



CHEMICAL COMPANY
OF MALAYSIA BERHAD
(5136-T)

Building Trust

Annual Report 2011





*We are responsible to provide
you with a better future.*

*In CCM, we are responsible
for every initiative we undertake.
With more than four decades of
expertise and experience providing
products for the healthcare,
agricultural and manufacturing
sectors, consumers depend on
us to deliver safe, excellent
quality products and services
to enhance the quality of their
lives.*

Table of Contents

	3	
Vision and Mission		
	4	
Core Values		
	5	
Financial Calendar	67	
Financial Review		Report of the Finance and Investment Committee
Financial Highlights	69	
	6	Statement on Internal Control
Group Financial Ratios	71	
	7	Statement on Directors' Responsibilities
Chairman's Statement	72	
	12	Other Disclosures
Group Managing Director's Operation Review	76	
	20	Directors' Report
Corporate Responsibility	80	
	22	Statement by Directors
Safety, Health and Environment		Statutory Declaration
	23	81
Calendar of Events		Independent Auditors' Report
	26	83
Corporate Information		Statements of Financial Position
	27	85
Board and Management Structure		Statements of Comprehensive Income
	28	87
Group Structure		Statements of Changes in Equity
	32	90
Board of Directors		Statements of Cash Flows
	40	93
Senior Management		Notes to the Financial Statements
	46	161
Statement on Corporate Governance		Analysis of Shareholdings
	56	164
Report of the Audit and Compliance Committee		Analysis of Warrant Holdings
	60	167
Report of the Risk Management Committee		List of Top Ten (10) Properties
	62	168
Report on Risk Management		Recurrent Related Party Transactions of a Revenue or Trading Nature
	65	171
Report of the Nomination and Remuneration Committee		Notice of Annual General Meeting
		174
		Statement Accompanying the Notice of the Fiftieth Annual General Meeting of Chemical Company of Malaysia Berhad
		Proxy Form



Vision

Enhancing Quality Of Life

Mission

To be a responsible company
committed to enhancing quality
of life by providing sustainable
solutions based on innovative
sciences



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 2011
Annual General Meeting	27 June 2012

Proposed Final Dividend

Entitlement date	3 July 2012
Payment date	24 July 2012

Announcement of 2011 Trading Results

Three months (1 st Quarter)	27 May 2011
Six months (2 nd Quarter)	19 August 2011
Nine months (3 rd Quarter)	22 November 2011
Full year (4 th Quarter)	29 February 2012

Financial Review

Turnover and Profitability

(RM'mil)	Turnover		(Loss)/Profit before tax	
	2011	2010	2011	2010
Fertilizers	934.2	930.8	(10.0)	7.5
Chemicals	413.2	457.6	43.5	27.8
Pharmaceuticals	262.4	250.0	19.5	20.0
Intersegment Eliminations and others	0.4	0.6	4.7	3.9
Group	1,610.2	1,639.0	57.7	59.2

Liquidity

(RM'000)	2011	2010
Net cash from operating activities	75,276	136,896
Net cash used in investing activities	(21,176)	(31,688)
Net cash used in financing activities	(83,463)	(125,403)
Exchange difference on translation of the financial statements of foreign operations	(2,255)	4,987
Net (decrease)/increase in cash and cash equivalents	(31,618)	(15,208)
Cash and cash equivalents at 1 January	211,612	226,820
Cash and cash equivalents at 31 December	179,994	211,612

Financial Highlights

as at 31 December

Consolidated Statement of Financial Position

(RM'000)	2011	2010
Total non-current assets	1,000,854	1,017,727
Total current assets	994,383	992,200
Total assets	1,995,237	2,009,927
Financed by:		
Share capital	404,756	404,741
Reserves	60,827	78,752
Retained profits	275,949	267,637
Total equity attributable to equity holders of the Company	741,532	751,130
Minority interest	128,030	126,884
Total equity	869,562	878,014
Total non-current liabilities	143,143	332,447
Total current liabilities	982,532	799,466
Total liabilities	1,125,675	1,131,913
Total equity and liabilities	1,995,237	2,009,927

Consolidated Statement of Comprehensive Income

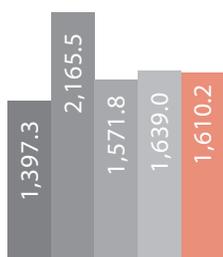
(RM'000)	2011	2010
Revenue	1,610,187	1,639,039
Profit before tax	57,676	59,200
Taxation	(18,437)	(26,129)
Profit for the year	39,239	33,071
Profit attributable to:		
Owners of the Company	22,272	15,372
Non-controlling interest	16,967	17,699
Profit for the year	39,239	33,071

Group Financial Ratios

as at 31 December

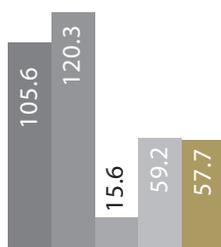
	2011	2010
Profitability (%)		
Turnover growth rate	(1.76)	4.28
Profit after taxation as a % of turnover	2.44	2.02
Return on Equity	4.51	3.77
Liquidity		
Current ratio (x)	1.07	1.24
Acid test ratio (x)	0.65	0.86

	2011	2010
Market ratios		
Net assets per share (RM)	1.85	1.87
Earnings per share (Sen)	5.50	3.80
Dividend per share (Sen)	2.86	2.65
Productivity		
Turnover per employee (RM'000)	793	809
Total Assets per employee (RM'000)	983	993
Number of employees	2,030	2,025



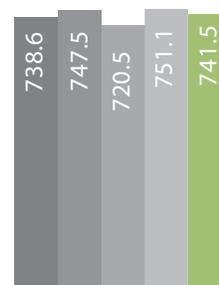
2007 2008 2009 2010 2011

Turnover
(RM million)



2007 2008 2009 2010 2011

Profit Before Tax
(RM million)



2007 2008 2009 2010 2011

Total Equity attributable to Equity Holders of the Company
(RM million)



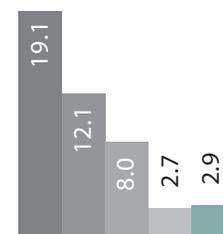
2007 2008 2009 2010 2011

Net Assets per Share
(RM)



2007 2008 2009 2010 2011

Earnings per Share
(Sen)



2007 2008 2009 2010 2011

Dividend per Share
(Sen)

Chairman's Statement



TAN SRI DATO' SRI HAMAD KAMA PIAH
BIN CHE OTHMAN
Chairman

Dear Shareholders,

Despite rising uncertainties in the global economy, strong domestic demand and public sector consumption continue to drive the Malaysian economy in 2011, albeit at a slower rate compared with the previous year. At CCM, favourable market conditions in the chemicals and pharmaceuticals sectors have helped to mitigate the effects of a more challenging business environment in the fertilizer sector. Overall, 2011 continued to be a tough year as our three business divisions strengthened efforts towards implementing strategic initiatives to improve the Group's financial performance. We believe the various measures undertaken to enhance operational efficiencies since we embarked on this strategic review journey will prove beneficial for the Company and ensure sustainability in the long term. With this, I present to you the annual report and financial statements of the Group for the financial year ended 31 December 2011.

