Samad, Chairman  
Nik Fazila binti Nik Mohamed Shihabuddin, Group Managing Director (Appointed on 28 December 2017)  
Dato' Azmi bin Mohd. Ali  
Khalid bin Sufat  
Dr. Leong Chik Weng  
Datin Paduka Kartini bt Hj Abdul Manaf  
Dato' Seri Ir. Dr. Zaini bin Ujang  
Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah (Appointed on 9 March 2018)  
Tan Sri Datin Paduka Siti Sa'diah bt Sh Bakir (Resigned on 28 December 2017)  
Datuk Nik Moustpha bin Hj Nik Hassan (Resigned on 28 December 2017)  
Leonard Ariff bin Abdul Shatar, Group Managing Director (Resigned on 28 December 2017)

### DIRECTORS' INTERESTS IN SHARES

None of the Directors holding office at 31 December 2017 had any interest in the ordinary shares and options of the Company and of its related companies during the financial year.

### DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued 45,463,186 new ordinary shares at RM1.32 per ordinary share via a private placement to eligible investors for a total cash consideration of RM60 million. Subsequently, the Company consolidated 503,093,042 cumulative number of shares, on 3 to 1 basis, into 167,695,988 new ordinary shares.

There were no other changes in the issued and paid-up capital of the Company during the financial year. There were no debentures issued during the financial year.

## TREASURY SHARES

During the financial year, the Company has disposed of a total of 2,998,000 treasury shares with a total consideration received of RM4.56 million.

The treasury shares are being disposed in accordance with Section 127 (7)(b) of the Companies Act 2016 and further relevant details are disclosed in Note 14 to the financial statements.

## OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

## INDEMNITY AND INSURANCE COSTS

During the financial year, Directors and Officers of Chemical Company of Malaysia Berhad, together with its subsidiaries, are covered under the Directors' and Officers' Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the policy. The total amount of Directors' Officers' Liability Insurance effected for the Directors and Officers of the Group was RM50 million. The total amount of premium paid for the Directors' and Officers' Liability Insurance by the Group and the Company was RM45,050.

There were no indemnity and insurance costs effected for auditors of the Company during the financial year.

## OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- (i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- (ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

# DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

## OTHER STATUTORY INFORMATION (CONTINUED)

At the date of this report, the Directors are not aware of any circumstances:

- (i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- (ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- (iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- (i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- (ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, other than the effect arising from demerger of CCM Duopharma Biotech Berhad ("CCMD") as disclosed under Note 20 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2017 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

## SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 32 to the financial statements.

## SUBSEQUENT EVENTS

The details of such events are disclosed in Note 33 to the financial statements.

## **AUDITORS**

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 21 to the financial statements.

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

.....  
**Dato' Hajah Normala bt Abdul Samad**  
Director

.....  
**Nik Fazila binti Nik Mohamed Shihabuddin**  
Director

Kuala Lumpur,

Date: 15 March 2018

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

Amounts in RM'000 unless otherwise stated

	Note	Group		Company	
		2017	2016	2017	2016
<b>Assets</b>					
Property, plant and equipment	3	<b>143,816</b>	419,963	<b>13,384</b>	16,843
Investment properties	4	<b>20,020</b>	210,370	<b>25,800</b>	211,320
Intangible assets	5	<b>94,170</b>	296,555	<b>63</b>	63
Investments in subsidiaries	6	-	-	<b>217,944</b>	177,944
Investment in associate	7	<b>15,608</b>	14,927	-	-
Other investments	8	<b>45,568</b>	50,074	<b>45,414</b>	49,950
Deferred tax assets	9	<b>2,321</b>	9,053	-	-
Receivables	10	-	-	<b>24,791</b>	454,959
<b>Total non-current assets</b>		<b>321,503</b>	1,000,942	<b>327,396</b>	911,079
Inventories	11	<b>39,277</b>	173,092	-	-
Current tax assets		<b>18,330</b>	26,546	<b>7,125</b>	4,819
Trade and other receivables	10	<b>136,005</b>	195,415	<b>40,239</b>	61,208
Cash and cash equivalents	12	<b>160,345</b>	288,317	<b>60,655</b>	72,992
Assets classified as held for sale	13	<b>185,900</b>	683,370	<b>185,900</b>	-
<b>Total current assets</b>		<b>539,857</b>	684,370	<b>293,919</b>	139,019
<b>Total assets</b>		<b>861,360</b>	1,685,312	<b>621,315</b>	1,050,098
<b>Equity</b>					
Share capital		<b>81,920</b>	457,630	<b>81,920</b>	457,630
Reserves		<b>163,421</b>	183,529	<b>29,674</b>	68,391
Retained earnings		<b>36,923</b>	98,429	<b>36,135</b>	42,195
<b>Equity attributable to owners of the Company</b>	14	<b>282,264</b>	739,588	<b>147,729</b>	568,216
<b>Non-controlling interests</b>		<b>(1,360)</b>	152,188	-	-
<b>Total equity</b>		<b>280,904</b>	891,776	<b>147,729</b>	568,216

Amounts in RM'000 unless otherwise stated

	Note	Group		Company	
		2017	2016	2017	2016
<b>Liabilities</b>					
Loans and borrowings	15	108,750	536,118	68,750	394,320
Deferred tax liabilities	9	24,044	29,609	14,787	15,509
<b>Total non-current liabilities</b>		<b>132,794</b>	<b>565,727</b>	<b>83,537</b>	<b>409,829</b>
Loans and borrowings	15	359,388	85,633	345,570	46,250
Provision	16	-	493	-	-
Trade and other payables	17	87,980	141,230	44,479	25,803
Current tax liabilities		294	453	-	-
<b>Total current liabilities</b>		<b>447,662</b>	<b>227,809</b>	<b>390,049</b>	<b>72,053</b>
<b>Total liabilities</b>		<b>580,456</b>	<b>793,536</b>	<b>473,586</b>	<b>481,882</b>
<b>Total equity and liabilities</b>		<b>861,360</b>	<b>1,685,312</b>	<b>621,315</b>	<b>1,050,098</b>

The notes on pages 114 to 195 are an integral part of these financial statements.

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

Amounts in RM'000 unless otherwise stated

	Note	Group		Company	
		2017	2016	2017	2016
<b>Continuing operations</b>					
Revenue	18	<b>370,709</b>	296,374	<b>27,053</b>	28,318
Cost of sales		<b>(272,510)</b>	(213,427)	<b>(1,207)</b>	(846)
<b>Gross profit</b>		<b>98,199</b>	82,947	<b>25,846</b>	27,472
Other income		<b>7,706</b>	3,479	<b>16,279</b>	105,907
Distribution expenses		<b>(9,176)</b>	(10,694)	-	-
Administrative expenses		<b>(54,031)</b>	(39,241)	<b>(24,699)</b>	(13,658)
Other expenses		<b>(8,710)</b>	(14,210)	<b>(4,117)</b>	(175,100)
<b>Results from operating activities</b>		<b>33,988</b>	22,281	<b>13,309</b>	(55,379)
Finance income		<b>5,021</b>	5,147	<b>15,218</b>	22,815
Finance costs		<b>(24,965)</b>	(27,073)	<b>(21,818)</b>	(22,554)
<b>Net finance (costs)/income</b>		<b>(19,944)</b>	(21,926)	<b>(6,600)</b>	261
Share of profit of equity-accounted associate, net of tax		<b>681</b>	1,770	-	-
<b>Profit/(Loss) before tax</b>		<b>14,725</b>	2,125	<b>6,709</b>	(55,118)
Tax expense	19	<b>(17,374)</b>	(9,916)	<b>(126)</b>	(5,063)
<b>(Loss)/Profit from continuing operations</b>		<b>(2,649)</b>	(7,791)	<b>6,583</b>	(60,181)
<b>Discontinued operation</b>					
Profit/(Loss) from discontinued operation, net of tax	20	<b>42,467</b>	(76,047)	-	-
<b>Profit/(Loss) for the year</b>	21	<b>39,818</b>	(83,838)	<b>6,583</b>	(60,181)
<b>Other comprehensive income, net of tax</b>					
<b>Item that are or may be reclassified subsequently to profit or loss</b>					
Fair value of available-for-sale financial assets		<b>(4,505)</b>	34,210	<b>(4,535)</b>	34,210
Foreign currency translation differences for foreign operations		<b>18,578</b>	8,256	-	-
		<b>14,073</b>	42,466	<b>(4,535)</b>	34,210

Amounts in RM'000 unless otherwise stated

	Note	Group 2017	Group 2016	Company 2017	Company 2016
<b>Other comprehensive income, net of tax</b>					
<b>Item that will not be reclassified subsequently to profit or loss</b>					
Revaluation of properties upon transfer from property, plant and equipment to investment property		-	112,361	-	-
		-	112,361	-	-
<b>Other comprehensive income for the year, net of tax</b>		<b>14,073</b>	154,827	<b>(4,535)</b>	34,210
<b>Total comprehensive income/(loss) for the year</b>		<b>53,891</b>	70,989	<b>2,048</b>	(25,971)
<b>Profit/(Loss) attributable to:</b>					
Owners of the Company		<b>25,919</b>	(63,629)	<b>6,583</b>	(60,181)
Non-controlling interests		<b>13,899</b>	(20,209)	-	-
<b>Profit/(Loss) for the year</b>		<b>39,818</b>	(83,838)	<b>6,583</b>	(60,181)
<b>Total comprehensive income/(loss) attributable to:</b>					
Owners of the Company		<b>39,747</b>	90,949	<b>2,048</b>	(25,971)
Non-controlling interests		<b>14,144</b>	(19,960)	-	-
<b>Total comprehensive income/(loss) for the year</b>		<b>53,891</b>	70,989	<b>2,048</b>	(25,971)
<b>Basic earnings/(loss) per ordinary share (sen):</b>					
from continuing operations	22	<b>(1.13)</b>	(3.85)		
from discontinued operation		<b>6.74</b>	(10.14)		
		<b>5.61</b>	(13.99)		
<b>Diluted earnings/(loss) per ordinary share (sen):</b>					
from continuing operations	22	<b>(1.13)</b>	(3.85)		
from discontinued operation		<b>6.74</b>	(10.14)		
		<b>5.61</b>	(13.99)		

The notes on pages 114 to 195 are an integral part of these financial statements.

# STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

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Amounts in RM'000 unless otherwise stated

Group	Note	Attributable to equity holders of the Company										Total equity		
		Share capital	Share premium	Share redemption reserve	Capital reserve	Translation reserve	Fair value reserve	Revaluation reserve	Other capital reserve	Treasury shares	Retained earnings		Total	Non-controlling interests
<b>At 1 January 2016</b>		457,630	39,944	73	73	(8,235)	23	-	2,982	(5,836)	184,790	671,371	178,581	849,952
Fair value of available-for-sale financial assets		-	-	-	-	-	34,210	-	-	-	-	34,210	-	34,210
Foreign currency translation differences for foreign operations		-	-	-	-	8,007	-	-	-	-	-	8,007	249	8,256
Revaluation of properties upon transfer from property, plant and equipment to investment property		-	-	-	-	-	-	112,361	-	-	-	112,361	-	112,361
<b>Total other comprehensive income for the year</b>		-	-	-	-	8,007	34,210	112,361	-	-	-	154,578	249	154,827
Loss for the year		-	-	-	-	-	-	-	-	-	(63,629)	(63,629)	(20,209)	(83,838)
<b>Total comprehensive income/ (loss) for the year</b>		-	-	-	-	8,007	34,210	112,361	-	-	(63,629)	90,949	(19,960)	70,989
Dividends to owners of the Company	23	-	-	-	-	-	-	-	-	-	(22,732)	(22,732)	-	(22,732)
Dividends to non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	(6,433)	(6,433)
<b>At 31 December 2016</b>		457,630	39,944	73	73	(228)	34,233	112,361	2,982	(5,836)	98,429	739,588	152,188	891,776

Note 14.1 Note 14.7 Note 14.2 Note 14.3 Note 14.4 Note 14.5 Note 14.6

Amounts in RM'000 unless otherwise stated

Group	Note	Share capital	Share premium	Share redemption reserve	Capital	Attributable to equity holders of the Company				Total equity			
						Share capital	Share premium	Share redemption reserve	Capital		Fair value reserve	Revaluation reserve	Other capital reserve
<b>At 1 January 2017</b>		457,630	39,944	73	(228)	34,233	112,361	2,982	(5,836)	98,429	739,588	152,188	891,776
Fair value of available-for-sale financial assets		-	-	-	-	(4,506)	-	-	-	-	(4,506)	-	(4,506)
Foreign currency translation differences for foreign operations		-	-	-	18,579	-	-	-	-	-	18,579	-	18,579
Total other comprehensive income for the year		-	-	-	18,579	(4,506)	-	-	-	-	14,073	-	14,073
Profit for the year		-	-	-	-	-	-	-	-	25,919	25,919	13,899	39,818
<b>Total comprehensive income/(loss) for the year</b>		-	-	-	18,579	(4,506)	-	-	-	25,919	39,992	13,899	53,891

**STATEMENTS OF  
CHANGES IN EQUITY**  
FOR THE YEAR ENDED 31 DECEMBER 2017

Amounts in RM'000 unless otherwise stated

Group	Note	Share capital	Share premium	Capital			Fair value reserve	Revaluation reserve	Other capital reserve	Treasury shares	Retained earnings	Total	Non-controlling interests	Total equity
				Share redemption reserve	Translation reserve	Translation reserve								
		/----- Attributable to equity holders of the Company -----/												
		/----- Non-distributable -----/ Distributable												
Contributions by and distributions to owners of the Company		-	-	-	-	-	-	-	-	-	(11,366)	(11,366)	-	(11,366)
Dividends to owners of the Company	23	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	(8,403)	(8,403)
Treasury shares sold		-	-	-	-	-	-	-	-	5,836	(1,277)	4,559	-	4,559
Acquisition of non-controlling interests	32	-	-	-	-	-	-	-	-	-	(8,834)	(8,834)	(31,166)	(40,000)
Placement of new shares	32	60,010	-	-	-	-	-	-	-	-	-	60,010	-	60,010
Effect of demerger	32	(475,737)	-	-	-	-	-	-	-	-	(65,948)	(541,685)	(127,878)	(669,563)
<b>Total transactions with owners of the Company</b>		(415,727)	-	-	-	-	-	-	-	5,836	(87,425)	(497,316)	(167,447)	(664,763)
Transfer in accordance with Section 618(2) of the Companies Act 2016		40,017	(39,944)	(73)	-	-	-	-	-	-	-	-	-	-
<b>At 31 December 2017</b>		<b>81,920</b>	<b>-</b>	<b>-</b>	<b>18,351</b>	<b>29,727</b>	<b>112,361</b>	<b>2,982</b>	<b>-</b>	<b>36,923</b>	<b>282,264</b>	<b>(1,360)</b>	<b>280,904</b>	

Note 14.1 Note 14.7 Note 14.2 Note 14.3 Note 14.4 Note 14.5 Note 14.6

**STATEMENTS OF  
CHANGES IN EQUITY**  
FOR THE YEAR ENDED 31 DECEMBER 2017

Amounts in RM'000 unless otherwise stated

	Note	Non-distributable			Distributable		Total equity	
		Share capital	Share premium	Capital redemption reserve	Fair value reserve	Treasury shares		Retained earnings
<b>Company</b>								
<b>At 1 January 2016</b>		457,630	39,944	73	-	(5,836)	125,108	616,919
Fair value of available-for-sale financial assets		-	-	-	34,210	-	-	34,210
Total other comprehensive income for the year		-	-	-	34,210	-	-	34,210
Loss for the year		-	-	-	-	-	(60,181)	(60,181)
Total comprehensive income/(loss) for the year		-	-	-	34,210	-	(60,181)	(25,971)
Dividends to owners of the Company	23	-	-	-	-	-	(22,732)	(22,732)
<b>At 31 December 2016/1 January 2017</b>		<b>457,630</b>	<b>39,944</b>	<b>73</b>	<b>34,210</b>	<b>(5,836)</b>	<b>42,195</b>	<b>568,216</b>
Fair value of available-for-sale financial assets		-	-	-	(4,536)	-	-	(4,536)
Total other comprehensive income for the year		-	-	-	(4,536)	-	-	(4,536)
Profit for the year		-	-	-	-	-	6,583	6,583
Total comprehensive (loss)/income for the year		-	-	-	(4,536)	-	6,583	2,047
<i>Contributions by and distributions to owners of the Company</i>								
Dividends to owners of the Company	23	-	-	-	-	-	(11,366)	(11,366)
Treasury shares sold		-	-	-	-	5,836	(1,277)	4,559
Placement of new shares	32	60,010	-	-	-	-	-	60,010
Effect of demerger	32	(475,737)	-	-	-	-	-	(475,737)
<b>Total transactions with owners of the Company</b>		<b>(415,727)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,836</b>	<b>(12,643)</b>	<b>(422,534)</b>
Transfer in accordance with Section 618(2) of the Companies Act 2016		40,017	(39,944)	(73)	-	-	-	-
<b>At 31 December 2017</b>		<b>81,920</b>	<b>-</b>	<b>-</b>	<b>29,674</b>	<b>-</b>	<b>36,135</b>	<b>147,729</b>

Note 14.1    Note 14.7    Note 14.2    Note 14.4    Note 14.6

The notes on pages 114 to 195 are an integral part of these financial statements.

# STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

Amounts in RM'000 unless otherwise stated

	Note	Group		Company	
		2017	2016	2017	2016
<b>Cash flows from operating activities</b>					
Profit/(Loss) before tax:					
- continuing operations		<b>14,725</b>	2,125	<b>6,709</b>	(55,118)
- discontinued operation		<b>51,779</b>	(67,262)	-	-
		<b>66,504</b>	(65,137)	<b>6,709</b>	(55,118)
<i>Adjustments for:</i>					
Change in fair value of investment properties	4	<b>(200)</b>	-	<b>(380)</b>	(83,200)
Depreciation of property, plant and equipment	3	<b>46,763</b>	50,191	<b>3,498</b>	3,515
Dividend income from:					
- Subsidiaries		-	-	<b>(23,352)</b>	(23,757)
- Other investment – quoted shares in Malaysia		-	(3)	-	-
Net (gain)/loss on disposal of:					
- Assets held for sale		-	-	-	(20,350)
- Property, plant and equipment		<b>190</b>	(118)	<b>(59)</b>	-
- Investments in subsidiaries		-	-	-	92,398
Finance costs		<b>30,229</b>	34,518	<b>21,818</b>	22,554
Finance income		<b>(7,735)</b>	(9,664)	<b>(15,218)</b>	(22,815)
Impairment loss on:					
- Trade receivables		<b>2,553</b>	11,956	-	-
- Other receivables		-	4,779	-	-
- Amount due from subsidiaries		-	-	-	34,762
- Investment in subsidiaries		-	-	-	42,435
- Intangible assets		<b>1,769</b>	-	-	-
- Property, plant and equipment	3	<b>185</b>	4,606	-	-
<b>Operating profit/(loss) before changes in working capital (carried forward)</b>		<b>140,258</b>	31,128	<b>(6,984)</b>	(9,576)

Amounts in RM'000 unless otherwise stated

	Note	Group		Company	
		2017	2016	2017	2016
<b>Operating profit/(loss) before changes in working capital (brought forward)</b>		<b>140,258</b>	31,128	<b>(6,984)</b>	(9,576)
Reversal of:					
- Impairment loss on trade receivables		(3,697)	(3,908)	-	-
- Provision for warranty		-	(471)	-	-
- Provision for obsolete stocks		(2,464)	(1,050)	-	-
Share of profit of equity accounted associate, net of tax		(681)	(1,770)	-	-
Provision for warranty		203	-	-	-
Write-down of inventories		5,924	21,456	-	-
Property, plant and equipment written off		58	1,324	-	-
Unrealised foreign exchange (gain)/loss		(2,004)	1,888	-	522
<b>Operating profit/(loss) before changes in working capital</b>		<b>137,597</b>	48,597	<b>(6,984)</b>	(9,054)
Change in inventories		(5,946)	46,391	-	-
Change in trade and other payables		38,864	7,627	18,676	9,130
Change in trade and other receivables		(47,235)	3,466	(24,599)	(61,831)
<b>Cash generated from/(used in) operations</b>		<b>123,280</b>	106,081	<b>(12,907)</b>	(61,755)
Interest paid		(30,229)	(34,518)	(21,818)	(22,554)
Interest received		7,735	9,664	15,218	22,815
Income taxes paid		(24,875)	(18,000)	(3,300)	(2,125)
Income taxes refunded		563	1,076	146	151
<b>Net cash generated from/(used in) operating activities</b>		<b>76,474</b>	64,303	<b>(22,661)</b>	(63,468)

STATEMENTS OF  
CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2017

Amounts in RM'000 unless otherwise stated

	Note	Group		Company	
		2017	2016	2017	2016
<b>Cash flows from investing activities</b>					
Acquisition of:					
- Property, plant and equipment	3	(88,059)	(102,674)	(99)	(893)
- Intangible asset		(5,277)	(230)	-	-
Dividends received from:					
- Associate		-	3,060	-	-
- Subsidiaries		-	-	23,352	23,757
- Other investment - quoted shares in Malaysia		-	3	-	-
Acquisition of non-controlling interests	32	(40,000)	-	(40,000)	(3,132)
Change in pledged deposits		-	15,000	-	-
Proceeds from disposal of:					
- Property, plant and equipment		118	1,219	118	-
- Investments in subsidiaries		-	-	-	14,345
Assets held for sale:					
- Proceeds from disposal		-	-	-	35,000
- Tax paid on disposal		-	-	-	(1,050)
Net cash outflow from demerger of subsidiary	20	(96,020)	-	-	-
Disposal of discontinued operation:					
- Proceeds from disposal, net of cash and cash equivalents disposed of		-	98,953	-	-
- Tax paid on disposal		-	(1,050)	-	-
<b>Net cash (used in)/generated from investing activities</b>		<b>(229,238)</b>	<b>14,281</b>	<b>(16,629)</b>	<b>68,027</b>
<b>Cash flows from financing activities</b>					
Dividends paid to:					
- Owners of the Company	24	(11,366)	(22,732)	(11,366)	(22,732)
- Non-controlling interests		(8,403)	(6,433)	-	-
Proceeds from sale of treasury shares		4,559	-	4,559	-
Proceeds from placement of new shares		60,010	-	60,010	-
Loans and borrowings:					
- Proceeds		24,742	150,000	-	140,000
- Repayment		(50,916)	(232,075)	(26,250)	(100,000)
<b>Net cash generated from/(used in) financing activities</b>		<b>18,626</b>	<b>(111,240)</b>	<b>26,953</b>	<b>17,268</b>

Amounts in RM'000 unless otherwise stated

	Note	Group 2017	Group 2016	Company 2017	Company 2016
<b>Exchange differences on translation of the financial statements of foreign operations</b>		<b>6,166</b>	8,256	-	-
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(127,972)</b>	(24,400)	<b>(12,337)</b>	21,827
<b>Cash and cash equivalents at 1 January</b>	(i)	<b>288,317</b>	312,717	<b>72,992</b>	51,165
<b>Cash and cash equivalents at 31 December</b>	(i)	<b>160,345</b>	288,317	<b>60,655</b>	72,992

#### Cash and cash equivalents

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

	Note	Group 2017	Group 2016	Company 2017	Company 2016
Cash and bank balances		<b>66,907</b>	127,884	<b>11,742</b>	11,172
Deposits placed with financial institutions		<b>49,888</b>	64,568	<b>5,363</b>	47,364
Highly liquid investments with financial institutions		<b>43,550</b>	95,865	<b>43,550</b>	14,456
	12	<b>160,345</b>	288,317	<b>60,655</b>	72,992

The notes on pages 114 to 195 are an integral part of these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

Amounts in RM'000 unless otherwise stated

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Chemical Company of Malaysia Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of the principal place of business and registered office of the Company is as follows:

**Principal place of business and registered office**

13th Floor  
Menara PNB  
201-A, Jalan Tun Razak  
50400 Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”) and the Group’s interest in an associate. The financial statements of the Company as at and for the financial year ended 31 December 2017 do not include other entities.

Chemical Company of Malaysia Berhad is an investment holding and management company with subsidiaries engaged in the manufacturing and marketing of chemicals, polymers and pharmaceuticals and services as stated in Note 6 to the financial statements.

On 28 December 2017, the Group completed the demerger of CCM Duopharma Biotech Berhad where the pharmaceutical operations were demerged from the Group. Moving forward the Group will focus on chemical and polymer operations. Details of the demerger are set out in Note 20 to the financial statements. Other than mentioned above, there were no other significant changes in the principal activities of the Group.

The holding company is Permodalan Nasional Berhad (“PNB”), a company incorporated in Malaysia.

These financial statements were authorised for issue by the Board of Directors on 15 March 2018.

## 1. BASIS OF PREPARATION

### (a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards (“IFRSs”) and the requirements of the Companies Act 2016 in Malaysia.

## 1. BASIS OF PREPARATION (CONTINUED)

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

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

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

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

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

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*
- *Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119 Employee Benefits)*

#### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021**

- MFRS 17, *Insurance Contracts*

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

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*



# NOTES TO THE FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION (CONTINUED)

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

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

- from the annual period beginning on 1 January 2018 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2018, except for MFRS 2 and MFRS 4 which are not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2019 for those accounting standard, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019, except for MFRS 11 which are not applicable to the Group and the Company.

The Group and the Company do not plan to apply MFRS 17, Insurance Contracts that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Group and the Company.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below:

#### (i) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

Currently, the Group recognises revenue from contracts with customers on the basis of fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Upon adoption of MFRS 15, the Group will recognise the revenue from contracts with customers that requires customer related costs to be allocated as a deduction of revenue.

The Group manufactures and sells certain chemical products for a customer under a non-cancellable exclusive rights to supply contract. Currently, the Group recognises revenue from contracts with customers after the significant risk and rewards of ownership is transferred to the customers. Upon adoption of MFRS 15, the Group will recognise the revenue from contracts with customers when the performance obligations have satisfied over time. The Group will apply MFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application.

#### (ii) MFRS 9, *Financial instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and on hedge accounting.

## 1. BASIS OF PREPARATION (CONTINUED)

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

#### (ii) MFRS 9, *Financial instruments* (continued)

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. The new standard contains three principle classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL), and eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale. Upon adoption of MFRS 9, financial assets previously measured at available for sale will be measured using FVOCI.

#### (iii) MFRS 16, *Leases*

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

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

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

### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

### (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (“RM”), which is the Company’s functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

### (d) Use of estimates and judgements

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

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



# NOTES TO THE FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION (CONTINUED)

### (d) Use of estimates and judgements (continued)

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

- Note 5 - measurement of the recoverable amounts of cash-generating units
- Note 11 - valuation of trade receivables
- Note 12 - inventories

## 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

### (a) Basis of consolidation

#### (i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

#### (ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of consolidation (continued)

#### (ii) Business combinations (continued)

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

#### (iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

#### (iv) Acquisitions from entities under common controls

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any resulting gain/loss is recognised directly in equity.



# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of consolidation (continued)

#### (v) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

#### (vi) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses. The cost of the investment includes transaction costs.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of consolidation (continued)

#### (vii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

#### (viii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted associates are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### (b) Foreign currency

#### (i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.



# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Foreign currency (continued)

#### (i) Foreign currency transactions (continued)

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

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

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

The income and expenses of foreign operations in hyperinflationary economies are translated to RM at the exchange rate at the end of the reporting period. Prior to translating the financial statements of foreign operations in hyperinflationary economies, their financial statements for the current period are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices at the end of the reporting period.

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Financial instruments

#### (i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

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

The Group and the Company categorise financial instruments as follows:

##### Financial assets

#### (a) *Financial assets at fair value through profit or loss*

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

#### (b) *Loans and receivables*

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.



# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Financial instruments (continued)

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

##### (c) *Available-for-sale financial assets*

Available-for-sale category comprises investment in equity and debt securities instrument that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(k)(i)).

#### **Financial liabilities**

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Financial instruments (continued)

#### (iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

#### (iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### (d) Property, plant and equipment

#### (i) Recognition and measurement

Items of property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.



# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other income” or “other expenses” respectively in profit or loss.

#### (ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

#### (iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leasehold assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

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

• Leasehold land	48 years to 96 years
• Freehold building	50 years
• Long and short term leasehold building	10 years to 50 years
• Plant, machinery and equipment	2 years to 13 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted as appropriate.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Leased assets

#### (i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

#### (ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised in the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

### (f) Intangible assets

#### (i) Goodwill

Goodwill arises on business combinations and is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, which forms part of the carrying amount of the equity-accounted associates.



# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Intangible assets (continued)

#### (ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the asset for its intended use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less any accumulated amortisation and any accumulated impairment loss.

#### (iii) Brand name

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

#### (iv) Other intangible assets

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

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

#### (v) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Intangible assets (continued)

#### (vi) Amortisation

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

### (g) Investment properties

#### (i) Investment properties carried at fair value

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost and subsequently at fair value with any changes therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

#### (ii) Reclassification to/from investment properties

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.



# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

### (i) Non-current assets held for sale

Non-current assets, or disposal group comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group are measured at the lower of their carrying amount and fair value less cost of disposal.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated. In addition, equity accounting of equity-accounted associates ceases once classified as held for sale.

### (j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with financial institutions and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Impairment

#### (i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and investment in associates) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

#### (ii) Other assets

The carrying amounts of other assets (except for inventories, deferred tax asset, investment property that is measured at fair value and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.



# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Impairment (continued)

#### (ii) Other assets (continued)

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or the cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amount of the other assets in the cash-generating unit (group of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

### (l) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

#### (i) Issue expenses

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (l) Equity instruments (continued)

#### (ii) Ordinary shares

Ordinary shares are classified as equity.

#### (iii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

### (m) Employee benefits

#### (i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### (ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

### (n) Provisions

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

#### (i) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.



# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (n) Provisions (continued)

#### (ii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

### (o) Revenue and other income

#### (i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

#### (ii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the end of the reporting period. The stage of completion is assessed by reference to surveys of work performed.

#### (iii) Rental income

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

#### (iv) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

#### (v) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (p) Borrowing costs

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

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

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

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

### (q) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.



# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (q) Income tax (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

### (r) Discontinued operation

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

### (s) Earnings per ordinary share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

### (t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Group Managing Director, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (u) Contingencies

#### (i) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

#### (ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

### (v) Fair value measurement

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. PROPERTY, PLANT AND EQUIPMENT

	Note	Leasehold land	Freehold land	Freehold buildings	Long term leasehold buildings	Plant, machinery and equipment	Asset under construction	Total
<b>Group</b>								
<b>Cost</b>								
At 1 January 2016		100,480	38,292	75,173	85,504	677,967	8,530	985,946
Additions		-	-	99	-	80,647	21,613	102,359
Transfer to investment properties:	4							
- Offset of accumulated depreciation and impairment loss		(10,699)	-	-	(5,850)	-	-	(16,549)
- Revaluation of property transferred		118,275	-	-	-	-	-	118,275
- Transfer of carrying amount		(179,000)	-	-	(6,900)	-	-	(185,900)
Transfer to intangible assets	5	-	-	-	-	-	(3,493)	(3,493)
Disposals		-	-	-	-	(10,680)	-	(10,680)
Write-off		-	-	-	-	(7,376)	-	(7,376)
At 31 December 2016/ 1 January 2017		<b>29,056</b>	<b>38,292</b>	<b>75,272</b>	<b>72,754</b>	<b>740,558</b>	<b>26,650</b>	<b>982,582</b>
Additions		-	-	373	-	26,192	61,494	88,059
Effect of demerger	20	(13,659)	(38,292)	(75,645)	(57,878)	(272,136)	(73,599)	(531,209)
Disposals		-	-	-	-	(1,499)	(30)	(1,529)
Reclassification		9,503	-	-	981	3,026	(13,510)	-
Write-off		-	-	-	-	(6,354)	-	(6,354)
At 31 December 2017		<b>24,900</b>	<b>-</b>	<b>-</b>	<b>15,857</b>	<b>489,787</b>	<b>1,005</b>	<b>531,549</b>