OUR PERFORMANCE

For the financial year ended 31 December 2011, the Group's total revenue eased 1.8 per cent to RM1,610.2 million from RM1,639.0 million in the corresponding period in 2010 while Group profit before tax was 2.5 per cent lower at RM57.7 million from RM59.2 million in the preceding year.

The Chemicals Division emerged as the largest contributor of profits, up to RM43.5 million from RM27.8 million, despite a 9.7 per cent decrease in revenue due to higher selling prices and offset by lower contribution from trading, regional and water systems businesses.

The Pharmaceuticals Division recorded a 5.0 per cent increase in revenue of RM262.4 million from RM250.0 million for the period under review while profit before tax edged down 2.5 per cent due to slight decline in profit margins.

An increase in sales volume saw the turnover for the Fertilizers Division recorded slightly higher revenues of RM934.2 million, up 0.4 per cent from RM930.8 million in the preceding year. However, the division recorded a loss before tax of RM10.0 million compared with a profit of RM7.5 million reported in the same period last year. This was due to the charging out of operating expenses of the new Lahad Datu plant which commenced operations in July 2011 and lower gross margins due to higher raw materials costs.

In addition, for the financial year under review, the Group achieved a gain on disposal from other investment amounting to RM9.5 million. The Group's long-term borrowings fell to RM122.4 million from RM311.3 million for the year ended 31 December 2011 while short-term borrowing rose to RM665.1 million from RM530.0 million in the same period due to reclassification of around RM300.0 million which has now fallen due within one year. The Group will be refinancing the short-term borrowing.

DIVIDEND

The Board of Directors is recommending a net final dividend of 2.75 sen for the current year ended 31 December 2011, up from 2.65 sen in the previous year.

BUSINESS OUTLOOK AND PROSPECTS

2012 is expected to be a challenging year for all of the Group's businesses. However, we believe CCM is poised to take advantage of opportunities spurred by the 10th Malaysia Plan.

The pharmaceutical industry was valued at almost RM5.0 billion at the end of 2011. In line with the Government's focus on it as one of the national key economic areas, the industry is expected to sustain commendable growth rates going forward. Additionally, the healthcare sector is also said to be a powerful engine for economic growth as a result of demographic shifts as well as greater affluence and changing lifestyles. With this outlook, the Pharmaceuticals Division continues to be optimistic about maintaining our position as the leading manufacturer in the industry.

Driven by demand in the manufacturing sector which continues to be robust with an expected growth rate in excess of 5.0 per cent annually until 2015, we are confident that our Chemicals Division, the largest contributor to our profits in 2011, will continue to reach greater heights and contribute significantly to the Group's profitability.

In the Fertilizers Division, we aim to take advantage of the opportunities in East Malaysia and South East Asia. With the new Lahad Datu plant, the Fertilizers Division's manufacturing capacity is expected to be boosted to 670,000 tonnes a year. Leveraging on the positive environment of the plantations sector, we will focus our efforts to bring about improvements in our Fertilizers Division via various initiatives in 2012.

As a Group, we are committed to continuously enhance our knowledge and competencies in various areas. In the near term, our focus is to implement an array of strategic initiatives to enhance business processes and address long-term financing positions. We will also continue to strive to enhance product portfolios and market penetration via strategic collaborations with major industry players and academia in the region. This is to ensure that the Group's current business operations and ventures consistently improve and provide a strong foundation for future growth.

ACKNOWLEDGEMENT

I take this opportunity to thank our shareholders, customers, business associates and partners for their ongoing support. This is also an ideal opportunity for me to acknowledge all the hard work and dedication of my fellow board members, management and staff throughout the year. It will certainly be a challenging year ahead and I am grateful for your continuous support. I am confident that CCM will continue to grow from strength to strength with the passion, drive and commitment of our people.

Thank you.

Tan Sri Dato' Sri Hamad Kama Piah Bin Che Othman
Chairman





Teamwork

CCM believes in synergy to move forward. We rely upon the capabilities and collective strength of our employees to gain a sustainable competitive advantage in the global market.

Group Managing Director's Operation Review



AMIRUL FEISAL BIN WAN ZAHIR
Group Managing Director

Our performance in the financial year 2011 was mixed. We recorded a strong performance in our Chemicals Division, a slight decline for our Pharmaceuticals Division and unfortunately, a loss for our Fertilizers Division. However, this mixed performance translated into better profitability for the Group as a whole. Despite total revenue had declined 1.8% to RM1,610.2 million in 2011 compared to RM1,639.0 million in 2010, profit after tax improved by 18.4% to RM39.2 million from RM33.1 million in 2010.

CHEMICALS DIVISION

The year 2011 is one of the best performing years for the Chemicals Division as it emerged as the largest contributor of profits before tax, up to RM43.5 million from RM27.8 million due to higher selling prices. This increase in profitability was despite a 9.7 per cent decrease in revenue of RM413.2 million in 2011 from RM457.6 million in 2010, as a result of lower contribution from trading, regional and water systems businesses.

Chemicals Division's manufacturing segment comprising both our Chlor-Alkali and polymer businesses was the key driver behind the division's impressive performance. In addition to full plant utilisation of our Chlor-Alkali plant,

buoyant prices had enabled the manufacturing segment to record growth in revenue. However, the contribution from the manufacturing segment was slightly dampened by a reduced performance from the division's polymer business which still remains highly profitable.

In 2011, we reviewed and rationalised our strategies with regard to businesses that generate relatively lower profit margins. In addition to focusing more on our manufacturing business, we have also become more selective in the countries and products that we trade in. As a result, the total revenue contribution from our trading, water systems and international businesses have declined.

In order to strengthen the division's performance further, strategies focused on market growth and enhancing profitability will be of priority. The Chemicals Division will direct its growth and expansion efforts in markets that we have significant strength and new areas that offer opportunities for future growth and better profitability. Growth and profitability are also expected to be contributed from selective regional expansion.

To enhance the division's business operations, focus will be placed on adopting more efficient and productive processes. The division has enhanced its sales and marketing function by adopting a single-tray approach, making Chemicals Division's full range of products available to all its customers. We will also work closely with institutions of higher learning and research centres to heighten our R&D initiatives and continuously improve the quality and standards of our products. In addition to striving for continuous product enhancement, the division will also continue to leverage on its high standards of Safety, Health and Environment (SHE). During the course of 2011, the division had also streamlined its polymer manufacturing businesses, providing a stronger platform for potential growth in the future.

A number of accolades and recognition were received in the period under review which includes CCM Chemicals being awarded the ISO 14001:2004 for its environmental management system. The division also walked away with eight awards at the Chemical Industries Council of Malaysia (CICM) Responsible Care Awards Presentation 2010, including two platinum awards for its Product Stewardship Code and Community Awareness & Emergency Response Code.

PHARMACEUTICALS DIVISION

The Pharmaceuticals Division recorded a 5.0 per cent increase in revenue of RM262.4 million from RM250.0 million for the period under review while profit before tax edged down 2.5 per cent to RM19.5 million in 2011 from RM20.0 million in 2010 due to slight decline in profit margins.

Heightened competition in the government tender business led to lower bid prices, requiring the division to improve cost management and manufacturing efficiencies. On the international front, the focus on expanding business in Indonesia, Vietnam and Philippines continues although the business in Indonesia was affected due to changes in regulation. This required the division to develop alternative manufacturing and marketing strategies to penetrate this market.

In view of the increasingly competitive nature of the industry, the division will be focusing on several key strategies with Halal as the value-added element. The division's pioneering and active involvement in building the Halal pharmaceutical industry in Malaysia would also serve as the unique cutting edge. Proposed investments in niche therapeutic areas such as Oncology, Biosimilars, Vaccines and strengthening R&D capabilities will be pivotal to enhance the division's product pipeline and customer offerings. The expiry of Innovator Patents (also known as "Patent Cliff") over the next few years will also provide opportunities for the division to introduce new generic products as well as to pursue strategic partnerships with major multinational producers. These strategies will require time but will contribute greatly towards the sustainability and future growth of the division.

The division has also laid the groundwork to grow its presence in the ASEAN region and effectively tap into the market of over 600 million people. It is also looking to grow its business in the Middle East and North Africa. This is in line with MATRADE's initiative in aggressively promoting Malaysian pharmaceutical products in the ASEAN Economic Community, Middle East and North African countries. The key differentiator for the division's products in the international market will be its branded nature and Halal certification.

The year 2012 will also see our Pharmaceuticals Division focusing on its over-the-counter (OTC) range building strong brand equity via the rationalisation of our numerous brands and intensifying marketing efforts. We will be concentrating our efforts on four (4) focus brands, i.e. *Proviton*, *Flavettes*, *Naturalle* and *Champs*. In order to grow these brands, we will refresh the livery/packaging of these products, introduce new up to date products, review the distribution channels as well as invest in advertising and promotion in building visibility and brand equity.

In addition, the division has also successfully adopted a new Enterprise Resource & Planning software system, SAP in January 2012 to assist in the management of the business and to provide a platform for potential future growth. In order to add strength to the management line-up for the Pharmaceuticals Division to deliver on these strategies, we have introduced new roles such as a Chief Commercial Officer, Chief Scientific Officer and Chief Manufacturing Officer, of which were filled and effected in Q4 2011.

FERTILIZERS DIVISION

An increase in sales volume saw the turnover for the Fertilizers Division record slightly higher revenue of RM934.2 million, up 0.4 per cent from RM930.8 million in the preceding year. The division, however, recorded a loss before tax of RM10.0 million compared to a profit of RM7.5 million reported in the same period last year due to charging out of operating expenses of the new Lahad Datu plant which commenced operations in July 2011 and lower gross margins due to higher raw materials costs.

Over the past few years, we have increased our fertilizers manufacturing capacity by 390,000 metric tonnes per annum via the setting up of manufacturing plants in Bintulu, Medan and Lahad Datu. This expansion would enable the division to leverage on the region's competitive advantage in the plantations sector as well as the division's long standing history of high quality products. Nevertheless, it will take some time before the full potential of the new plants can be realised. A key focus for the Fertilizers Division is to stabilise the operations and improve efficiencies of the new plants so that the division's production growth will be coupled with sustainable profitability.

2012 will be a challenging year for the Fertilizers Division, thus making it crucial for us to undertake strategies to improve the overall performance of the division and the take up of our increased production capacity. Strategies such as strengthening business relationships and developing strategic partnerships with our key stakeholders will be key. The division will also be focusing on taking advantage of the rapid growth of the plantations sector in East Malaysia and Kalimantan.

LAYING THE FOUNDATIONS FOR CHANGE

2011 was a pivotal year for us. A key focus area for management was to lay the foundations necessary to achieve resilience and strength in all our business divisions in order for us to face the rising challenges in each of the industries we operate in. Our ultimate aim is to achieve sustainable value creation for all our stakeholders, thus all our efforts and initiatives to spur our company's performance have to be developed and implemented holistically. This is to ensure that the foundations for change that we build will sustainably benefit all aspects of our businesses.

During 2011, we had embarked on a *Change Starts With Me* transformation programme. Recognising the fact that organisational culture is a fundamental and important factor for success, we refreshed and simplified our vision and defined our core values. Together, we sought to achieve an aligned vision of *Enhancing Quality of Life* for all our stakeholders. In order to achieve this vision, we had developed initiatives under four main thrusts, *Strategy, Operations, People and Financial*. A broad illustration of the key areas for change is set out on page 16.

What To Do	Key Initiatives
<p>STRATEGY</p> <ul style="list-style-type: none"> • Sustainable profitable growth • Focused emphasis on know-how 	<p>CLEAR DIRECTION</p>
<p>OPERATIONS</p> <p>Ownership</p> <ul style="list-style-type: none"> • Getting a fair return from our investments* • Knowing what can go wrong and how to prepare ourselves** <p>Excellence</p> <ul style="list-style-type: none"> • Instill drive for continuous improvement • A sense of pride in everything that we do 	<p>OWNERSHIP AND EXCELLENCE</p>
<p>PEOPLE</p> <p>Culture</p> <ul style="list-style-type: none"> • Instill core values in our minds <p>Processes</p> <ul style="list-style-type: none"> • Strong foundation for a motivated workforce 	<p>BE FAIR</p>
<p>FINANCIAL</p> <ul style="list-style-type: none"> • Strengthen internal controls • Efficient reporting processes with robust analytics • Efficient tax and funding 	<p>CONTROLS AND COST MANAGEMENT</p>

Note : *Economic Value Added (EVA) or Value Based Management (VBM), **Enterprise Risk Management (ERM)

REALIGN LEADERSHIP TO ADD FOCUS

Several key management changes were made during the year to strengthen and add focus to our leadership line-up along the lines of our four main Transformation thrusts, *Strategy, Operations, People and Financial*. En. Abd. Rahman Abdullah Thani, former Director, Finance and redesignated to Director, Corporate Office, will now spearhead the Group's strategy and business development efforts. En. Mohd. Raflee Abdullah, Director,

Engineering and Technology, together with Dr. Lee Yee Chong, Director, Group Information Technology and Systems will lead the Group's operational excellence initiatives. En. Kassim Ali Mydin, Director, Human Resources, has been tasked to lead the people transformation initiatives. Pn. Nik Fazila binti Nik Mohamed Shihabuddin, appointed Director, Finance on 1 May 2012, will be responsible for the Group's financial transformation initiatives.

The new line-up at Group level will support the Business leadership teams to achieve the desired growth and sustainable value creation.

KNOWLEDGE AS THE FOUNDATION FOR GROWTH

CCM strongly believes that to be ahead of its competitors and sustain profitable growth, it is paramount that we continuously invest in research and development (R&D) across all three business segments.

On the pharmaceutical front, the year 2011 saw the division submitting 17 dossiers for registration. These included 11 ethical and 6 over-the-counter products. The team also completed five successful product scale-ups from R&D to production site. To further strengthen the pipeline and R&D strategy for 2012-2016, a functional R&D council team, comprising the divisional management committee was set up. At the same time, to drive our R&D agenda and steer pipeline development, Mr. Kanna Umakanth has been redesignated as the Pharmaceuticals Division's Chief Scientific Officer. The division also purchased additional stability chambers to accommodate more new products for stability testing to fill pipeline gaps, among others.

Our Chemicals Division continued to strengthen our R&D team headed by Dr. Khew Mei Ching by recruiting more scientists into the team. Among others, the R&D team worked to expand its pipeline of products and enhance its in-house blended product ranges. The division also focused its efforts last year to strengthen product performance and improve gross margin of existing products.