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

	Note	Leasehold land	Freehold land	Freehold buildings	Long term leasehold buildings	Plant, machinery and equipment	Asset under construction	Total
<b>Group</b>								
<b>Depreciation</b>								
At 1 January 2016		10,012	-	12,084	10,449	507,457	-	540,002
Depreciation for the year		2,352	-	3,696	3,136	41,007	-	50,191
Disposals		-	-	-	-	(9,579)	-	(9,579)
Impairment loss		-	-	-	4,606	-	-	4,606
Offset of accumulated depreciation and impairment loss on property transferred to investment properties		(10,699)	-	-	(5,850)	-	-	(16,549)
Write-off		-	-	-	-	(6,052)	-	(6,052)
At 31 December 2016/ 1 January 2017		<b>1,665</b>	-	<b>15,780</b>	<b>12,341</b>	<b>532,833</b>	-	<b>562,619</b>
Depreciation for the year		<b>2,232</b>	-	<b>3,232</b>	<b>1,635</b>	<b>39,664</b>	-	<b>46,763</b>
Effect of demerger	20	<b>(292)</b>	-	<b>(19,012)</b>	<b>(9,420)</b>	<b>(185,623)</b>	-	<b>(214,347)</b>
Disposals		-	-	-	-	(1,221)	-	(1,221)
Impairment loss		-	-	-	-	185	-	185
Write-off		-	-	-	-	(6,296)	-	(6,296)
Effect of the movement in exchange rate		-	-	-	-	30	-	30
At 31 December 2017		<b>3,605</b>	-	-	<b>4,556</b>	<b>379,387</b>	-	<b>387,548</b>
Accumulated depreciation		-	-	-	-	185	-	185
Accumulated impairment loss		<b>3,605</b>	-	-	<b>4,556</b>	<b>379,572</b>	-	<b>387,733</b>
<b>Group</b>								
<b>Carrying amounts</b>								
At 1 January 2016		90,468	38,292	63,089	75,055	170,510	8,530	445,944
At 31 December 2016/ 1 January 2017		<b>27,391</b>	<b>38,292</b>	<b>59,492</b>	<b>60,413</b>	<b>207,725</b>	<b>26,650</b>	<b>419,963</b>
At 31 December 2017		<b>21,295</b>	-	-	<b>11,301</b>	<b>110,215</b>	<b>1,005</b>	<b>143,816</b>

# NOTES TO THE FINANCIAL STATEMENTS

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

	Equipment	Asset under construction	Total
<b>Company</b>			
<b>Cost</b>			
At 1 January 2016	38,050	-	38,050
Additions	685	208	893
At 31 December 2016/1 January 2017	<b>38,735</b>	<b>208</b>	<b>38,943</b>
Additions	99	-	99
Disposals	(938)	(30)	(968)
At 31 December 2017	<b>37,896</b>	<b>178</b>	<b>38,074</b>
<b>Depreciation</b>			
At 1 January 2016	18,585	-	18,585
Depreciation for the year	3,515	-	3,515
At 31 December 2016/1 January 2017	<b>22,100</b>	-	<b>22,100</b>
Depreciation for the year	3,499	-	3,499
Disposals	(909)	-	(909)
At 31 December 2017	<b>24,690</b>	-	<b>24,690</b>
<b>Carrying amounts</b>			
At 1 January 2016	19,465	-	19,465
At 31 December 2016/1 January 2017	<b>16,635</b>	<b>208</b>	<b>16,843</b>
At 31 December 2017	<b>13,206</b>	<b>178</b>	<b>13,384</b>

### 3.1 Leasehold land

At 31 December 2017, the net carrying amount of the Group's leasehold land was RM21,295,000 (2016: RM27,391,000). Leasehold land of the Group has an unexpired lease period of 23 to 83 years.

#### 4. INVESTMENT PROPERTIES

	Note	Group		Company	
		2017	2016	2017	2016
At 1 January		<b>210,370</b>	25,470	<b>211,320</b>	128,120
Additions		-	-	-	-
Change in fair value recognised in profit or loss		<b>200</b>	-	<b>380</b>	83,200
Transfer from property, plant and equipment	3	-	185,900	-	-
Transfer from assets held for sale	13	<b>1,000</b>	-	-	-
Transfer to assets classified as held for sale	13	<b>(185,900)</b>	(1,000)	<b>(185,900)</b>	-
Effect of demerger		<b>(5,650)</b>	-	-	-
At 31 December		<b>20,020</b>	210,370	<b>25,800</b>	211,320

During the financial year, a leasehold land and building amounting to RM185,900,000 have been transferred from investment property to assets classified as held for sale (see Note 13) following the commitment of the management during the year to a plan to sell the investment property.

Investment properties of the Group and the Company comprise a number of commercial properties that are leased to third party and subsidiaries. Each of the leases contains an initial non-cancellable period of one month to one year. Subsequent renewals are negotiated with the lessee and on average renewal periods are one to three years. No contingent rents are charged.

The following are recognised in profit or loss in respect of investment properties:

		Group		Company	
		2017	2016	2017	2016
Rental income		<b>420</b>	-	<b>3,701</b>	4,561
Direct operating expenses:					
- income generating investment properties		<b>22</b>	-	<b>22</b>	846
- non-income generating investment properties		<b>1,087</b>	769	<b>1,087</b>	-

# NOTES TO THE FINANCIAL STATEMENTS

## 4. INVESTMENT PROPERTIES (CONTINUED)

### 4.1 Fair value information

Fair value of investment properties are categorised as follows:

	Level 2	Level 3	Total
<b>2017</b>			
<b>Group</b>			
Freehold land	-	220	220
Leasehold land with unexpired lease period of more than 50 years	-	19,800	19,800
	-	20,020	20,020
<b>Company</b>			
Freehold land	-	5,807	5,807
Buildings	-	193	193
Leasehold land with unexpired lease period of more than 50 years	-	19,800	19,800
	-	25,800	25,800
<b>2016</b>			
<b>Group</b>			
Freehold land	-	220	220
Buildings	-	6,900	6,900
Leasehold land with unexpired lease period of more than 50 years	-	198,800	198,800
Leasehold land with unexpired lease period of less than 50 years	-	4,450	4,450
	-	210,370	210,370
<b>Company</b>			
Freehold land	-	5,440	5,440
Buildings	-	7,080	7,080
Leasehold land with unexpired lease period of more than 50 years	-	198,800	198,800
	-	211,320	211,320

#### 4. INVESTMENT PROPERTIES (CONTINUED)

##### 4.1 Fair value information (continued)

###### Level 3 fair value

The following table shows a reconciliation of Level 3 fair values:

	Group		Company	
	2017	2016	2017	2016
At 1 January	210,370	25,470	211,320	128,120
Addition	-	-	-	-
Transfer from/(to) property, plant and equipment	-	185,900	-	-
Transfer from assets classified as held for sale	1,000	-	-	-
Transfer to assets classified as held for sale	(185,900)	(1,000)	(185,900)	-
Change in fair value				
- other income - unrealised	200	-	380	83,200
Effect of demerger	(5,650)	-	-	-
At 31 December	20,020	210,370	25,800	211,320

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

Description of valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Comparison method of valuation which entails comparing the property with similar properties that were sold recently and those that are currently offered for sale in the vicinity.	Recent transactions of similar properties at or near reporting period with similar land usage, land size and location.  The characteristics, merits and disadvantages of these properties are noted and diligent adjustments thereof are then made by valuer to reflect the differences and to arrive at the value of the property.	The estimated fair value would increase/(decrease) if recent transactions of similar properties at or near reporting period with similar land usage, land size and location were higher/(lower).

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

The fair value of investment properties are determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the locations and category of properties being valued. The valuation company provides the fair value of the Group's investment properties portfolio every twelve months. Changes in Level 3 fair values are analysed by the management every twelve months after obtaining valuation report from the valuation company.

# NOTES TO THE FINANCIAL STATEMENTS

## 4. INVESTMENT PROPERTIES (CONTINUED)

### 4.1 Fair value information (continued)

#### Highest and best use

The Group's investment properties are currently freehold and leasehold land and buildings. The highest and best use of the property should be industrial lands located nearby the Group's investment property.

## 5. INTANGIBLE ASSETS

	Goodwill	Marketing rights	Trade marks	Brands	Development cost	Total
<b>Group</b>						
<b>Cost</b>						
At 1 January 2016	306,745	16,483	63	2,400	6,708	332,399
Additions	-	-	-	-	230	230
Transfer from property, plant and equipment	-	-	-	-	3,493	3,493
At 31 December 2016/1 January 2017	<b>306,745</b>	<b>16,483</b>	<b>63</b>	<b>2,400</b>	<b>10,431</b>	<b>336,122</b>
Additions	-	142	-	-	5,135	5,277
Effect of demerger (Note 20)	(212,211)	(16,625)	-	(2,400)	(15,566)	(246,802)
At 31 December 2017	<b>94,534</b>	<b>-</b>	<b>63</b>	<b>-</b>	<b>-</b>	<b>94,597</b>
<b>Accumulated impairment loss</b>						
At 1 January 2016/ 31 December 2016/1 January 2017	<b>22,980</b>	<b>15,787</b>	-	<b>800</b>	-	<b>39,567</b>
Impairment loss	-	81	-	1,600	88	1,769
Effect of demerger (Note 20)	(22,553)	(15,868)	-	(2,400)	(88)	(40,909)
At 31 December 2017	<b>427</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>427</b>
<b>Carrying amounts</b>						
At 1 January 2016	283,765	696	63	1,600	6,708	292,832
At 31 December 2016/1 January 2017	<b>283,765</b>	<b>696</b>	<b>63</b>	<b>1,600</b>	<b>10,431</b>	<b>296,555</b>
At 31 December 2017	<b>94,107</b>	<b>-</b>	<b>63</b>	<b>-</b>	<b>-</b>	<b>94,170</b>

## 5. INTANGIBLE ASSETS (CONTINUED)

Company	Trademark
<b>Cost/Carrying amount</b>	
At 1 January 2016/31 December 2016/1 January 2017/31 December 2017	63

### 5.1 Goodwill

The carrying amount of the goodwill of subsidiaries in the polymers segment, arising from acquisition through business combination, was assessed for impairment during the year.

### 5.2 Amortisation and impairment charge

Amortisation and impairment is allocated and recognised in the statements of profit or loss and other comprehensive income as amortisation cost and impairment loss.

### 5.3 Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	2017	Group 2016
A subsidiary in pharmaceuticals division	-	189,658
Subsidiaries in polymers division	<b>94,107</b>	94,107
	<b>94,107</b>	283,765

The recoverable amounts of the cash-generating units containing goodwill were based on value in use of the investment in the respective subsidiaries ("the subsidiaries") and determined by discounting future cash flow based on financial budgets approved by management.

Subsequent to demerger exercise that took place on 28 December 2017, CCM Duopharma Biotech Berhad ("CCMD") Group is no longer a subsidiary of the Group. Goodwill of CCMD with carrying amount of RM189,658,000 has been derecognised during the year.

# NOTES TO THE FINANCIAL STATEMENTS

## 5. INTANGIBLE ASSETS (CONTINUED)

### 5.3 Impairment testing for cash-generating units containing goodwill (continued)

For the purpose of impairment testing of polymers division, the value in use was determined by discounting the future cash flows based on the following key assumptions:

- (a) Cash flows were projected based on past experience, actual operating results and 2 years (2016: 3 years) budget. Cash flows for a further 3 years (2016: 2 years) period were extrapolated using a growth rate of 5 percent growth rate (2016: 10 percent). Management believes that these 5 years (2016: 5 years) forecast period was justified due to the long term nature of the businesses.
- (b) The anticipated growth rate for revenue was projected in accordance with the Group's 2 years (2016: 3 years) budget and subsequently projected based on growth rate as stated in note (a) above.
- (c) A pre-tax discount rate of 7.1 percent (2016: 7.76 percent). The discount was estimated based on the respective subsidiaries' weighted average cost of capital ("WACC").

## 6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017	2016
At cost:		
Unquoted shares	305,167	265,167
Less: Accumulated impairment loss	(87,223)	(87,223)
	<b>217,944</b>	<b>177,944</b>

## 6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2017 %	2016 %
CCM Agri-Max Sdn. Bhd. and its subsidiaries:	Malaysia	Investment holding	100.0	100.0
CCM Fertilizers Sdn. Bhd. and its subsidiary:	Malaysia	Dormant	50.1	50.1
Max Agriculture Sdn. Bhd.	Malaysia	Dormant	50.1	50.1
CCM Usaha Kimia (M) Sdn. Bhd. and its subsidiaries:	Malaysia	Trading as an agent and in its own right in chemicals and other commodities	100.0	100.0
CCM Water Systems Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
CCM Polymers Sdn. Bhd. and its subsidiaries:	Malaysia	Manufacturing and selling of industrial and hydrogel coating products	100.0	100.0
Innovative Polymer Systems Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
Delta Polymer Systems Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
CCM Chemicals Sdn. Bhd. and its subsidiaries:	Malaysia	Manufacturing and marketing of chlor-alkali and coagulant products and marketing of industrial and specialty chemicals	100.0	80.0
CCM Watercare Sdn. Bhd.	Malaysia	Dormant	100.0	80.0
CCM Singapore Pte. Ltd.*	Singapore	Marketing of chlor-alkali and coagulant products	100.0	80.0
P.T. CCM Indonesia*	Indonesia	Marketing of chlor-alkali and coagulant products and industrial chemicals	100.0	80.0

# NOTES TO THE FINANCIAL STATEMENTS

## 6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2017 %	2016 %
Innovative Resins Sdn. Bhd.	Malaysia	Investment holding	100.0	100.0
CCM Marketing Sdn. Bhd. ("CCMM") and its subsidiaries:	Malaysia	Investment holding	100.0	100.0
CCM Duopharma Biotech Berhad ("CCMD") and its subsidiaries:	Malaysia	Investment holding	-	73.4
Duopharma (M) Sdn. Bhd.	Malaysia	Manufacturing, distribution, importing and exporting of pharmaceutical products and medicines	-	73.4
Upha Pharmaceutical Manufacturing (M) Sdn. Bhd.	Malaysia	Manufacturing of pharmaceutical products and sales of medicines	-	73.4
CCM Pharma Sdn. Bhd.	Malaysia	Property management and services	-	73.4
Innovax Sdn. Bhd.	Malaysia	Research and development of pharmaceutical products	-	73.4
CCM Pharmaceuticals Sdn. Bhd. and its subsidiaries:	Malaysia	Marketing and sales of medicine and pharmaceutical products	-	73.4
CCM Biopharma Sdn. Bhd.	Malaysia	Dormant	-	73.4
Sentosa Pharmacy Sdn. Bhd.	Malaysia	Distributor of pharmaceutical products	-	73.4
Unique Pharmacy (Ipoh) Sdn. Bhd.	Malaysia	Dormant	-	73.4
Unique Pharmacy (Penang) Sdn. Bhd.	Malaysia	Distributor of pharmaceutical products	-	73.4
Negeri Pharmacy Sdn. Bhd.	Malaysia	Dormant	-	73.4

## 6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2017 %	2016 %
CCM International (Philippines), Inc.*	Republic of Philippines	Distribution, importing and exporting of pharmaceuticals product	-	73.4
CCM Pharmaceuticals (S) Pte. Ltd.*	Singapore	Distribution, wholesaler of medicinal and pharmaceutical products	-	73.4
CCM Investments Limited**	British Virgin Islands	Investment holding	100.0	100.0
CCM International Sdn. Bhd. and its subsidiaries:	Malaysia	Investment holding	100.0	100.0
P.T. CCM Agripharma*	Indonesia	Dormant	100.0	100.0
CCM Siam Ltd.*	Thailand	Dormant	100.0	100.0
Yayasan CCM (Limited by Guarantee)	Malaysia	To receive and administer funds for education and charitable purposes	100.0	100.0

\* Not audited by member firms of KPMG International.

\*\* Not required to be audited and consolidated based on unaudited financial statements.

- 6.1** During the year, the Company entered into agreement with CCMM, to settle the amount owing by CCMM by way of transfers of CCMD shares to the Company (See Note 32).
- 6.2** Pursuant to the demerger, the Group has distributed CCMD shares to shareholders via capital reduction (See Note 32). Subsequent to the distribution which was completed on 28 December 2017, CCMD is no longer a subsidiary of the Group.
- 6.3** On 24 November 2017, the Company completed a Sale of Shares Agreement with Lanjut Setia Sdn. Bhd. ("LSSB") and its holding company, Permodalan Nasional Berhad ("PNB") to acquire the remaining 20% of the issued share capital of its subsidiary, CCM Chemicals Sdn. Bhd. ("CCMC") (See Note 32).