For the Fertilizers business, strategic partnerships with government agencies provide the platform for continuous development of new and enhanced formulations. Through comprehensive product and market research, the Fertilizers Division's R&D team headed by En. Shamsudin Amit, is able to develop specific formulations to be targeted at different market segments. This bodes well with the Fertilizers business' objective to further strengthen its regional market position, as the crop focus, terrain and soil quality may differ between regional countries. In addition to this, the requirement of large planters and small holders may also differ, thus demanding for particular formulations.

HALAL AS A DIFFERENTIATOR

Today, the name CCM is also synonymous with being a key player in the Halal industry. As one of the champions in this market, CCM is well aware that the Halal pharmaceutical industry is a growing one and is already asserting a niche position to encourage the right demand in today's discerning Muslim world. As a testament to our involvement in this, CCM was awarded with the "Halal Recognition Award 2011" by Halal Industry Development Corporation (HDC), the government agency being entrusted to drive the initiatives to make Malaysia a "Global Halal Hub".

During the year under review, we participated in an array of Halal initiatives all with the single aim of upholding the Halal integrity and creating awareness in Malaysia. The Group co-organised the "Public Consultation and Soft Launching of MS2424 Halal Pharmaceutical Standard" and "Halal Pharmaceuticals Professional Audit Workshop" together with Standards Malaysia and HDC. We were also invited to be speakers/panelists at various events, among others were World Halal Forum, World Halal Research Summit and Malaysian Pharmaceutical Society (MPS) - Pharmacy Scientific Conference. At the same time, 2011 also saw our Bangi plant successfully obtaining the Good Manufacturing Practice (GMP) Pharmaceuticals certification from the Kingdom of Saudi Arabia (KSA) Food and Drug Authority (SFDA).

Our leadership in the Halal industry beyond Food & Beverages (F&B) is widely recognised as we had been invited to become members in an array of national level's Halal initiatives including the Technical Committee (TC) on Halal Food and Islamic Consumer Goods chaired by JAKIM, the Working Group (WG) for Halal Chemical for Potable Water chaired by Malaysian Water Association (MWA) with SIRIM as the Secretariat, Board of Studies: Post Graduate Programmes in Halal Industry by International Institute for Halal Research and Training (INHART), International Islamic University Malaysia (IIUM), Industry Round Table Dialogue for Diploma in Scientific Halal Practice organised by International Education College (INTEC) and Working Group for "E-Halal System for Halal certification for Pharmaceutical products" organised by JAKIM, to name a few. We are also extremely pleased to be the only industry representative invited to be on committees for the "Development & Harmonization of Standards on Pharmaceutical & Vaccines among OIC Member States" chaired by Standards Malaysia, National Pharmaceutical Control Bureau and HDC.

We shall continue to play an instrumental role in the education, development and harmonisation of Halal standards globally whilst at the same time, optimising these standards as business enablers, in addition to taking full advantage of our leadership role in the Halal industry to continually enhance our stakeholders' value.

INFORMATION TECHNOLOGY, ENABLING EXCELLENCE

CCM places utmost importance on ensuring its Information Technology (IT) systems are agile and will be able to scale in line with plans for business and regional growth. Following this, CCM embarked on a three-year journey to consolidate its diverse business systems, platforms, technologies and service delivery processes across all its business divisions and across the region.

Phase One of this transformation initiative began in October 2010 and involved 23 legal entities, entire supply chain processes for corporate offices, pharmaceuticals business and our regional operations in Singapore, Jakarta and Manila. Enhanced business processes were delivered on time in full and within budget. Moving forward, we will continue transforming the business processes of the Chemicals and Fertilizers Divisions.

In the meantime, the fully enabled pharmaceutical business will be focusing on delivering higher value adding and efficient activities to its diverse customer base. Upon completion, CCM's organisational capability will be strategically enhanced. It will support the achievement of our long term strategies and goals, while ensuring regulatory requirements are met and major developmental risk adequately mitigated.

COMMITMENT TO PEOPLE DEVELOPMENT

As we march ahead towards achieving higher levels of success in competitive and challenging times, we lean on the support of our employees. Harnessing the talents of our employees, developing and empowering them have enabled us to grow a pool of knowledge-based, motivated and committed individuals who will drive the overall performance of our organisation.

Last year, in our effort to increase the engagement level of our employees, the Employee Engagement Action Planning was rolled out after having surveyed all the current employees. Additionally, the Talent Management Framework was also developed to improve talent attraction and retention in the organisation. This framework was built around the aspects of Talent Identification, Talent Assessment, Talent Development and Talent Mapping Processes.

To further strengthen the workplace capabilities, we worked hard to recruit critical management positions across the Group complementing and strengthening our existing line up of experienced managers. We also sought to include our core values across the Group by creating awareness and refreshing our understanding of what it means to live by our core values. To promote a learning culture, we made knowledge easily accessible to all by creating CCM's Training Podcasts comprising both audio and video digital media.

Last year, we strengthened our framework further to ensure that our people have clarity on career development and opportunities to develop their capabilities further from the moment they join us to the day they retire. Initiatives such as the New Employee Orientation Programme, Learning and Development Framework and Toolkit and Focus on the Future Programme were launched.

Keeping in mind the development of the local talent force in Malaysia, CCM collaborated with the Ministry of Human Resource and Special Implementation Task Force to participate in My Career Fair 2012. The event provided a platform for the local Indian community to apply for suitable jobs in Government Linked Companies. CCM also participated in the largest Malaysian career fair, the Malaysian Career and Training Fair, which provided the Group with an extensive talent database for immediate and future hiring requirements as well as enhancing our brand as Employer of Choice.

With an imperative of acknowledging high achievers, ensuring shareholders' interests are well served and also to keep employees motivated, CCM enhanced its performance-based compensation for the financial year 2012. Reasonable and measurable controls have been installed to assess the performance of the employees in accomplishing business objectives.

We strongly believe that by treating our people fairly and allow opportunities for development, our people would remain motivated and committed to contributing better performances for our businesses which will translate to sustainable value creation.

ACKNOWLEDGEMENT

The year 2011 has been a year of recovery for CCM with our divisions slowly picking up the momentum. Nevertheless, we remain optimistic and will continue to pursue greater achievements to help our business achieve all its objectives. As the Group Managing Director, I will relentlessly ensure our Company continues to make its mark in everything we do and achieve world-class standards. On that note, I thank the Board of Directors and all our employees for your continuous support to help make CCM grow from strength to strength.

Amirul Feisal Bin Wan Zahir
Group Managing Director

Corporate Responsibility

Our corporate responsibility approach is strategically embedded within our business goals as we strive to make a difference in the community we operate in. With a keen focus on community welfare, environmental care and ensuring fairness to all our stakeholders, we continuously seek to enhance our corporate values and adopt ethical business practices in every aspect.