# NOTES TO THE FINANCIAL STATEMENTS

## 6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

### 6.4 Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	CCM Fertilizers Sdn. Bhd. and its subsidiaries
<b>2017</b>	
NCI percentage of ownership interest and voting interest	49.90%
Carrying amount of NCI	(1,360)
Loss allocated to NCI	(3,144)

#### Summarised financial information before intra-group elimination

##### As at 31 December

Non-current assets	154
Current assets	16,799
Non-current liabilities	-
Current liabilities	(19,678)
Net liabilities	(2,725)

##### Year ended 31 December

Revenue	2,447
Loss for the year	(6,301)
Total comprehensive loss	(6,271)

Cash flows from operating activities	2,969
Cash flows from investing activities	5
Cash flows used in financing activities	(8,931)
Net decrease in cash and cash equivalents	(5,957)

## 6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

### 6.2 Non-controlling interests in subsidiaries (continued)

	CCM Fertilizers Sdn. Bhd. and its subsidiary	CCM Duopharma Biotech Berhad and its subsidiaries	CCM Chemicals Sdn. Bhd. and its subsidiaries	Total
<b>2016</b>				
NCI percentage of ownership interest and voting interest	49.90%	26.63%	20.00%	
Carrying amount of NCI	1,774	121,356	29,058	152,188
(Loss)/Profit allocated to NCI	(29,933)	7,144	2,580	(20,209)

#### Summarised financial information before intra-group elimination

##### As at 31 December

Non-current assets	309	295,281	144,056
Current assets	37,816	366,182	120,969
Non-current liabilities	-	(103,791)	(51,111)
Current liabilities	(34,570)	(103,156)	(68,627)
Net assets	3,555	454,516	145,287

##### Year ended 31 December

Revenue	128,104	312,940	215,044
(Loss)/Profit for the year	(59,985)	26,826	12,900
Total comprehensive (loss)/income	(59,985)	27,115	13,757

Cash flows from operating activities	33,864	33,241	36,739
Cash flows from/(used in) investing activities	12	(30,449)	(60,798)
Cash flows used in financing activities	(26,161)	(31,777)	(15,969)
Net increase/(decrease) in cash and cash equivalents	7,715	(28,985)	(40,028)

Dividends paid to NCI	-	5,942	491
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# NOTES TO THE FINANCIAL STATEMENTS

## 7. INVESTMENT IN ASSOCIATE

	2017	Group 2016
At cost:		
Unquoted shares	1,408	1,408
Share of post-acquisition reserves	14,200	21,113
Dividend received from associate	-	(7,594)
	<b>15,608</b>	<b>14,927</b>

Details of a material associate is as follows:

Name of associate	Principal place of business/ Country of incorporation	Nature of the relationship	Effective ownership interest and voting interest	
			2017 %	2016 %
Orica-CCM Energy Systems Sdn. Bhd.	Malaysia	Associate	45	36

Subsequent to the acquisition of remaining 20% issued share capital of CCM Chemicals Sdn. Bhd. ("CCMC"), CCMC became a wholly-owned subsidiary of the Company which resulted in an increase in effective ownership in Orica-CCM Energy Systems Sdn. Bhd. from 36% to 45%.

The following table summarises the information of the Group's material associate, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associate.

## 7. INVESTMENT IN ASSOCIATE (CONTINUED)

	2017	Group 2016
<b>Summarised financial information</b>		
Non-current assets	2,801	3,704
Current assets	35,947	40,136
Non-current liabilities	(373)	(373)
Current liabilities	(3,849)	(10,455)
Net assets	34,526	33,012
Total comprehensive income	1,514	3,933
<b>Included in the total comprehensive income is:</b>		
Revenue	31,352	36,426
<b>Reconciliation of net assets to carrying amount as at 31 December</b>		
Group's share of net assets	15,537	14,856
Consolidated adjustments	71	71
Carrying amount in the statement of financial position	15,608	14,927
<b>Group's share of results for the year ended 31 December</b>		
Group's share of total comprehensive income	681	1,770

## 8. OTHER INVESTMENTS

	2017	2016
<b>Group</b>		
<b>Non-current</b>		
Available-for-sale financial assets	45,568	50,074

# NOTES TO THE FINANCIAL STATEMENTS

## 8. OTHER INVESTMENTS (CONTINUED)

	2017	2016
<b>Company</b>		
<b>Non-current</b>		
Available-for-sale financial assets	45,414	49,950

Note 8.1

### Note 8.1

In 2014, the Company acquired a 13.86% equity interest in PanGen Biotech Inc. ("PanGen") for a total cash consideration of KRW5 billion or equivalent to RM15,740,000.

On 11 March 2016, PanGen was listed on Korean Securities Dealers Automated Quotations ("KOSDAQ"). Pursuant to the listing, the Company has an effective interest of 9.34% in PanGen.

As at 31 December 2017, the Company has an effective interest of 8.39% in PanGen, following series of employee share option scheme being exercised during the financial year.

## 9. DEFERRED TAX (ASSETS)/LIABILITIES

### Recognised deferred tax (assets) and liabilities

Deferred tax (assets) and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
<b>Group</b>						
Property, plant and equipment	-	(27)	21,157	33,348	21,157	33,321
Investment properties	-	-	5,983	5,914	5,983	5,914
Provisions	(2,723)	(5,596)	-	-	(2,723)	(5,596)
Other temporary differences	(2,247)	(6,494)	123	4,428	(2,124)	(2,066)
Tax losses/tax incentives carry-forwards	(1,173)	(11,017)	603	-	(570)	(11,017)
Tax (assets)/liabilities	(6,143)	(23,134)	27,866	43,690	21,723	20,556
Set off of tax	3,822	14,081	(3,822)	(14,081)	-	-
Net tax (assets)/liabilities	(2,321)	(9,053)	24,044	29,609	21,723	20,556

## 9. DEFERRED TAX (ASSETS)/LIABILITIES (CONTINUED)

### Recognised deferred tax (assets) and liabilities (continued)

	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
<b>Company</b>						
Property, plant and equipment	-	-	<b>2,901</b>	3,877	<b>2,901</b>	3,877
Investment properties	-	-	<b>12,391</b>	12,322	<b>12,391</b>	12,322
Other temporary differences	<b>(505)</b>	(690)	-	-	<b>(505)</b>	(690)
Tax (assets)/liabilities	<b>(505)</b>	(690)	<b>15,292</b>	16,199	<b>14,787</b>	15,509
Set off of tax	<b>505</b>	690	<b>(505)</b>	(690)	-	-
Net tax liabilities	-	-	<b>14,787</b>	15,509	<b>14,787</b>	15,509

### Unrecognised deferred tax assets

Deferred tax (assets) and liabilities have not been recognised in respect of the following items:

	Group	
	2017	2016
Tax losses carry-forwards	<b>(91,492)</b>	(105,442)
Other temporary differences	<b>(6,760)</b>	(14,303)
	<b>(98,252)</b>	(119,745)

The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

# NOTES TO THE FINANCIAL STATEMENTS

## 9. DEFERRED TAX (ASSETS)/LIABILITIES (CONTINUED)

### Movement in temporary differences during the year

	At 1.1.2016	Recognised in profit or loss (Note 19)	Recognised in other comprehensive income ("OCI")	At 31.12.2016/ 1.1.2017	Recognised in profit or loss (Note 19)	Included in discontinued operation (Note 20)	At 31.12.2017
<b>Group</b>							
Property, plant and equipment	31,547	1,774	-	33,321	7,104	(19,268)	21,157
Investment properties	-	-	5,914	5,914	69	-	5,983
Provisions	(6,014)	418	-	(5,596)	(3,125)	5,998	(2,723)
Other temporary differences	(2,596)	530	-	(2,066)	506	(564)	(2,124)
Tax losses/tax incentives carry-forwards	(11,267)	250	-	(11,017)	(670)	11,117	(570)
	11,670	2,972	5,914	20,556	3,884	(2,717)	21,723
<b>Company</b>							
Property, plant and equipment	4,539	(662)	-	3,877	(976)	-	2,901
Investment properties	8,182	4,140	-	12,322	69	-	12,391
Other temporary differences	(659)	(31)	-	(690)	185	-	(505)
	12,062	3,447	-	15,509	(722)	-	14,787

## 10. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2017	2016	2017	2016
<b>Non-current</b>					
<b>Trade</b>					
Amount due from subsidiaries	10.1	-	-	3,866	-
<b>Non-trade</b>					
Amount due from subsidiaries	10.1	-	-	20,925	454,959
Total non-current		-	-	24,791	454,959
<b>Current</b>					
<b>Trade</b>					
Trade receivables	10.2	93,377	157,799	-	-
Amount due from subsidiaries		-	-	3,470	-
		93,377	157,799	3,470	-
<b>Non-trade</b>					
Amount due from related companies	10.3	20,424	-	-	-
Amount due from subsidiaries		-	-	24,484	53,420
Amount due from associate		88	46	75	38
Deposits		1,991	9,818	326	305
Other receivables		13,322	11,921	11,884	7,445
Prepayments		6,803	15,831	-	-
		42,628	37,616	36,769	61,208
Total current		136,005	195,415	40,239	61,208

**10.1** The amount due from subsidiaries relates to advances which are unsecured, subject to interest of 4.73% per annum (2016: 4.24% per annum) and are not repayable over the next 12 months. The Company recognised an impairment loss of RM Nil (2016: RM34,762,000) with respect to its advances to subsidiaries during the year.

During the year, the Company entered into agreement with CCM Marketing Sdn. Bhd. ("CCMM"), to settle the amount owing by CCMM by way of transfers of CCM Duopharma Biotech Berhad shares to the Company (See Note 32).

# NOTES TO THE FINANCIAL STATEMENTS

## 10. TRADE AND OTHER RECEIVABLES (CONTINUED)

- 10.2** Included in the trade receivables are amount due from a significant investor that has influence over a subsidiary of RM Nil (2016: RM265,000).
- 10.3** During the financial year, the Company had a restructuring exercise which resulted in a change in the group structure. Arising from this change in group structure, the relationship between the Company and CCM Duopharma Biotech Berhad had changed from a subsidiary to a related company.

## 11. INVENTORIES

	Group	
	2017	2016
Raw materials	10,002	56,329
Work-in-progress	4,202	6,830
Finished goods	16,083	107,691
Spares and consumables	1,058	2,242
Stock-in-transit	7,932	-
	<b>39,277</b>	173,092
Recognised in profit or loss:		
Inventories recognised as cost of sales	550,149	582,216
Write-down to net realisable value	5,924	21,456
Reversal of provision for obsolete stocks	(2,464)	(1,050)
	<b>553,609</b>	602,622

The write-down is included in cost of sales.

## 12. CASH AND CASH EQUIVALENTS

	Note	Group		Company	
		2017	2016	2017	2016
Cash and bank balances		<b>66,907</b>	127,884	<b>11,742</b>	11,172
Deposits placed with financial institutions		<b>49,888</b>	64,568	<b>5,363</b>	47,364
Highly liquid investments with financial institutions	12.1	<b>43,550</b>	95,865	<b>43,550</b>	14,456
		<b>160,345</b>	288,317	<b>60,655</b>	72,992

### 12.1 Highly liquid investments with financial institutions

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

## 13. ASSETS CLASSIFIED AS HELD FOR SALE

An investment property of the Company is presented as asset held for sale following the commitment of the management during the year to a plan to sell the investment property. Efforts to sell the assets have commenced. On 30 November 2017, the Company has entered into a Sale and Purchase Agreement with Global Vision Logistics Sdn. Bhd. ("GVL") for the proposed disposal for a cash consideration of RM190 million and a sale is expected to be completed in the following year after both the Company and GVL have fulfilled the condition precedent clause stated in the agreement. On 2 March 2018, the Company in its Extraordinary General Meeting ("EGM") has obtained the shareholders' approval with respect of the proposed disposal.

The assets and liabilities of the disposal group are as follows:

	Group	
	2017	2016
<b>Assets classified as held for sale</b>		
Investment property	<b>185,900</b>	1,000
	<b>185,900</b>	1,000

# NOTES TO THE FINANCIAL STATEMENTS

## 13. ASSETS CLASSIFIED AS HELD FOR SALE (CONTINUED)

	Company	
	2017	2016
<b>Assets classified as held for sale</b>		
Investment property	185,900	-

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

## 14. CAPITAL AND RESERVES

### 14.1 Share capital

	Group and Company			
	2017		2016	
	Amount	Number of shares '000	Amount	Number of shares '000
Issued and fully paid:				
At 1 January 2017	457,630	457,630	457,630	457,630
Increase in share capital	60,010	45,463	-	-
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016	40,017	-	-	-
Share consolidation (Note a)	-	(335,397)	-	-
Effect of demerger (Note b)	(475,737)	-	-	-
At 31 December 2017	81,920	167,696	457,630	457,630

### Ordinary shares

The Companies Act 2016 which came into effect on 31 January 2017 has abolished the concept of authorised share capital and par value of share capital.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

## 14. CAPITAL AND RESERVES (CONTINUED)

### 14.1 Share capital (continued)

During the financial year, the Company issued 45,463,186 new ordinary shares at RM1.32 per ordinary share via a private placement to eligible investors for a total cash consideration of RM60 million.

- (a) During the year, issued share capital of the Company of 503,093,042 ordinary shares of the Company have been consolidated into 167,695,988 Consolidated Shares (See Note 32).
- (b) Pursuant to the demerger as set out in Note 32 to the financial statements, the Group has distributed its entire shareholding of CCM Duopharma Biotech Berhad by way of reduction of paid-up capital by RM475.7 million.

### 14.2 Capital redemption reserve

The capital redemption reserve represent portion of its own shares purchased which was subsequently cancelled and an amount equivalent to their nominal value was transferred to the capital redemption reserves.

In accordance with Section 618 of the Companies Act 2016, any amount standing to the credit of the capital redemption reserve account has become part of the Company's share capital. The Company has twenty-four months upon the commencement of the Companies Act 2016 on 31 January 2017 to utilise on the credit.

Included in share capital is capital redemption reserve amounting to RM73,000 that is available to be utilised in accordance with Section 618(3) of the Companies Act 2016 on or before 30 January 2019 (24 months from commencement of Section 74).

### 14.3 Translation reserve

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

### 14.4 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

### 14.5 Revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment immediately prior to its reclassification as investment property.

# NOTES TO THE FINANCIAL STATEMENTS

## 14. CAPITAL AND RESERVES (CONTINUED)

### 14.6 Treasury shares

The shareholders of the Company, by a special resolution passed in a general meeting held on 23 April 1998, approved the Company's plan to repurchase its own shares. The renewal of the authority for purchase of its own shares lapsed in 2004 and no further renewal was sought.

During the financial year, the Company has disposed off a total of 2,998,000 treasury shares with a total consideration received of RM4.56 million.

The treasury shares are being disposed in accordance with Section 127 (7)(b) of the Companies Act 2016.

At 31 December 2017, the Group held Nil (2016: 2,998,000) of the Company's shares. There was no repurchase of issued share capital in the current financial year.

### 14.7 Share premium

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

In accordance with Section 618 of the Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. The Company has twenty-four months upon the commencement of the Companies Act 2016 on 31 January 2017 to utilise on the credit.

Included in share capital is share premium amounting to RM39,944,000 that is available to be utilised in accordance with Section 618(3) of the Companies Act 2016 on or before 30 January 2019 (24 months from commencement of Section 74).

## 15. LOANS AND BORROWINGS

	Note	Group		Company	
		2017	2016	2017	2016
<b>Non-current - unsecured</b>					
Term loan	15.1	<b>108,750</b>	536,118	<b>68,750</b>	394,320
<b>Current - unsecured</b>					
Bankers' acceptances		<b>2,818</b>	2,885	-	-
Term loan	15.1	<b>335,570</b>	16,250	<b>325,570</b>	6,250
Revolving credit and trade facilities	15.2	<b>21,000</b>	66,498	<b>20,000</b>	40,000
		<b>359,388</b>	85,633	<b>345,570</b>	46,250

## 15. LOANS AND BORROWINGS (CONTINUED)

### 15.1 - Unsecured term loan

- (i) The Company has obtained a RM150.57 million, 3 years unsecured term loan at the rate of 4.70% per annum (2016: 4.70% per annum) which matures in April 2018.
- (ii) The Company has obtained a RM150 million, 3 years unsecured term loan at the rate of 4.93% per annum (2016: 4.93% per annum) which matures in December 2018.

The significant covenants for the unsecured term loan (i) to (ii) above are as follows:

- (a) It is a condition that Permodalan Nasional Berhad shall at all time, directly or indirectly, owns at least 51% of the Company's issued and paid up share capital.
- (b) Interest coverage ratio of not less than 2 times.

Due to the demerger exercise (see Note 32), the lender has granted indulgence for the breach of financial covenants as follows:

- (c) Consolidated Net Worth shall not be less than RM 750 million.
- (d) Consolidated Total Debt to Consolidated Net Worth shall not exceed 1.5 times.

The lender has also revised the covenants as set out in Note ii (c) and Note ii (d) to Note ii (e) and Note ii (f) as shown below:

- (e) Consolidated Net Worth shall not be less than RM250 million.
- (f) Consolidated Total Debt to Consolidated Net Worth shall not be more than:
  - 1.75 times prior to the disposal of investment property (refer to Note 13); and
  - 1.50 times after the disposal of investment property (refer to Note 13).
- (iii) The Company obtained a RM100 million, 5 years unsecured term loan at a profit rate of approximately 4.90% which matures on 16 August 2021.

The significant covenants for the unsecured term loan (iii) above are as follows:

- (a) Permodalan Nasional Berhad shall at all time, directly or indirectly, own at least 51% of the Company's issued and paid up share capital.
- (b) Due to the demerger exercise (see Note 32), the lender has approved a temporary six-month indulgence in respect of the breach in gearing covenant of 1.50 times effective from 28 December 2017 to 30 June 2018.

# NOTES TO THE FINANCIAL STATEMENTS

## 15. LOANS AND BORROWINGS (CONTINUED)

### 15.1 - Unsecured term loan (continued)

- (iv) CCM Chemicals Sdn. Bhd. ("CCMC"), a subsidiary of the Company, obtained a RM50 million, 5 years unsecured term loan at the floating rate of approximately 4.70% per annum (2016: approximately 4.70% per annum) which matures in October 2020.

The significant covenants for the unsecured term loan (iv) above are as follows:

- (a) CCMC shall maintain a minimum Consolidated Net Worth of RM80 million during the tenure of the facility.
- (b) CCMC's Consolidated Total Debt to Consolidated Net Worth ratio shall not at all times exceed 1.5 times.
- (c) CCMC's Interest Coverage Ratio shall not less than 2.0 times.
- (d) CCMC's Debt Service Ratio shall not at all times less than 1.25 times.

### 15.2 - Unsecured revolving credit and trade facilities

The subsidiaries of the Company have utilised the revolving credit and trade facilities from various banks.

The above is subject to fulfilment of the following covenants:

- (i) Letter of Comfort from Chemical Company of Malaysia Berhad.
- (ii) The borrower shall maintain a Gearing Ratio of not more than 1.5 times.
- (iii) The borrower shall maintain Debt Service Coverage Ratio of at least 2.0 times Earnings Before Interest, Income Tax and Depreciation during the tenure of the facility.

Reconciliation of movement of liabilities to cash flows arising from financing activities:

	Unsecured term loan	Unsecured revolving credit	Unsecured bankers' acceptances	Total
<b>Balance at 1 January 2017</b>	<b>563,866</b>	<b>55,000</b>	<b>2,885</b>	<b>621,751</b>
Drawdown/(Repayment) of:				
- Term loan	24,742	-	-	24,742
Repayment of:				
- Term loan	(16,849)	-	-	(16,849)
- Revolving credit	-	(34,000)	-	(34,000)
- Bankers' acceptance	-	-	(67)	(67)
<b>Total changes from financing cash flows</b>	<b>571,759</b>	<b>21,000</b>	<b>2,818</b>	<b>595,577</b>
Effect of demerger	(127,439)	-	-	(127,439)
<b>Balance at 31 December 2017</b>	<b>444,320</b>	<b>21,000</b>	<b>2,818</b>	<b>468,138</b>

## 16. PROVISION

	Group	
	2017	2016
<b>Warranties</b>		
At 1 January	493	964
Provision made during the year	203	-
Provision reversed during the year	-	(471)
Effect of demerger	(696)	-
At 31 December	-	493

The provision for warranties relates to pharmaceutical products sold. The provision is based on estimates made from historical warranty data associated with similar products. The Group expects to incur the liability over the next 1 year (2016: 2 years).

## 17. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2017	2016	2017	2016
<b>Trade</b>					
Trade payables		52,947	75,151	-	10
<b>Non-trade</b>					
Accrued expenses		1,886	34,237	5,088	7,170
Amount due to related companies		4,982	-	-	-
Amount due to subsidiaries	17.1	-	-	15,743	14,756
Other payables		28,165	31,842	23,648	3,867
		<b>35,033</b>	66,079	<b>44,479</b>	25,793
		<b>87,980</b>	141,230	<b>44,479</b>	25,803

17.1 The non-trade payables due to subsidiaries are unsecured, interest free and repayable on demand.

# NOTES TO THE FINANCIAL STATEMENTS

## 18. REVENUE

	Continuing operations		Discontinued operation (see Note 20)		Total	
	2017	2016	2017	2016	2017	2016
<b>Group</b>						
Sales	<b>370,289</b>	295,946	<b>467,987</b>	458,864	<b>838,276</b>	754,810
Rental income from - property	<b>420</b>	428	-	-	<b>420</b>	428
	<b>370,709</b>	296,374	<b>467,987</b>	458,864	<b>838,696</b>	755,238
<b>Company</b>						
Rental income from - property	<b>3,701</b>	4,561	-	-	<b>3,701</b>	4,561
Dividends	<b>23,352</b>	23,757	-	-	<b>23,352</b>	23,757
	<b>27,053</b>	28,318	-	-	<b>27,053</b>	28,318

## 19. TAX EXPENSE

### Recognised in profit or loss

	Group		Company	
	2017	2016	2017	2016
Tax expense on continuing operations	17,374	9,916	126	5,063
Tax expense on discontinued operation	9,312	4,719	-	-
Share of tax of equity accounted associate	162	400	-	-
<b>Total tax expense</b>	<b>26,848</b>	<b>15,035</b>	<b>126</b>	<b>5,063</b>

Major components of income tax expense include:

#### Current tax expense

Malaysian - current year	21,952	14,632	296	2,999
- prior year	850	(2,969)	552	(1,383)
<b>Total current tax recognised in profit or loss</b>	<b>22,802</b>	<b>11,663</b>	<b>848</b>	<b>1,616</b>

#### Deferred tax expense

Origination and reversal of temporary differences	1,736	4,680	(604)	3,684
Under/(Over) provision in prior years	2,148	(1,708)	(118)	(237)
<b>Total deferred tax recognised in profit or loss (Note 9)</b>	<b>3,884</b>	<b>2,972</b>	<b>(722)</b>	<b>3,447</b>

	26,686	14,635	126	5,063
Share of tax of equity accounted associate	162	400	-	-
<b>Total tax expense</b>	<b>26,848</b>	<b>15,035</b>	<b>126</b>	<b>5,063</b>

### Reconciliation of effective tax rate

	%	%	%	%
Profit/(Loss) before tax	100	(100)	100	(100)
Income tax calculated using				
Malaysian tax rate of 24%	24	(24)	24	(24)
Non-deductible expenses	8	41	56	91
Non-taxable income	(5)	(7)	(85)	(55)
Under/(Over) provision in prior years	4	(7)	6	(3)
Effect of unrecognised deferred tax assets	9	18	-	-
	<b>40</b>	<b>21</b>	<b>1</b>	<b>9</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 20. DISCONTINUED OPERATION

Pursuant to the demerger (see Note 32), pharmaceuticals segment was presented as discontinued operation during the year. The comparatives for results of discontinued operations have been re-presented to show the discontinued operations of pharmaceutical, together with fertilizer operating segment where the Group decided to scale down its business operations in prior year.

Profit or (Loss) attributable to the discontinued operation was as follows:

### Results of discontinued operation

	Note	Group 2017	Group 2016
Revenue	18	467,987	458,864
Expenses		(416,208)	(526,126)
<b>Results from operating activities</b>		<b>51,779</b>	<b>(67,262)</b>
Tax expense	19	(9,312)	(4,719)
<b>Results from operating activities, net of tax</b>		<b>42,467</b>	<b>(71,981)</b>
Loss on sale of discontinued operation		-	(3,016)
Tax on disposal of discontinued operation		-	(1,050)
<b>Results from operating activities, net of tax</b>		<b>42,467</b>	<b>(76,047)</b>
<b>Included in results from operating activities are:</b>			
Depreciation of property, plant and equipment		(23,951)	(17,697)

The profit/(loss) from discontinued operation is attributable to:

	Group 2017	Group 2016
Owners of the Company	31,158	(53,258)
Non-controlling interests	11,309	(22,789)
<b>Profit/(Loss) for the year</b>	<b>42,467</b>	<b>(76,047)</b>
<b>Cash flows (used in)/from discontinued operation</b>		
Net cash from operating activities	37,921	54,703
Net cash (used in)/from investing activities	(71,875)	68,516
Net cash from/(used in) financing activities	14,143	(37,830)
Effect on cash flows	(19,811)	85,389

## 20. DISCONTINUED OPERATION (CONTINUED)

The carrying amount of net assets of CCMD Group distributed to shareholders of the Company on demerger was as follows:

	Group 2017
Property, plant and equipment	316,862
Investment properties	4,650
Intangible assets	205,893
Deferred tax assets	9,851
Inventories	136,301
Trade and other receivables	107,789
Current tax assets	10,785
Cash and cash equivalents	96,020
Asset held for sale	1,000
Trade and other payables	(78,363)
Loans and borrowings	(127,439)
Current tax liabilities	(1,218)
Deferred tax liabilities	(12,568)
<b>Net assets</b>	<b>669,563</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 21. PROFIT/(LOSS) FOR THE YEAR

	Group		Company	
	2017	2016	2017	2016
<b>Profit/(Loss) for the year is arrived at after charging:</b>				
Auditors' remuneration:				
- Statutory Audit				
KPMG	520	539	86	85
Other auditors	153	164	-	-
- Other services				
KPMG	122	52	65	35
Depreciation of property, plant and equipment	46,763	50,191	3,499	3,515
Impairment loss:				
- Property, plant and equipment	185	4,606	-	-
- Trade receivables	2,553	11,956	-	-
- Other receivables	-	4,779	-	-
- Amount due from subsidiaries	-	-	-	34,762
- Investments in subsidiaries	-	-	-	42,435
- Intangible assets	1,769	-	-	-
Interest expense:				
- Subsidiaries	-	-	-	15
- Bank overdraft	-	2	-	-
- Revolving credits	2,070	4,301	1,734	2,808
- Bankers' acceptances	201	1,845	-	-
- Unsecured term loan	21,710	23,692	19,436	16,583
- Others	6,248	4,678	648	3,148
Net loss on disposal of:				
- Property, plant and equipment	190	-	-	-
- Investment in subsidiaries	-	-	-	92,398
Personnel expenses (including key management personnel)				
- Contribution to Employees Provident Fund	15,968	12,247	2,636	2,568
- Wages, salaries and others	119,498	100,456	21,259	14,601
Property, plant and equipment written off	58	1,324	-	-
Rental expenses in respect of:				
- Property leases	4,097	9,981	1,411	1,209
- Property	1,722	1,071	17	19
- Equipment	381	104	237	104
Research and development costs expensed as incurred	10,256	9,745	-	-
Write-down to net realisable value	5,924	21,456	-	-
Realised foreign exchange loss	1,133	-	-	-
Unrealised foreign exchange loss	-	1,888	-	522

## 21. PROFIT/(LOSS) FOR THE YEAR (CONTINUED)

	Group		Company	
	2017	2016	2017	2016
<b>and after crediting:</b>				
Change in fair value of investment properties	200	-	380	83,200
Interest income:				
- Subsidiaries	-	-	13,182	20,292
- Fixed deposits	3,906	5,301	457	881
- Others	3,829	4,363	1,579	1,642
Dividend income from				
- Other investment-quoted shares in Malaysia	-	3	-	-
- Subsidiaries	-	-	23,352	23,757
Net gain on disposal of:				
- Assets held for sale	-	-	-	20,350
- Property, plant and equipment	-	118	59	-
Reversal of:				
- Impairment on trade receivables	3,697	3,908	-	-
- Impairment on amount due from subsidiary	-	-	12,500	-
- Provision of warranty	-	471	-	-
- Provision of obsolete stocks	2,464	1,050	-	-
Rental income from property	5,950	435	3,701	4,561
Realised foreign exchange gain	3,719	1,515	-	23
Unrealised foreign exchange gain	2,004	-	1,356	-

## 22. EARNINGS/(LOSS) PER ORDINARY SHARE

### Basic earnings/(loss) per ordinary share

The calculation of basic earnings/(loss) per ordinary share at 31 December 2017 was based on the profit/(loss) attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, calculated as follows:

	2017			2016		
	Continuing operations	Discontinued operation	Total	Continuing operations	Discontinued operation	Total
(Loss)/Profit for the year attributable to ordinary shareholders	(5,239)	31,158	25,919	(17,515)	(46,114)	(63,629)

# NOTES TO THE FINANCIAL STATEMENTS

## 22. EARNINGS/(LOSS) PER ORDINARY SHARE (CONTINUED)

	Group	
	2017	2016
Weighted average number of ordinary shares at 31 December	462,615	454,632
	2017 Sen	2016 Sen
From continuing operations	(1.13)	(3.85)
From discontinued operation	6.74	(10.14)
Basic earnings/(loss) per ordinary share	5.61	(13.99)

### Diluted earnings/(loss) per ordinary share

No diluted earnings/(loss) per ordinary share is presented as there are no adjustment for the effects of all dilutive potential ordinary shares as at 31 December 2017 and 31 December 2016.

## 23. DIVIDENDS

Dividends recognised by the Company:

	Sen per share	Total amount	Date of payment
<b>2017</b>			
Interim 2017 ordinary	2.50	11,366	1 June 2017
Total amount		<u>11,366</u>	
<b>2016</b>			
Interim 2016 ordinary	2.50	11,366	3 June 2016
Interim 2016 ordinary	2.50	11,366	18 November 2016
Total amount		<u>22,732</u>	

## 24. OPERATING SEGMENTS

### *Business segments*

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Managing Director (the chief operating decision maker) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Chemicals - Manufacturing and marketing of chlor-alkali and coagulant products, industrial and specialty chemicals.
- Polymer - Manufacturing and selling of industrial cleaner and hydrogel coating products.
- Pharmaceuticals - Manufacturing and marketing of pharmaceutical and healthcare products.

Other non-reportable segments comprise operations related to the investment holding company and rental of investment property. None of these segments met the quantitative thresholds for reporting segments in 2017 and 2016.

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Group's Managing Director (the chief operating decision maker). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

### *Segment assets*

The total of segment asset is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Group's Managing Director. Segment total asset is used to measure the return on assets of each segment.

### *Segment liabilities*

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Group's Managing Director. Hence, no disclosure is made on segment liability.

# NOTES TO THE FINANCIAL STATEMENTS

## 24. OPERATING SEGMENTS (CONTINUED)

	Chemicals		Polymers		Pharmaceuticals (discontinued)		Fertilizers (discontinued)		Others		Eliminations		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<b>Segment profit/(loss)</b>	<b>31,371</b>	13,087	<b>14,196</b>	13,605	<b>42,467</b>	26,826	-	(102,873)	<b>(30,236)</b>	(62,282)	<b>(17,980)</b>	27,799	<b>39,818</b>	(83,838)
<i>Included in the measure of segment profit/ (loss) are:</i>														
Total external revenue	<b>283,565</b>	214,740	<b>84,277</b>	81,206	<b>467,987</b>	312,940	-	145,924	<b>2,867</b>	428	-	-	<b>838,696</b>	755,238
Inter-segment revenue	<b>30,753</b>	4,972	-	-	-	-	-	-	<b>3,281</b>	4,133	<b>(34,034)</b>	(9,105)	-	-
Write-down of inventories	-	(1,793)	-	-	<b>(5,924)</b>	(5,946)	-	(13,717)	-	-	-	-	<b>(5,924)</b>	(21,456)
Impairment of property, plant and equipment	-	-	-	-	-	-	-	-	<b>185</b>	(4,606)	-	-	<b>185</b>	(4,606)
Depreciation and amortisation	<b>(19,018)</b>	(17,091)	<b>(539)</b>	(533)	<b>(23,951)</b>	(22,500)	-	(4,803)	<b>(3,498)</b>	(3,515)	<b>243</b>	(1,749)	<b>(46,763)</b>	(50,191)
Share of profit of associate	<b>681</b>	1,770	-	-	-	-	-	-	-	-	-	-	<b>681</b>	1,770
<i>Not included in the measure of segment profit but provided to Group Managing Director:</i>														
Finance costs	<b>(3,700)</b>	(4,099)	-	(120)	<b>(5,264)</b>	(5,550)	-	(1,895)	<b>(34,616)</b>	(41,549)	<b>13,351</b>	18,695	<b>(30,229)</b>	(34,518)
Finance income	<b>1,102</b>	1,599	<b>1,285</b>	1,090	<b>2,714</b>	4,234	-	283	<b>2,634</b>	22,831	-	(20,373)	<b>7,735</b>	9,664
Tax expense	<b>(12,658)</b>	(4,930)	<b>(4,569)</b>	(4,081)	<b>(9,312)</b>	(4,653)	-	(66)	<b>(147)</b>	(5,064)	-	4,159	<b>(26,686)</b>	(14,635)

## 24. OPERATING SEGMENTS (CONTINUED)

	Chemicals		Polymers		Pharmaceuticals (discontinued)		Fertilizers (discontinued)		Others		Eliminations		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<b>Segment assets</b>	313,114	277,641	181,605	168,179	768,685	661,463	30,752	52,348	629,900	1,525,208	(1,062,696)	(999,527)	861,360	1,685,312
<i>Included in the measure of segment assets are:</i>														
Investment in associate	15,537	14,856	-	-	-	-	-	-	-	-	-	71	71	15,608
Additions to non-current assets other than financial instrument and deferred tax assets	18,661	64,946	288	1,785	74,288	34,953	-	315	99	905	-	-	93,336	102,904

### Geographical segments

The Pharmaceuticals, Chemicals, Polymers and Fertilizers business segments are managed on a worldwide basis, but operate in three principal geographical areas, Malaysia, Indonesia and Singapore.