ENVIRONMENT

In the 10th Malaysia plan, valuing our environmental endowments has been identified as one of the ten main ideas for the country. In line with this, the Group places paramount importance on various environmental initiatives from water conservation to environment preservation in rural areas. One of the key efforts in this regard is the Rakan Alam Sekitar programme, launched in 2009 to promote community participation in keeping the environment clean and safe. This year, the programme continued to reach greater heights as over 400 students under the Pensiangan parliament constituency in Sabah gathered at SMK Tulid to be educated on various water preserving methods. Among others, activities included monitoring water quality and testing the river's pH level chemically through water samples and biologically through living organisms in the water using kits provided by the Department of Irrigation and Drainage. Additionally, exhibitions, quizzes and talks by various experts were held to provide students with further information and knowledge on

conservation of the environment and water sources. To ensure the continuous sustainability of this programme, the Group also contributed RM1,500 seed money to three schools namely SMK Tulid, SMK Nabawan II and SMK Sook in helping them to establish their own Kelab Rakan Alam Sekitar and carry out other environmental protection and conservation activities.

At the same time, the Sekolah Lestari programme, a joint collaboration project between CCM, Department of Environment and the Johor state government took place in February 2011 with the aim to inculcate environmental education through the incorporation of positive environmental values in school management, curriculum, co-curriculum and greening activities. Under this programme, SK Taman Pasir Putih, Johor, was chosen to be the pioneer school, working towards sustainability and ensuring the entire school community (teachers, students, parents and staff members) are environmentally aware and are doing their part for the environment each and every day.

COMMUNITY

The Group strongly believes in the power of education, especially for our future generation and for this reason, its community activities focuses on the development of the English language among primary school students in Malaysia. This year, five schools successfully completed the three-year PINTAR (Promoting Intelligence, Nurturing Talent and Advocating Responsibilities) school adoption programme. Befitting to its name, PINTAR is aimed at cultivating academic excellence, skill-building and leadership qualities, particularly amongst rural school children. The programmes included English communication classes, motivational camps, Newspaper in Education (NiE), education excellence awards, reference book donations and leadership programmes.

A regular on CCM's Corporate Responsibility ("CR") agenda, the CHAMPS National Spelling Competition kicked off its fifth year with 48 students from 13 states and 3 federal territories across Malaysia participating in the finals. Open to Malaysian students from Standard Four to Six, the competition was jointly organised by Knowledge Discovery Magazine, the Ministry of Education Malaysia and CCM Pharmaceuticals. This much awaited competition was aimed at encouraging students to enhance their spelling, vocabulary and English proficiency.

At the same time, the Group also focuses on recognising achievements, especially the children of the CCM Fertilizers' Golden Growers Club members who excel in their Sijil Pelajaran Malaysia (SPM) and Sijil Tinggi Persekolahan Malaysia (STPM)

examinations. Last year, CCM Fertilizers lauded the achievements of 26 SPM students and 4 STPM students with the Educational Excellence Awards for their outstanding results in their 2010 examinations. Since 1998, the Educational Excellence Awards have rewarded over 560 deserving students with the aim to positively encourage students to achieve academic excellence.

Another regular initiative on the CCM's CR agenda is its contribution of health kits to Malaysian pilgrims performing their Haj through the Sahabat Korporat Tabung Haji programme. Last year, CCM contributed 37,000 health kits valued at RM787,400. Since 2004, the Group has contributed over 306,000 health kits worth more than RM6 million, all with the aim to ease common ailments amongst pilgrims including headaches, muscular aches and eye irritation. To further strengthen its commitment in helping the pilgrims, CCM also participates in activities organised by Tabung Haji for pilgrims where the Group conducted briefings on its products in the given health kits and its appropriate usage which, when combined with our Halal compliant status, would give them an added peace of mind.

Other CCM community initiative included a humanitarian programme for Cambodian children where the Group contributed *CHAMPS D WORMS* product to 250 children from Preak Khdan Village, Cambodia. On the sports front, CCM sponsored a total of RM200,000 for the PGM-ADT-CCM Impian Classic 2011 Golf Tournament with the hope of grooming young talents and local champions.

MARKETPLACE

Following the Government's call to intensify collaboration between universities and industries, CCM teamed up with Universiti Sains Malaysia (USM) to pioneer 500 new entrepreneurs in community pharmaceutical retail by 2020. The initiative, aptly known as CCM JATI (Jalinan Universiti dan Industri) will see CCM's Pharmaceuticals Division and USM's

School of Pharmaceutical Sciences collaborating to identify 50 second year students and mould them to become a new generation of community pharmaceutical retail business entrepreneurs. This is in line with the Government's plans to license the dispensing of prescription medicines at the retail level. Students in this programme will be exposed to the various aspects of marketing, business management, retailing and Halal pharmaceuticals through interaction with experienced professionals from CCM and the industry.

Besides this, with global awareness on Halal products on the rise, CCM is proud to be a pioneer in promoting and advocating Halal in the industries beyond food and beverages. Year on year, the Group continues to reach out to the public and educate them on the sanctity and availability of its Halal products. As a testament to this, CCM received the Halal Recognition Award 2011 from the Halal Industry Development Corporation (HDC) to acknowledge the Group's effort in the Halal industry, especially in the pharmaceutical sector.

WORKPLACE

CCM strongly believes that the workforce is its most important asset and for this reason, the Group constantly emphasises the importance of building our employees' capabilities and skill sets. Employees are actively involved in various training and development programmes, all with the objective to build a secure and stable working environment. These programmes are also aimed at increasing job satisfaction and enhancing productivity. Among others, the SMILE Award was initiated to promote exemplary behavior amongst our employees that will directly reflect our Company's values. The award was inceptioned to recognise employees who go beyond their ordinary course of work to make a difference to their lives, the organisation or the community. SMILE is an excellent motivation for employees to pursue their passion and reach greater heights.

Additionally, a Customer Excellence Communication programme entitled "How to become an ARTist" was conducted across the CCM Group. The programme was aimed at enhancing awareness and understanding on customer excellence, besides creating awareness on the importance of customers, both internal and external, and their impact to the business performance.

Wide range of external programmes were also carried out to enable employees develop new skills, harness their critical thinking abilities and increase their knowledge and awareness on current events in the ever-changing business world.

The Group's stringent Safety, Health and Environment (SHE) standards and regulations in our Chemicals, Pharmaceuticals and Fertilizers Divisions is a testament to our dedication in ensuring the best in health and safety for all our employees as well as the community we operate in. Our efforts to fully comply with the best practice operating standards and all statutory requirements stipulated by the authorities help us maintain our leadership position in SHE management and inevitably move CCM to greater heights.

Last year, we worked to implement the SHE management framework, designed to identify and assess hazards, prevent unsafe acts and conditions, maintain and improve employee health and enhance communication on health and safety issues, among others. The four stages of this framework are top management and leadership commitment, planning, implementation and checking. This is to ensure all levels of the organisation are well aware of our safety procedures and work towards carrying these out effectively. We recorded an average

of 2.95 for lost-time injury frequency and an average of 4.92 for our recordable case frequency. We did not encounter any major environmental incidents.

The Group also carried out an array of initiatives and programmes for our employees, all with the single aim to create awareness on the importance of health and safety. These included safety and self-defence talks which greatly benefited employees. Besides this, a SHE Week was organised in October 2011 with the objective to help employees learn and understand the entire SHE framework and its application in CCM.

Our Community Outreach programmes are carried out to educate the general public as well as opinion leaders on our business operations and contributions to the community and local economy. Additionally, CCM's Environmental Stewardship programmes have significantly helped out environmental management function and commitment to sustainable development. We focus keenly on pollution prevention and conservation methods with a growing interest in climate change and carbon footprint reduction. CCM has initiated a carbon footprint reduction programme as part of our social responsibility to the environment and it is a journey that CCM wants to continue. The Group also stresses on the importance of training and communicating our environmental management requirements to every party involved in the lifespan of our products. This is done to ensure environmental impacts are managed responsibly.

CCM also received a string of awards and accreditation last year for our commitment in SHE. CCM Chemicals was awarded the ISO 14001:2004 for its environmental management system. The Group also continues to underline our commitment towards responsible management of chemicals and improvement in SHE development through the Responsible Care Programme (RCP) promoted by the Chemical Industries Council of Malaysia (CICM). At the CICM Responsible Care Awards Presentation 2010, CCM's Chemicals Division walked away with eight awards, including two platinum awards for its Product Stewardship Code and Community Awareness & Emergency Response Code. With these awards to its name, CCM is determined not to rest on its laurels but to continue working towards reinforcing our goals in SHE excellence.



Calendar of Events

1	1 Mar 11	CCM 3rd Halal Awareness Seminar 2011
2	4 Mar 11	Visit of the Poland Ambassador
3	15 Mar 11	Asia Pacific Regional Water Conference
4	17 Mar 11	Visit of the Minister of International Trade & Industries to CCM Pharmaceuticals plant in Bangi
5	6 Apr 11	Presentation of World Halal Forum Award



6



8



9



7



10

Calendar of Events cont'd

6	20-28 Apr 11	Minggu Saham Amanah Malaysia
7	5 May 11	PGM-ADT-CCM Impian Classic 2011
8	25 May 11	CCM Duopharma Biotech Berhad Annual General Meeting
9	24 Jun 11	GLC Open Day
10	27 Jun 11	Chemical Company of Malaysia Berhad Annual General Meeting



11



12



13



14



15

Calendar of Events cont'd

11	22 Jul 11	Bengkel Rakan Alam Sekitar
12	31 Jul 11	Participation of CCM Pintar Schools in Pintar Battle Bot
13	8 Aug 11	Musyarakah Commercial Papers and Musyarakah Medium Term Notes Signing Ceremony
14	8 Sep 11	Sahabat Korporat Tabung Haji
15	3 Nov 11	5th Champs National Spelling Competition

Company Secretaries

Noor Azwah binti Samsudin (LS 0006071)

Ibrahim Hussin Salleh (LS 0009121)

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, Pasir Gudang, Bangi, Glenmarie, Klang,
Bintulu, Lahad Datu, Medan

Registrar

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

Tel : 03-7841 8000

Fax : 03-7841 8008

Auditors

Messrs KPMG
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan

Bankers

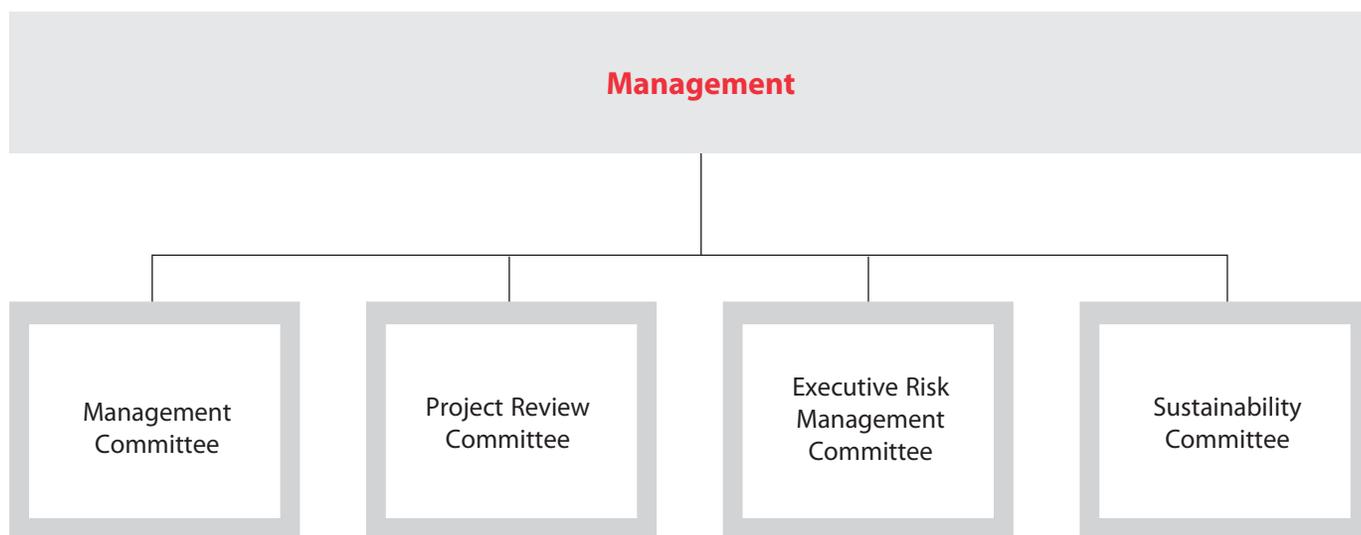
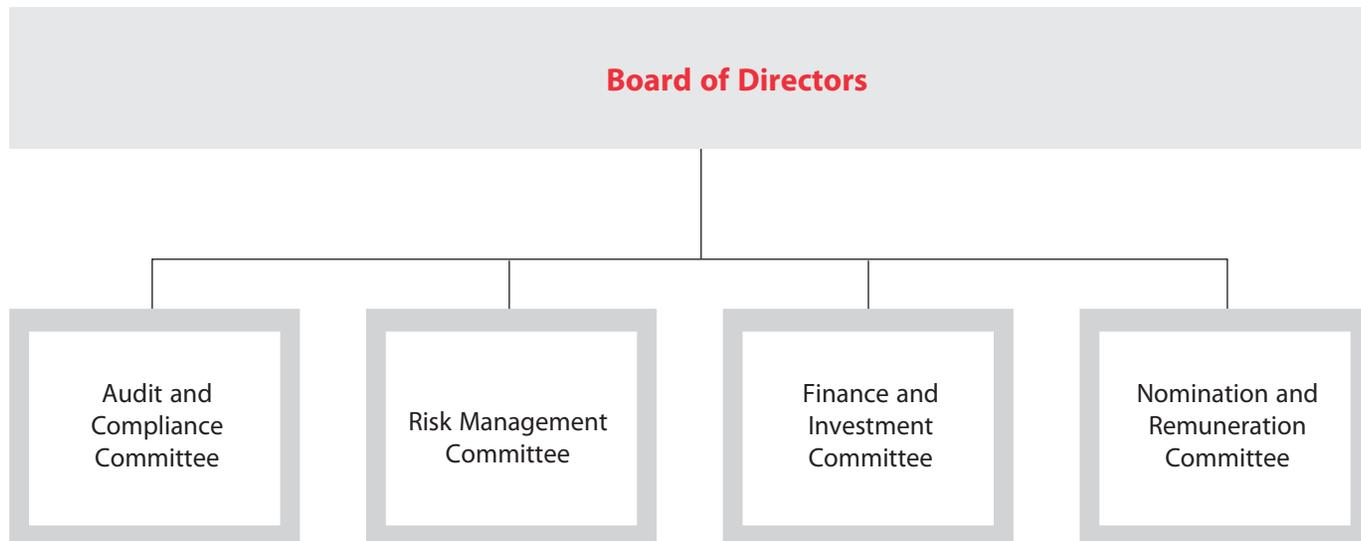
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad
AmBank (M) Berhad