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets.

	Malaysia		Indonesia		Singapore		Other regions		Discontinued operations		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<b>Geographical segments</b>												
External revenue	311,046	219,959	10,732	15,742	23,687	28,357	22,797	32,316	470,434	458,864	838,696	755,238
Segment assets	820,776	914,699	10,124	9,406	524	13,930	3,141	33,466	26,795	713,811	861,360	1,685,312

# NOTES TO THE FINANCIAL STATEMENTS

## 25. FINANCIAL INSTRUMENTS

### 25.1 Categories of financial instruments

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

- (a) Loans and receivables ("L&R");
- (b) Available-for-sale financial assets ("AFS"); and
- (c) Financial liabilities measured at amortised cost ("FL").

	Carrying amount	L&R/ (FL)	AFS
<b>2017</b>			
<b>Financial assets</b>			
<b>Group</b>			
Other investments	45,568	-	45,568
Trade and other receivables (excludes prepayment)	129,202	129,202	-
Cash and cash equivalents	160,345	160,345	-
	<b>335,115</b>	<b>289,547</b>	<b>45,568</b>
<b>Company</b>			
Other investments	45,414	-	45,414
Trade and other receivables (excludes prepayment)	65,030	65,030	-
Cash and cash equivalents	60,655	60,655	-
	<b>171,099</b>	<b>125,685</b>	<b>45,414</b>
<b>Financial liabilities</b>			
<b>Group</b>			
Loans and borrowings	(468,138)	(468,138)	-
Trade and other payables	(87,980)	(87,980)	-
	<b>(556,118)</b>	<b>(556,118)</b>	<b>-</b>
<b>Company</b>			
Loans and borrowings	(414,320)	(414,320)	-
Trade and other payables	(44,479)	(44,479)	-
	<b>(458,799)</b>	<b>(458,799)</b>	<b>-</b>

## 25. FINANCIAL INSTRUMENTS (CONTINUED)

### 25.1 Categories of financial instruments (continued)

	Carrying amount	L&R/ (FL)	AFS
<b>2016</b>			
<b>Financial assets</b>			
<b>Group</b>			
Other investments	50,074	-	50,074
Trade and other receivables (excludes prepayment)	179,584	179,584	-
Cash and cash equivalents	288,317	288,317	-
	517,975	467,901	50,074
<b>Company</b>			
Other investments	49,950	-	49,950
Trade and other receivables (excludes prepayment)	516,167	516,167	-
Cash and cash equivalents	72,992	72,992	-
	639,109	589,159	49,950
<b>Financial liabilities</b>			
<b>Group</b>			
Loans and borrowings	(621,751)	(621,751)	-
Trade and other payables	(141,230)	(141,230)	-
	(762,981)	(762,981)	-
<b>Company</b>			
Loans and borrowings	(440,570)	(440,570)	-
Trade and other payables	(25,803)	(25,803)	-
	(466,373)	(466,373)	-

# NOTES TO THE FINANCIAL STATEMENTS

## 25. FINANCIAL INSTRUMENTS (CONTINUED)

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

	Group		Company	
	2017	2016	2017	2016
<b>Net gains/(losses) on:</b>				
Available-for-sale:				
- recognised in other comprehensive income	30	34,210	-	34,210
- recognised in profit or loss	-	3	-	-
Loans and receivables	13,056	(3,118)	29,073	(12,446)
Financial liabilities measured at amortised cost	(30,239)	(34,518)	(21,818)	(22,554)
	(17,153)	(3,423)	7,255	(790)

### 25.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

### 25.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries.

#### (i) Receivables

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

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount.

## 25. FINANCIAL INSTRUMENTS (CONTINUED)

### 25.4 Credit risk (continued)

#### (i) Receivables (continued)

##### *Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 180 days, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was:

	Group	
	2017	2016
Malaysia	89,337	147,479
Indonesia	1,763	2,238
Others	2,277	8,082
	<b>93,377</b>	157,799

# NOTES TO THE FINANCIAL STATEMENTS

## 25. FINANCIAL INSTRUMENTS (CONTINUED)

### 25.4 Credit risk (continued)

#### (i) Receivables (continued)

##### *Impairment losses*

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

	Gross	Individual impairment	Collective impairment	Net
<b>Group</b>				
<b>2017</b>				
Not past due	70,552	-	-	70,552
Past due 0-30 days	15,184	-	-	15,184
Past due 31-180 days	5,406	(110)	-	5,296
Past due more than 181 days	22,233	(14,315)	(5,573)	2,345
	<b>113,375</b>	<b>(14,425)</b>	<b>(5,573)</b>	<b>93,377</b>
<b>2016</b>				
Not past due	121,027	-	-	121,027
Past due 0-30 days	19,204	-	-	19,204
Past due 31-180 days	14,391	(6)	-	14,385
Past due more than 181 days	30,118	(23,680)	(3,255)	3,183
	<b>184,740</b>	<b>(23,686)</b>	<b>(3,255)</b>	<b>157,799</b>

## 25. FINANCIAL INSTRUMENTS (CONTINUED)

### 25.4 Credit risk (continued)

#### (i) Receivables (continued)

##### *Impairment losses (continued)*

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

	Group	
	2017	2016
At 1 January	26,941	20,663
Impairment loss recognised	2,553	11,956
Impairment loss reversed	(3,697)	(3,908)
Impairment loss written-off	(62)	(2,379)
Foreign exchange differences	(1,042)	609
Effects arising from demerger	(4,695)	-
At 31 December	19,998	26,941

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written-off against the receivable directly.

#### (ii) Investments and other financial assets

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

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group. Transactions involving derivative financial instruments are with approved financial institutions.

##### *Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amounts in the statements of financial position.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations.

The investments and other financial assets are unsecured.



# NOTES TO THE FINANCIAL STATEMENTS

## 25. FINANCIAL INSTRUMENTS (CONTINUED)

### 25.4 Credit risk (continued)

#### (iii) Inter company balances

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

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

##### *Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

##### *Impairment losses*

As at the end of the reporting period, the inter company balance that is assessed to be irrecoverable had been impaired and disclosed in Note 21. The Company does not specifically monitor the ageing of the advances to the subsidiaries.

### 25.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's liquidity risk arises principally from its various payables, loans and borrowings.

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

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

## 25. FINANCIAL INSTRUMENTS (CONTINUED)

### 25.5 Liquidity risk (continued)

#### *Maturity analysis*

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

	Carrying amount	Contractual interest rate %	Contractual cash flows	Under 1 year	1 - 2 years	2 - 5 years	More than 5 years
<b>Group</b>							
<b>2017</b>							
<i>Non-derivative financial liabilities</i>							
Unsecured term loan	444,320	4.70% - 5.00%	481,129	356,809	102,125	22,195	-
Unsecured bankers' acceptances	2,818	3.82%	2,926	2,926	-	-	-
Unsecured revolving credit and trade facilities	21,000	3.90% - 4.56%	21,887	21,887	-	-	-
Trade and other payables	87,980	-	87,980	87,980	-	-	-
	<b>556,118</b>		<b>593,922</b>	<b>469,602</b>	<b>102,125</b>	<b>22,195</b>	<b>-</b>
<b>2016</b>							
<i>Non-derivative financial liabilities</i>							
Unsecured term loan	552,368	4.50% - 4.93%	613,968	27,801	412,577	147,219	26,371
Unsecured bankers' acceptances	2,885	4.40%	3,012	3,012	-	-	-
Unsecured revolving credit and trade facilities	66,498	4.05% - 4.46%	69,075	69,075	-	-	-
Trade and other payables	141,230	-	141,230	141,230	-	-	-
	<b>762,981</b>		<b>827,285</b>	<b>241,118</b>	<b>412,577</b>	<b>147,219</b>	<b>26,371</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 25. FINANCIAL INSTRUMENTS (CONTINUED)

### 25.5 Liquidity risk (continued)

#### *Maturity analysis (continued)*

	Carrying amount	Contractual interest rate %	Contractual cash flows	Under 1 year	1 - 2 years	2 - 5 years
<b>Company</b>						
<b>2017</b>						
<i>Non-derivative financial liabilities</i>						
Unsecured term loan	394,320	4.70%-5.00%	426,019	344,636	59,188	22,195
Unsecured revolving credit and trade facilities	20,000	3.90%-4.56%	20,866	20,866	-	-
Trade and other payables	44,479	-	44,479	44,479	-	-
	<b>458,799</b>		<b>491,364</b>	<b>409,981</b>	<b>59,188</b>	<b>22,195</b>
<b>2016</b>						
<i>Non-derivative financial liabilities</i>						
Unsecured term loan	400,570	4.70% - 4.93%	438,317	11,150	374,842	52,325
Unsecured revolving credit and trade facilities	40,000	4.45% - 4.46%	41,782	41,782	-	-
Trade and other payables	25,803	-	25,803	25,803	-	-
	<b>466,373</b>		<b>505,902</b>	<b>78,735</b>	<b>374,842</b>	<b>52,325</b>

## 25. FINANCIAL INSTRUMENTS (CONTINUED)

### 25.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

#### 25.6.1 Interest rate risk or net asset value risk

The Group's investment in debt securities and borrowings are exposed to a risk of change in their fair value due to changes in market rates. Investments in equity securities and short-term receivables and payables are not significantly exposed to interest rate risk.

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

The Group's exposure to the risk of changes in market rates relates primarily to the highly liquid investments with floating net asset value and its floating interest rate unsecured term loans. Changes in the net asset value and interest rate may expose the Group to a risk of change in cash flows.

The excess fund placed with licensed banks and other financial institutions and corporations are for certain periods during which the interest rates are fixed. The management reviews the interest rates at regular intervals.

##### *Exposure to interest rate risk*

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

	Group		Company	
	2017	2016	2017	2016
<b>Fixed rate instruments</b>				
Financial assets	49,888	64,568	26,288	502,323
Financial liabilities	(324,388)	(369,953)	(320,570)	(340,570)
	(274,500)	(305,385)	(294,282)	161,753
<b>Floating rate instruments</b>				
Financial assets	43,550	95,865	43,550	14,456
Financial liabilities	(143,750)	(251,798)	(93,750)	(100,000)
	(100,200)	(155,933)	(50,200)	(85,544)

# NOTES TO THE FINANCIAL STATEMENTS

## 25. FINANCIAL INSTRUMENTS (CONTINUED)

### 25.6 Market risk (continued)

#### 25.6.1 Interest rate risk or net asset value risk (continued)

##### *Interest rate risk sensitivity analysis*

(a) *Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) *Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2017		2016	
	Profit or (loss)		Profit or (loss)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<b>Group</b>				
Floating rate instruments	(762)	762	(1,185)	1,185
<b>Company</b>				
Floating rate instruments	(382)	382	(650)	650

## 25. FINANCIAL INSTRUMENTS (CONTINUED)

### 25.6 Market risk (continued)

#### 25.6.2 Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar ("USD") and Indonesian Rupiah ("IDR").

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

The Group ensures that the net exposure on foreign currency risk arising from commercial transactions is kept to an acceptable level by buying and selling foreign currencies at spot rates where necessary to address short term imbalances.

#### *Exposure to foreign currency risk*

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	<b>Group Denominated in USD</b>
<hr/>	
<b>2017</b>	
Trade receivables	<b>1,216</b>
Trade payables	<b>(393)</b>
<hr/>	
Net exposure in the statements of financial position	<b>823</b>
<hr/>	
<b>2016</b>	
Trade receivables	3,765
Trade payables	(5,821)
Loans and borrowings	(6,498)
<hr/>	
Net exposure in the statements of financial position	(8,554)
<hr/>	

# NOTES TO THE FINANCIAL STATEMENTS

## 25. FINANCIAL INSTRUMENTS (CONTINUED)

### 25.6 Market risk (continued)

#### 25.6.2 Currency risk (continued)

##### *Currency risk sensitivity analysis*

A 10% (2016: 10%) strengthening of the Ringgit Malaysia ("RM") against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

	Profit/(Loss)	
	2017	2016
<b>Group</b>		
USD	(63)	650

A 10% (2016: 10%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

#### 25.6.3 Other price risk

Equity price risk arises from the Group's investment in equity securities.

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

Management of the Group monitors the equity investments on a portfolio basis. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors of the Group.

##### *Equity price risk sensitivity analysis*

This analysis assumes that all other variables remain constant and the Group's equity investments moved in correlation with the FTSE Bursa Malaysia KLCI ("FBM KLCI") and Korean Securities Dealers Automated Quotations ("KOSDAQ").

A 10% (2016: 10%) strengthening against the above indices at the end of the reporting period would have increased equity by RM4,556,843 (2016: RM5,007,400) for investments classified as available-for-sale. A 10% weakening against the above indices would have had equal but opposite effect on equity.

## 25. FINANCIAL INSTRUMENTS (CONTINUED)

### 25.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3		
<b>2017</b>								
<b>Group</b>								
<b>Financial assets</b>								
Quoted shares	45,568	-	-	45,568	-	-	-	45,568
<b>Financial liabilities</b>								
Unsecured term loan	-	-	-	-	-	(97,693)	(97,693)	(108,750)
	45,568	-	-	45,568	-	(97,693)	(52,125)	(63,182)
<b>2016</b>								
<b>Group</b>								
<b>Financial assets</b>								
Quoted shares	50,074	-	-	50,074	-	-	-	50,074
<b>Financial liabilities</b>								
Unsecured term loan	-	-	-	-	-	(480,122)	(480,122)	(536,118)
	50,074	-	-	50,074	-	(480,122)	(430,048)	(486,044)

# NOTES TO THE FINANCIAL STATEMENTS

## 25. FINANCIAL INSTRUMENTS (CONTINUED)

### 25.7 Fair value information (continued)

2017 Company	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3		
<b>Financial assets</b>								
Quoted shares	45,414	-	-	-	-	-	45,414	45,414
Amount due from subsidiaries	-	-	-	-	-	23,671	23,671	24,791
<b>Financial liabilities</b>								
Unsecured term loan	-	-	-	-	-	(60,775)	(60,775)	(68,750)
	45,414	-	-	-	-	(37,104)	8,310	1,455
<b>2016 Company</b>								
<b>Financial assets</b>								
Quoted shares	49,950	-	-	-	-	-	49,950	49,950
Amount due from subsidiaries	-	-	-	-	-	414,792	414,792	454,959
<b>Financial liabilities</b>								
Unsecured term loan	-	-	-	-	-	(362,703)	(362,703)	(394,320)
	49,950	-	-	-	-	52,089	102,039	110,589

## 25. FINANCIAL INSTRUMENTS (CONTINUED)

### 25.7 Fair value information (continued)

#### *Non-derivative financial liabilities*

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

#### **Transfers between Level 1 and Level 2 fair values**

There has been no transfer between Level 1 and 2 fair values during the financial year (2016: no transfer in either direction).

#### **Level 3 fair value**

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The fair values of long term receivables and long term liabilities are determined using the discounted cash flows valuation technique.

## 26. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

Total equity of the Group has reduced significantly upon completion of the demerger exercise as mentioned in Note 20 to the financial statements. The debt-to-equity ratio at 31 December 2017 and 31 December 2016 were as follows:

	Note	Group 2017	2016
Total loans and borrowings	15	468,138	621,751
Total equity		280,904	891,776
Debt-to-equity ratios		1.67:1	0.70:1

Subsequent to the disposal of the investment property presented under asset held for sale (see Note 13), which are expected to be completed in the following year, gearing of the Group will reduce to 1.50 times or below to comply with a loan covenant (see Note 15).

# NOTES TO THE FINANCIAL STATEMENTS

## 27. OPERATING LEASES

### Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2017	2016	2017	2016
Less than one year	1,421	1,306	1,421	1,306
Between one and five years	3,000	130	3,000	130
	<b>4,421</b>	<b>1,436</b>	<b>4,421</b>	<b>1,436</b>

The Group leases a number of office premises and equipment under operating leases. The leases typically run for a period of 3 to 5 years with an option to renew the lease after that date. Lease payments are revised to reflect market rentals. None of the leases includes contingent rentals.