Solicitors

Raja, Darryl & Loh
18th Floor, Wisma Sime Darby
14, Jalan Raja Laut
50350 Kuala Lumpur

Salleh & Co.
Lot 33 & 35, Level 4
Jalan Medan Tuanku
50300 Kuala Lumpur

Board and Management Structure



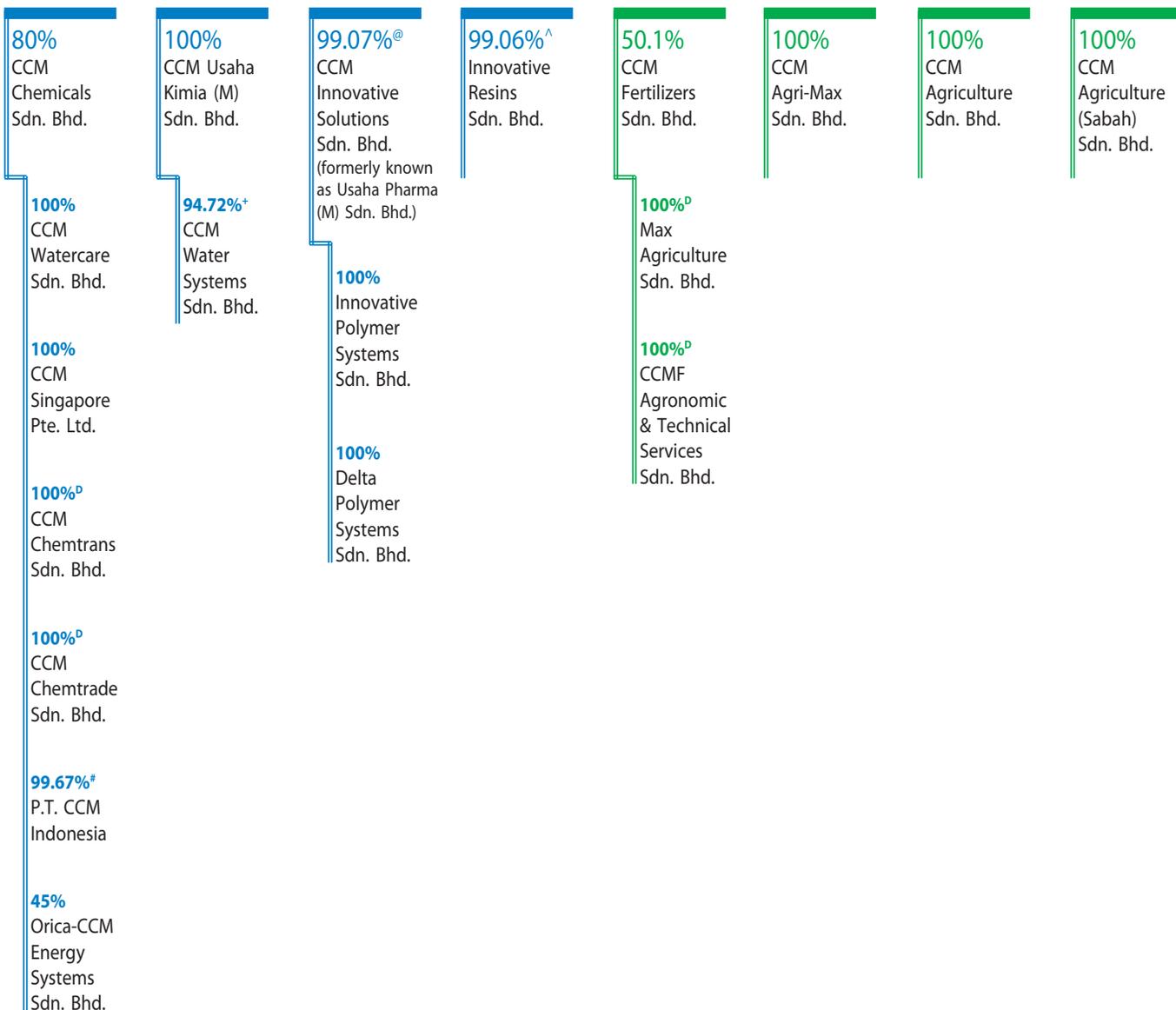
Group Structure

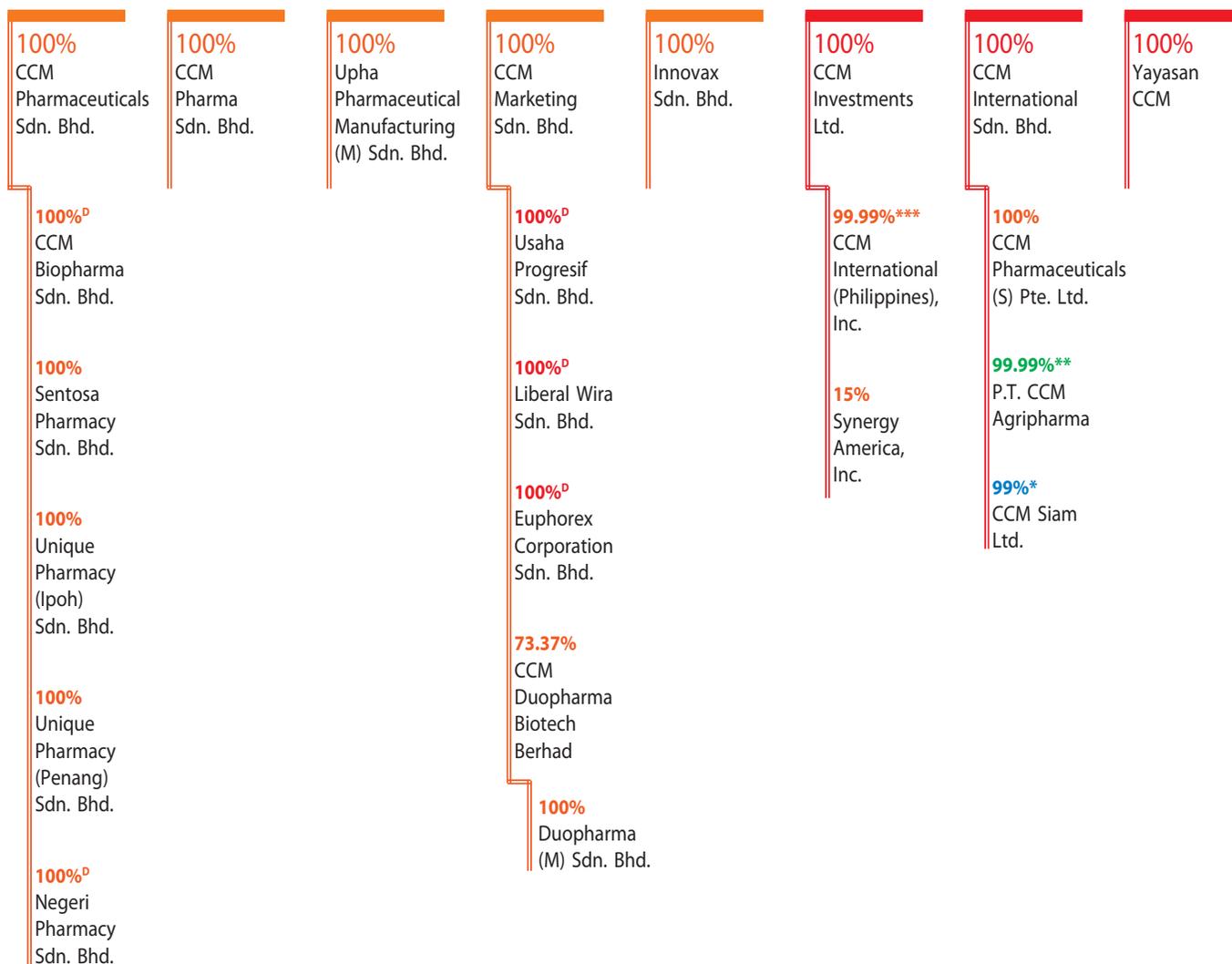
as at 30 April 2012



CHEMICAL COMPANY OF MALAYSIA BERHAD

[5136-T]