## 28. CAPITAL AND OTHER COMMITMENTS

	Group		Company	
	2017	2016	2017	2016
<b>Capital expenditure commitments</b>				
<b>Plant and equipment</b>				
Contracted but not provided for	22,249	8,308	43	8

## 29. RELATED PARTIES

### Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with its holding company, significant investors, subsidiaries, associate and key management personnel.

## 29. RELATED PARTIES (CONTINUED)

### Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. The significant related party transactions of the Group and the Company, other than key management personnel compensation (see Note 30) are shown below. The balances related to the below transactions are shown in Notes 10 and 17.

	Transaction value year ended	
	2017	2016
<b>Group</b>		
Rental expense to holding company	1,411	(1,209)
<b>Company</b>		
Dividend income from subsidiaries	23,352	23,757
Rental expense to holding company	(1,411)	(1,209)
Rental income from subsidiaries	3,281	4,133
Shared cost charged to subsidiaries	13,815	16,259

## 30. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2017	2016	2017	2016
Directors:				
- Fees	1,026	972	768	698
- Remuneration	1,572	1,504	950	776
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	413	280	358	228
	<b>3,011</b>	2,756	<b>2,076</b>	1,702
Other key management personnel:				
- Remuneration	6,906	6,808	1,688	1,638
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	283	265	127	130
	<b>7,189</b>	7,073	<b>1,815</b>	1,768

Other key management personnel comprise of certain members of senior management of Group entities, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.



# NOTES TO THE FINANCIAL STATEMENTS

## 31. CONTINGENT LIABILITIES

As of 31 December 2017, PT CCM Indonesia (“PTCCMI”), a subsidiary of the Company was appealing against the Director General Tax, Indonesia’s assessment with respect to year of assessment 2011. If the appeal is unsuccessful, an additional tax to be paid by PTCCMI would be IDR36,100,000,000 (equivalent to approximately RM11.0 million). The hearing of the appeals was concluded on 29 July 2015 and as at 31 December 2017, the matter is currently pending decision from the Indonesian Tax Court.

The Directors are of the opinion that provisions are not required in respect of this matter, as it is not probable that a future sacrifice of economic benefits will be required and the amount is not capable of reliable measurement.

## 32. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

### 32.1 Placement of new shares

During the financial year, the company issued 45,463,186 new ordinary shares at RM1.32 per ordinary share via a private placement to eligible investors for a total cash consideration of RM60 million.

### 32.2 Share consolidation

On 3 October 2017, approval has been given to the Company to consolidate every 3 existing ordinary shares of the Company (including treasury shares) into 1 ordinary share in the Company. The Share Consolidation has been completed on 26 December 2017. The issued share capital of the Company of 503,093,042 ordinary shares of the Company have been consolidated into 167,695,988 Consolidated Shares.

### 32.3 Acquisition of non-controlling interest

The Company has also entered into a Sale of Shares Agreement with Lanjut Setia Sdn. Bhd. (“LSSB”) and its holding company, Permodalan Nasional Berhad (“PNB”) to acquire the remaining 20% of the issued share capital of its subsidiary, CCM Chemicals Sdn. Bhd. (“CCMC”), of which 10% owned by LSSB and 10% by PNB, comprising a total of 4,000,000 ordinary shares for a purchase consideration of RM40 million. The Company has announced that the acquisitions were completed on 24 November 2017. CCMC became a wholly-owned subsidiary of the Group.

### 32.4 Demerger of CCM Duopharma Biotech Berhad (“CCMD”)

On 28 December 2017, the Group completed the demerger of CCMD from the Group. The pharmaceutical operations were demerged from the Group. Moving forward the Group will focus on chemical and polymer operations. The demerger involved the following:

(i) **Transfer of CCMD shares from CCM Marketing Sdn. Bhd. (“CCMM”)**

On 11 August 2017, the Company entered into Debt Settlement Agreement with one of its subsidiaries, CCMM to fully settle the amount owing by CCMM by way of the transfer of 204,665,784 units of CCMD shares owned by CCMM to the Company with a consideration received of RM475.7 million.

## 32. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

### 32.4 Demerger of CCM Duopharma Biotech Berhad (“CCMD”) (continued)

#### (ii) Distribution of CCMD shares

On 28 December 2017, the Company distributed its entire interest in CCMD shares to shareholders of the Company by way of a reduction of the paid up capital of the Company pursuant to Section 116 of the Companies Act 2016.

The effect of the demerger is as follows:

	Group	Company
Decrease in share capital	475,737	475,737
Decrease in retained earnings	65,948	-
Decrease in minority interest	127,878	-
Carrying amount of CCMD/Investment in CCMD	669,563	475,737

## 33. SUBSEQUENT EVENT

On 2 March 2018, the shareholders of the Company have approved the ordinary resolution relating to the proposed disposal (see Note 13) as set out in the Notice of Extraordinary General Meeting (“EGM”) dated 14 February 2018.

## 34. COMPARATIVE FIGURES

The comparatives for the Consolidated Statement of Profit or Loss and Other Comprehensive Income have been re-presented to show the discontinued operation pursuant to the demerger of CCM Duopharma Biotech Berhad (“CCMD”) during the year.



# STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the financial statements set out on pages 102 to 195 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

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

.....  
**Dato' Hajah Normala bt. Abdul Samad**  
Director

.....  
**Nik Fazila binti Nik Mohamed Shihabuddin**  
Director

Kuala Lumpur,

Date: 15 March 2018



# STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, **Nik Fazila binti Nik Mohamed Shihabuddin**, the Director primarily responsible for the financial management of Chemical Company of Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 102 to 195 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Nik Fazila binti Nik Mohamed Shihabuddin, NRIC: 661204-03-5036 at Kuala Lumpur in the Federal Territory on 15 March 2018.

.....  
**Nik Fazila binti Nik Mohamed Shihabuddin**

Before me:

Commissioner for Oaths  
Kuala Lumpur



# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHEMICAL COMPANY OF MALAYSIA BERHAD  
(COMPANY NO. 5136-T)  
(INCORPORATED IN MALAYSIA)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Chemical Company of Malaysia Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 102 to 195.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### Basis for Opinion

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

### Independence and Other Ethical Responsibilities

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



**INDEPENDENT  
AUDITOR'S REPORT**

TO THE MEMBERS OF CHEMICAL COMPANY OF MALAYSIA BERHAD  
(COMPANY NO. 5136-T)  
(INCORPORATED IN MALAYSIA)

**Key Audit Matters**

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

<b>Impairment of goodwill</b>	
Refer to Note 2(f) and Note 2(k) for significant accounting policies and Note 5 "Intangible Assets"	
<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
At 31 December 2017, the Group's consolidated statement of financial position includes goodwill amounting to RM94.1 million, contained within a cash generating unit ("CGU"). Impairment of goodwill is considered to be a key audit matter due to the significance of the assets to the Group's consolidated statement of financial position and due to the judgement involved in the assessment of the 'value in use' of the CGU performed by the Directors. The judgement relates to the future results of the CGU and the discount rates applied to future forecasted cash flows.	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• We challenged the Group's assumptions and estimates used to determine the recoverable value of the CGUs, including those relating to forecast revenue, cost, capital expenditure and discount rates by corroborating the key market related assumptions to external data;</li> <li>• We assessed the historical accuracy of cash flow forecast of the Group;</li> <li>• We performed sensitivity analysis in two main areas. These included the discount rates and gross profit margins on the CGUs; and</li> <li>• We assessed the adequacy of the disclosure of the assumptions and estimates made by the Directors.</li> </ul>

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

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

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Director's Report and Statement on Risk Management and Internal Control (but does not include the financial statements of the Group and of the Company and our auditors' report thereon), which we obtained prior to the date of this auditor's report, and the remaining parts of the annual report, which are expected to be made available to us after that date.

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

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

## **Information Other than the Financial Statements and Auditors' Report Thereon (continued)**

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate actions in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

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

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.



# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHEMICAL COMPANY OF MALAYSIA BERHAD  
(COMPANY NO. 5136-T)  
(INCORPORATED IN MALAYSIA)

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

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 6 to the financial statements.

## OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**KPMG PLT**  
(LLP0010081-LCA & AF 0758)  
Chartered Accountants

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

Petaling Jaya,

Date: 15 March 2018



# ANALYSIS OF SHAREHOLDINGS

AS AT 30 MARCH 2018

Total Number of Issued Shares	:	167,695, 988
Class of Shares	:	Ordinary Shares
Number of Shareholders	:	4,229
Voting Rights	:	One vote per ordinary share

## DISTRIBUTION OF SHAREHOLDINGS

as at 30 March 2018

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	712	16.84	15,461	0.01
100 - 1,000	1,342	31.73	735,495	0.44
1,001 - 10,000	1,753	41.45	5,852,440	3.49
10,001 - 100,000	324	7.66	9,212,118	5.49
100,001 to less than 5% of issued shares	97	2.29	57,430,987	34.25
5% and above of issued shares	1	0.02	94,449,487	56.32
Total	4,229	100.00	167,695,988	100.00

## SUBSTANTIAL SHAREHOLDINGS

as at 30 March 2018

Name of shareholders	Direct Holdings		Indirect Holdings	
	No.	%	No.	%
1. Permodalan Nasional Berhad	94,449,487	56.32	-	-
2. Yayasan Pelaburan Bumiputera <sup>1</sup>	-	-	94,449,487	56.32

<sup>1</sup> Deemed interest by virtue of its substantial interest in Permodalan Nasional Berhad pursuant to Section 8 of the Companies Act 2016

**LIST OF THIRTY (30) LARGEST SHAREHOLDERS**

as at 30 March 2018

No.	Shareholders	Holdings	%
1	PERMODALAN NASIONAL BERHAD	94,449,487	56.32
2	PUBLIC NOMINEES (ASING) SDN. BHD. Pledged Securities Account For Billion Victory Sdn. Bhd. (KLC)	6,000,000	3.58
3	DB (MALAYSIA) NOMINEE (TEMPATAN) SDN. BHD. Exempt An For Kumpulan Sentiasa Cemerlang Sdn. Bhd. (TSTAC/CLNT)	2,343,333	1.40
4	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. Universal Trustee (Malaysia) Berhad For CIMB Islamic Small Cap Fund	2,281,033	1.36
5	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. Employees Provident Fund Board (CIMB PRIN)	1,838,700	1.10
6	CIMB GROUP NOMINEES (TEMPATAN) SDN. BHD. CIMB Commerce Trustee Berhad - Kenanga Growth Fund	1,750,000	1.04
7	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. Kumpulan Wang Persaraan (Diperbadankan) (Kenanga)	1,750,000	1.04
8	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. Employees Provident Fund Board (AberIslamic)	1,737,800	1.04
9	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. Maybank Trustees Berhad For CIMB-Principal Small Cap Fund (240218)	1,702,066	1.01
10	DB (MALAYSIA) NOMINEE (ASING) SDN. BHD. Deutsche Bank AG Singapore For IAM Traditional Asian Growth Fund	1,600,000	0.95
11	AGROBULK HOLDINGS SDN. BHD.	1,379,728	0.82
12	AMANAHRAYA TRUSTEES BERHAD AMTotal Return	1,261,133	0.75
13	HSBC NOMINEES (ASING) SDN. BHD. Exempt An For Credit Suisse (SG BR-TST-ASING)	1,200,000	0.72
14	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. Employees Provident Fund Board (Am Inv)	1,178,000	0.70
15	AMSEC NOMINEES (TEMPATAN) SDN. BHD. MTrustee Berhad for Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	1,106,199	0.66
16	AMSEC NOMINEES (TEMPATAN) SDN. BHD. MTrustee Berhad For Pacific Dividend Fund (UT-PM-Div)	1,095,666	0.65

# ANALYSIS OF SHAREHOLDINGS

AS AT 30 MARCH 2018

No.	Shareholders	Holdings	%
17	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD KAF Dana Alif	1,000,000	0.60
18	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. Kumpulan Wang Persaraan (Diperbadankan) (CIMB PRNCP ISLM)	992,700	0.59
19	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD KAF Tactical Fund	950,000	0.57
20	AMSEC NOMINEES (TEMPATAN) SDN. BHD. MTrustee Berhad For Pacific Pearl Fund (UT-PM-PPF)	915,532	0.55
21	CIMB GROUP NOMINEES (TEMPATAN) SDN. BHD. Hong Leong Asset Management Bhd For Hong Leong Assurance Berhad (LP Fund ED102)	893,300	0.53
22	HSBC NOMINEES (TEMPATAN) SDN. BHD. HSBC (M) Trustee Bhd For Manulife Investment Progress Fund (4082)	842,566	0.50
23	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. Maybank Trustees Berhad For Areca Equitytrust Fund (211882)	823,300	0.49
24	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD KAF Dana Adib	805,466	0.48
25	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. National Trust Fund (1FM CIMBPRIN)	782,300	0.47
26	UOBM NOMINEES (TEMPATAN) SDN. BHD. UOB Asset Management (Malaysia) Berhad For Gibraltar BSN Aggressive Fund	765,200	0.46
27	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. Kumpulan Wang Persaraan (Diperbadankan) (CIMB Equities)	730,300	0.44
28	LEONG CHAO SEONG	703,566	0.42
29	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. Etiqua Life Insurance Berhad (Growth)	671,666	0.40
30	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN. BHD. CIMB-Principal Islamic Asset Management Sdn. Bhd. For Lembaga Tabung Haji	651,900	0.39
		<b>134,200,941</b>	<b>80.03</b>



# LIST OF PROPERTIES

The properties held by the Group as at 31 December 2017

Location	Tenure	Lease Period	Area (sq-meter)	Description	Approximate Age of Building	Net Book Value (RM million)	Date of Valuation	Existing Use
Lot No. 3880 Mukim of Bukit Raja, Klang (Meru magazine)	Freehold	-	20,284	Industrial land, plant and warehouse	31 years	5.78	December 2017	Plant and warehouse
CCM Water Systems Sdn. Bhd., Lot 4 & 6, Jalan Kemajuan Satu 16/17A, 40200 Shah Alam, Selangor Darul Ehsan	Leasehold	99 years (1995 - 2094)	14,492	Industrial land, factory and offices	22 years	11.58	December 2016	Office
Chemical Company of Malaysia Berhad Nilai Industrial Land, PT 6055, Mukim Labu, Daerah Seremban, Negeri Sembilan	Leasehold	99 years (1993 - 2092)	73,705	Industrial land	-	19.80	December 2016	Vacant
Innovative Resins Sdn. Bhd. PT No. 40907, 40908 and 40909 No.32, 34 and 36 Jalan P10/16, Selaman Industrial Park, Section 10, 43650 Bandar Baru Bangi,	Leasehold	99 years (1999 - 2098)	2,207	Industrial land, semi-detached factory	19 years	9.8	December 2017	Plant and Office
Chemical Company of Malaysia Berhad Lot No 100101 & 10011 Mukim 16, District of Seberang Prai, Pulau Pinang	Freehold	-	9,970	Agricultural land	5 years	0.2	December 2017	Forest reserve
CCM Chemicals Sdn. Bhd. Pasir Gudang Works Pasir Gudang Johor Darul Takzim	Leasehold	60 years (1991 - 2051)	104,408	Industrial land, factory and offices	25 years	28.50	December 2016	Plant and office
Chemical Company of Malaysia Berhad Shah Alam Works Padang Jawa Selangor Darul Ehsan	Leasehold	99 years (1973 - 2072)	286,992	Industrial land, factory and offices	16-48 years	185.90	December 2016	Assets classified as held for sale

## RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

As at the Annual General Meeting held on 24 May 2017, the Company had obtained the shareholders' mandate to allow the Company to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature.

In accordance to the Bursa Malaysia Securities Berhad's Main Market Listing Requirements, details of the Recurrent Related Party Transactions audited during the financial year ended 31 December 2017, pursuant to the shareholders mandate are as follows:-

Transactions	Vendor/ Provider	Purchaser/ Recipient	Aggregate Value (RM'000)	Related Parties
Sale of Chemicals	CCM Chemicals Sdn. Bhd. (CCMC)	CCM Polymers Sdn. Bhd.	2,993	Interested Director/ Interested person connected: LAAS <sup>2</sup>
Sale of Chemicals	CCMC	CCM Usaha Kimia Sdn. Bhd. (CCMUK)	27,260	Interested Director/ Interested person connected: LAAS <sup>2</sup>
Sale of Chemicals	CCMUK	CCMC	74	Interested Director/ Interested person connected: LAAS <sup>2</sup>
Sale of Chemicals	CCMC	CCM Singapore Pte Ltd	0	Interested Director/ Interested person connected: LAAS <sup>2</sup>
Sale of Chemicals	CCMC	Duopharma (M) Sdn. Bhd.	9	Interested Director/ Interested person connected: LAAS <sup>2</sup>
Sale of Chemicals	CCMC	Upha Pharmaceutical Manufacturing (M) Sdn. Bhd.	418	Interested Director/ Interested person connected: LAAS <sup>2</sup>
Provision of Shared/ Management Services <sup>3</sup>	CCM	CCM Fertilizers Sdn. Bhd. (CCMF)	394	Interested Major Shareholder: LTH <sup>1</sup> Interested Director/ Interested person connected: LAAS <sup>2</sup>
Provision of Shared/ Management Services <sup>3</sup>	CCM	CCMC	2,597	Interested Director/ Interested person connected: LAAS <sup>2</sup>

Notes:

1. LTH holds direct interest of 49.9% in the issued share capital of CCMF and 0.39% in the issued share capital of CCM.
2. Leonard Ariff bin Abdul Shatar ("LAAS") was the former Group Managing Director of CCM (i.e resigned on 28 December 2017) and is now the Group Managing Director of CCM Duopharma Biotech Berhad. He has no direct interest in any of the companies within the CCM Group, nor its subsidiaries. LAAS is an interested director and an interested "Person(s) connected" as defined in the Definitions Section of this Circular. Therefore, he is deemed interested in the Proposed Shareholders Mandate by virtue of him being an interested Director and an interested person connected to CCM.
3. Provision of Shared/ Management Services refers to support services covering areas of Accounting, Treasury, Procurement, Security, Company Secretarial, Corporate Affairs, Legal, Internal Audit, Human Resource, Information Technology Services etc.



# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifty-Sixth (56th) Annual General Meeting (“AGM”) of the Company will be held at **Ballroom A, Level 10, DoubleTree by Hilton Kuala Lumpur, The Intermark, 348 Jalan Tun Razak, 50400 Kuala Lumpur** on **Thursday, 31 May 2018** at **10.00 a.m.** for the following purposes:

## AGENDA

### As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon.
2. To re-elect the following Directors retiring under Article 91 and Article 96 of the Constitution of the Company.
  - (a) Khalid bin Sufat (Article 91)  
**Ordinary Resolution 1**
  - (b) Dato' Azmi bin Mohd Ali (Article 91)  
**Ordinary Resolution 2**
  - (c) Nik Fazila binti Nik Mohamed Shihabuddin (Article 96)  
**Ordinary Resolution 3**
  - (d) Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah (Article 96)  
**Ordinary Resolution 4**
3. To re-appoint KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.  
**Ordinary Resolution 5**
4. To approve and ratify the additional payment of Directors' Fees amounting to RM280,000 which was, in excess of the earlier approved amount of RM1,080,000 for the period commencing 1 January 2017 until the conclusion of the 56th AGM of the Company scheduled on 31 May 2018 and to authorise the Directors to apportion the fees and make payment in the manner as the Directors may determine.  
**Ordinary Resolution 6**
5. To approve the proposed total Directors' Fees amounting to RM1,000,000 for the period commencing from the conclusion of the forthcoming 56th AGM of the Company on 31 May 2018 until the conclusion of the next AGM of the Company in 2019, and further, to authorise the Directors to apportion the fees and make payment in the manner as the Directors may determine.  
**Ordinary Resolution 7**
6. To approve the proposed payment of total Directors' Benefit (excluding Directors' Fees) up to an amount of RM500,000 for the period from the conclusion of the 56th AGM of the Company scheduled on 31 May 2018 until the conclusion of the next AGM of the Company in 2019 (Relevant Period).  
**Ordinary Resolution 8**



# NOTICE OF ANNUAL GENERAL MEETING

## As Special Business

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

7. Proposed Adoption of the New Constitution of the Company.

### Special Resolution 1

“That approval be and is hereby given to revoke the existing Memorandum and Articles of Association of the Company with immediate effect and in place thereof, the proposed new Constitution of the Company as set out in the Circular to Shareholders dated 27 April 2018 accompanying the Company’s Annual Report 2017 for the financial year ended 31 December 2017 be and is hereby adopted as the Constitution of the Company AND THAT the Board of Directors of the Company be and are hereby authorised to assent to any modifications, variation and/or amendments as may be required by any relevant authorities, and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing.”

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

## By Order of the Board

**NOOR AZWAH BINTI SAMSUDIN** (LS 0006071)

Company Secretary

Kuala Lumpur

Date: 27 April 2018

## NOTES:

1. All Resolutions in the Notice of AGM are to be conducted by poll voting as per Paragraph 8.29A(1) of the Listing Requirements of Bursa Malaysia.
2. A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote in his stead. A proxy may but need not be a member of the Company.
3. Where a member of the Company appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 (SICDA) which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

6. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
7. The instrument appointing a proxy must be deposited at the Company's Registrar, Symphony Share Registrars Sdn. Bhd., Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, not less than twenty-four (24) hours before the time appointed for the taking of the poll as per Section 334(3) of the Companies Act, 2016.
8. Only Depositors whose names appear in the Record of Depositors as at 24 May 2018 be regarded as members and entitled to attend and vote at the meeting.

#### **Explanatory Notes on Ordinary Business**

1. Audited Financial Statements for financial year ended 31 December 2017.

The Audited Financial Statements are laid in accordance with Section 340(1) of the Companies Act 2016 (CA 2016) for discussion only. They do not require shareholders' approval and hence, will not be put for voting.

2. Ordinary Resolutions 1 – 4: Re-election of Directors retiring under Articles 91 and 96 of the Company's Constitution

Article 91 of the Constitution provides that one-third, of the Directors for the time being, or if their number is not in multiple of three, then a number nearest to one-third shall retire from office.

Article 96 of the Constitution provides that any Director so appointed to fill a casual vacancy shall hold office until the next following AGM and shall then be re-eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting.

Consequently, two directors will be retiring in accordance with Article 91 and another two will be retiring under Article 96.

For the purpose of determining the eligibility of the Directors to stand for re-election at the 56th AGM, the Nomination and Remuneration Committee (NRC) has assessed each of the retiring Directors, and considered the following:

- (i) The Director's performance and contribution based on the results of the Board Effectiveness Assessment (BEA) 2017;
- (ii) The Director's level of contribution to the Board deliberations through his/her skills, experience and strength in qualities; and
- (iii) The level of independence demonstrated by the Director, and his/her ability to act in the best interests of the Company in decision-making.

Based on the results of the BEA 2017, the individual Directors met the performance criteria required of an effective and high performance Board.

Based on the above, the Board approved the NRC's recommendation that the Directors who retire in accordance with Articles 91 and 96 of the Constitution are eligible to stand for re-election. All these retiring Directors had abstained from deliberations and decisions on their own eligibility to stand for re-election at the relevant NRC and Board meetings.

# NOTICE OF ANNUAL GENERAL MEETING

### 3. Ordinary Resolution 5 - Re-appointment of KPMG PLT as Auditors of the Company.

The Board, at its meeting held in February 2018 approved the Audit and Compliance Committee's (ACC) recommendation for the shareholders' approval to be sought at the 56th AGM in respect of the re-appointment of KPMG PLT as External Auditors of the Company for FY 2018.

### 4. Ordinary Resolution 6 – Additional payment of Directors' Fees

The Board of Directors' Fees for the holding company as set out below had been implemented since 2012 while the Board Committees' Fees had been implemented since 2010.

Position	RM per Annum
Chairman of the Board	100,000
Member of the Board	75,000
Chairman of Board Committee	10,000
Member of Board Committee	8,000

Section 230(1) of the CA 2016 provides amongst others, the "Fees" of the directors and "any benefits" payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting.

At the 55th AGM of the Company held on 24 May 2017, the shareholders had approved RM1,080,000 as total Directors' Fees payable to the Directors of the Company from 1 January 2017 until the conclusion of the 56th AGM of the Company on 31 May 2018.

The total Directors' Fees incurred were as follows:

	Approved at last AGM (from 1 January 2017 until conclusion of 56th AGM) (RM)	Actual (from 1 January 2017 until 31 December 2017) (RM)	Forecasted (from 1 January 2017 until conclusion of 56th AGM) (RM)
Company	1,080,000	768,042	1,030,000
Group	1,080,000	1,026,396	1,360,000

The request on the additional amount of RM280,000 in excess of the RM1,080,000 is required due to the appointment of directors of the Company to subsidiary Board and Committees which occurred during the financial year 2017.

### 5. Ordinary Resolution 7 – Directors' Fees for relevant period

With respect to the proposed total Directors' Fees from the conclusion of the forthcoming AGM on 1 June 2018 until the conclusion of the next AGM of the Company in 2019, the remuneration structure as approved since 2012 shall remain. Assuming that the total number of Directors and Board Committees as well as the members of the Board Committees remain the same, the total Group Directors Fees is estimated at RM1,000,000. This resolution, if passed, will facilitate the payment of Directors' Fees on current financial year basis until conclusion of the next AGM in 2019.

6. Ordinary Resolution 8 – Directors’ Benefits (excluding Directors’ Fees)

The Directors’ Benefits (excluding Directors’ Fees) comprise allowance and other emoluments/ benefits payable to the Chairman and the Non-Executive Directors at Board and Board Committee level. The current board Remuneration Policy is set out below:

Description		Chairman	Member
Meeting allowance (per meeting)	Board of CCM	1,300	1,000
	Board Committee of CCM	1,200	1,000
	Board Task Force / Working Group of CCM	1,000	1,000
	Board of listed subsidiaries	700	500
	Board of unlisted active subsidiaries	300	300
Other benefits	Parking and other claimable benefits		

Note:

*The Group Managing Director does not receive any Directors’ Benefits other than those specified in his service contract.*

The shareholders have approved a total of RM650,300 for the period from 31 January 2017 until the conclusion of the forthcoming AGM on 31 May 2018.

The total benefits incurred were as follows:

	Actual (1 January 2017 – 31 December 2017) (RM)	Forecasted (1 January 2017 – 31 May 2018) (RM)
Company	221,101	320,000
Group	247,601	340,000

In determining the estimated total amount of benefits (excluding Directors’ Fees) for the directors of the Company, the Board considered various factors including the number of scheduled meetings for the Board and Board Committees as well as the number of Directors involved in these meetings. The number of Board and Board Committee meetings are determined based on the strategy and plans of the Company and Group for the financial year. For the period from the conclusion of the forthcoming AGM from 1 June 2018 until the conclusion of the next AGM in 2019, the total amount of actual benefits (excluding Directors’ Fees) to be incurred is expected to be RM500,000. In the event that the Directors’ Remuneration (excluding Directors’ Fees) proposed is insufficient (e.g. due to more meetings or enlarged board size, etc.), approval will be sought at the next AGM for the additional remuneration to meet the shortfall.

Ordinary Resolution 8, if passed, will be made by the Company on a monthly basis and/or as and when incurred. The Board is of the view that it is fair and equitable for the directors to be paid on a monthly basis and/or as and when incurred particularly after they have discharged their responsibilities and rendered their services to the Company throughout the Relevant Period.



# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Notes on Special Business

### 1. Special Resolution 1 - Proposed Adoption of the New Constitution of the Company.

The proposed adoption of the new Constitution (formerly known as the Memorandum and Articles of Association) of the Company is primarily for the purposes of streamlining the Company's existing M&A to be in line with the Companies Act 2016 which was implemented with effect from 31 January 2017, Bursa Malaysia Securities Berhad Main Market Listing Requirements ("MMLR") which was issued on 29 November 2017, the practices of the Malaysian Code on Corporate Governance 2017 (MCCG) and the prevailing statutory and regulatory requirement applicable to the Company.

In view of the numerous amendments which would entail substantial amendments to the existing Memorandum and Articles of Association, the Board had proposed that a new Constitution as set out in the Circular to Shareholders dated 27 April 2018, be adopted. The Proposed Adoption shall take effect immediately once Special Resolution 1 is passed by a majority of not less than seventy-five per centum (75%) of such members who are entitled to vote and do vote in person or by proxy at the 56th AGM.



# STATEMENT ACCOMPANYING THE NOTICE OF THE FIFTY-SIXTH (56TH) ANNUAL GENERAL MEETING OF CHEMICAL COMPANY OF MALAYSIA BERHAD

Pursuant to Paragraph 8.27(2), Appendix 8A of the Listing Requirements of Bursa Malaysia Securities Berhad.

The details of the four (4) Directors seeking re-election and their interest in the securities of the Company are set out in their respective profiles which appear in the Directors' Profiles on pages 45, 46, 47, and 51 of this Annual Report.

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# PROXY FORM

CDS Account No. \_\_\_\_\_

**CHEMICAL COMPANY OF MALAYSIA BERHAD (5136-T)**  
(Incorporated in Malaysia)

I/We \_\_\_\_\_  
(FULL NAME IN CAPITAL LETTER & NRIC)

of \_\_\_\_\_  
(FULL ADDRESS)

being \*a shareholder/shareholders of **CHEMICAL COMPANY OF MALAYSIA BERHAD** ("the Company") hereby appoint:

\_\_\_\_\_ (FULL NAME IN CAPITAL LETTERS & NRIC)

of \_\_\_\_\_ (FULL ADDRESS)

as my/our proxy to vote for me/us at the Fifty-Sixth (56<sup>th</sup>) Annual General Meeting ("AGM") of the Company to be held at **Ballroom A, Level 10, DoubleTree by Hilton Kuala Lumpur, The Intermark, 348 Jalan Tun Razak, 50400 Kuala Lumpur, on Thursday, 31 May 2018 at 10.00 a.m.** and at any adjournment thereof.

(Please indicate with an "X" on how you wish to cast your vote) My/Our Proxy is to vote as indicated below:

NO.	AGENDA			
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon.			
<b>NO.</b>	<b>ORDINARY BUSINESS</b>	<b>RESOLUTION NO.</b>	<b>FOR</b>	<b>AGAINST</b>
2.	To re-elect the following Directors retiring under Article 91 and Article 96 of the Constitution of the Company:-			
	a) Encik Khalid bin Sufat - Article 91	Ordinary Resolution 1		
	b) Dato' Azmi bin Mohd Ali - Article 91	Ordinary Resolution 2		
	c) Nik Fazila binti Nik Mohamed Shihabuddin - Article 96	Ordinary Resolution 3		
	d) Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah - Article 96	Ordinary Resolution 4		
3.	To re-appoint KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.	Ordinary Resolution 5		
4.	To approve and ratify the additional payment of Directors' Fees amounting to RM280,000 which was in excess of the earlier approved amount of RM1,080,000 for the period commencing 1 January 2017 until the conclusion of the 56 <sup>th</sup> AGM of the Company scheduled on 31 May 2018 and to authorise the Directors to apportion the fees and make payment in the manner as the Directors may determine.	Ordinary Resolution 6		
5.	To approve the proposed total Directors' Fees amounting to RM1,000,000 for the period commencing from the conclusion of the forthcoming 56 <sup>th</sup> AGM of the Company on 31 May 2018 until the conclusion of the next AGM of the Company in 2019, and further, to authorise the Directors to apportion the fees and make payment in the manner as the Directors may determine.	Ordinary Resolution 7		
6.	To approve the proposed payment of total Directors' Benefit (excluding Directors' Fees) up to an amount of RM500,000 for the period from the conclusion of the 56 <sup>th</sup> AGM of the Company scheduled on 31 May 2018 until the conclusion of the next AGM of the Company in 2019 (Relevant Period).	Ordinary Resolution 8		
<b>NO.</b>	<b>SPECIAL BUSINESS</b>	<b>RESOLUTION NO.</b>		
7.	Proposed Adoption of the New Constitution of the Company.	Special Resolution 1		

\_\_\_\_\_  
No. of shares

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2018.

\_\_\_\_\_  
Signature/Seal

NOTES:

- All Resolutions in the Notice of AGM are to be conducted by poll voting as per Paragraph 8.29A(1) of the Listing Requirements of Bursa Malaysia.
- A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote in his stead. A proxy may but need not be a member of the Company.
- Where a member of the Company appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
- Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
- The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
- The instrument appointing a proxy must be deposited at the Company's Registrar, Symphony Share Registrars Sdn. Bhd., Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, not less than twenty-four (24) hours before the time appointed for the taking of the poll as per Section 334(3) of the Companies Act, 2016.
- Only Depositors whose names appear in the Record of Depositors as at 24 May 2018 be regarded as members and entitled to attend and vote at the meeting.

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Affix  
Postage  
Stamp

The Registrar  
**Chemical Company of Malaysia Berhad (5136-T)**  
Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia

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**CHEMICAL COMPANY OF MALAYSIA BERHAD** (5136-T)

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