* 0.01% held by 6 wholly-owned subsidiaries of CCM

** 0.01% held by CCM

*** 0.01% held by 3 nominees of CCM

0.33% held by CCM Watercare Sdn. Bhd.

@ 0.93% held by CCM Usaha Kimia (M) Sdn. Bhd.

+ 5.28% held by CCM

^ 0.94% held by CCM Usaha Kimia (M) Sdn. Bhd.

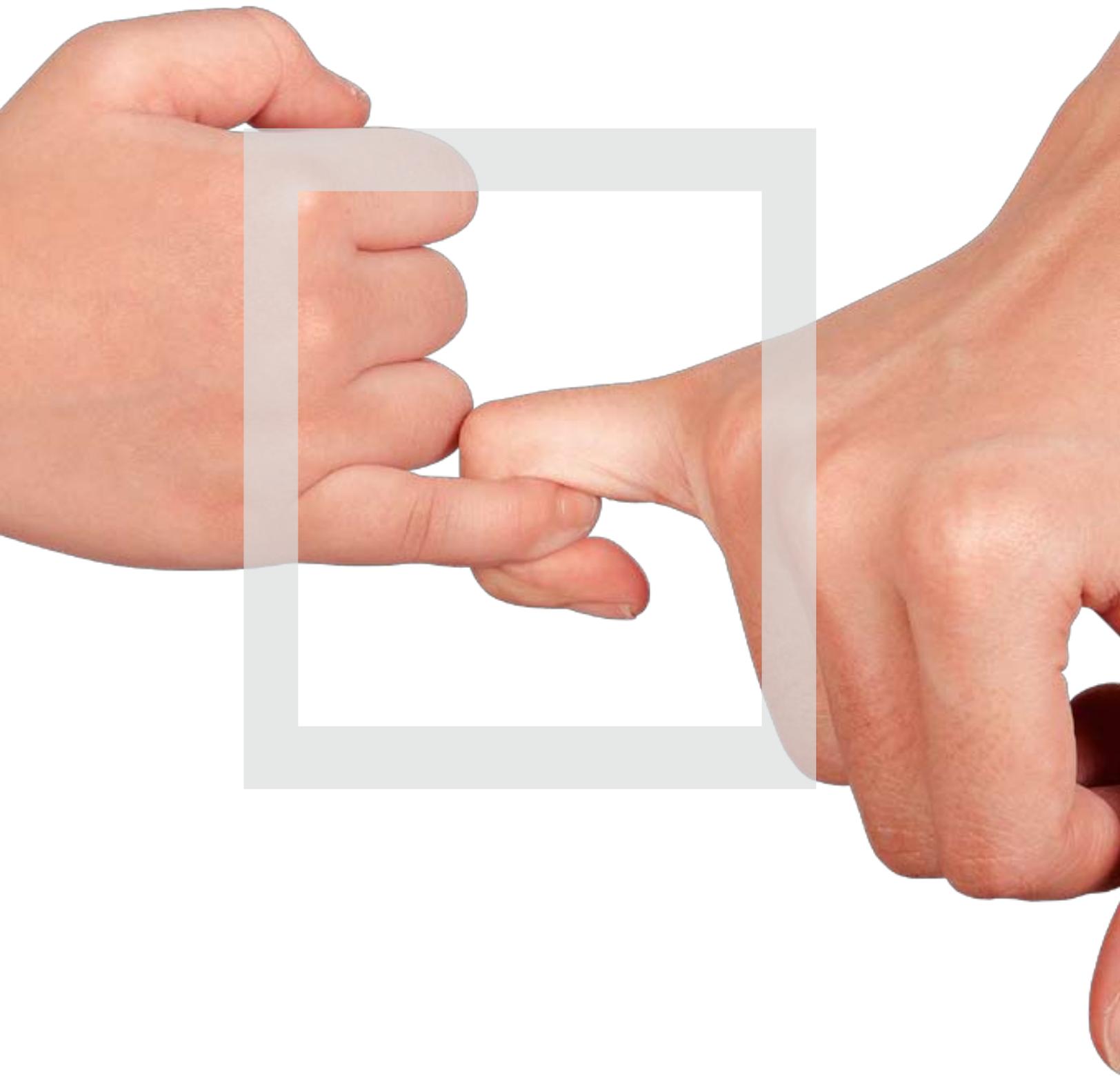
^D Dormant Companies

— Chemicals Division

— Fertilizers Division

— Pharmaceuticals Division

— Others





Responsible

As a responsible organisation, we will continue to push ourselves beyond our accomplishments to deliver greater value and achieve higher standards of performance to enhance our customers' lives.



TAN SRI DATO' SRI HAMAD KAMA PIAH BIN CHE OTHMAN

Age: 60 years

Nationality: Malaysian

Position on the Board

Non-Independent Non-Executive Chairman

Date Appointed to the Board

30 November 2010

Membership of Board Committees

Chairman, Nomination and Remuneration Committee

Directorships of Other Public Companies

Permodalan Nasional Berhad
Amanah Saham Nasional Berhad
Pelaburan Hartanah Nasional Berhad
Amanah Mutual Berhad
Sime Darby Berhad
Sime Darby Property Berhad
Yayasan Karyawan
Securities Industry Dispute Resolution Centre
Professional Golf of Malaysia

Securities Holdings in the Company and its Subsidiaries

None (as at 30 April 2012)

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 10 years Other than Traffic Offences

None

Qualifications

- Honorary Doctorate in Business Administration, Universiti Tenaga Nasional, Malaysia
- Masters Degree, University of Swansea, United Kingdom
- Diploma in Statistics, Universiti Teknologi MARA, Malaysia
- Senior Fellow, Financial Services Institute of Australasia
- Registered Financial Planner, Malaysian Financial Planning Council
- Certified Financial Planner, Financial Planning Association of Malaysia.
- Capital Markets Services Representative License

Working Experience and Occupation

Tan Sri Dato' Sri Hamad Kama Piah is presently the President & Group Chief Executive of Permodalan Nasional Berhad (PNB). His career spans over 30 years in the field of corporate finance, investment and unit trust management. Prior to taking the helm at PNB in early 1998, he undertook various responsibilities in various facets of investment management and corporate finance in PNB.



AMIRUL FEISAL BIN WAN ZAHIR

Age: 42 years

Nationality: Malaysian

Position on the Board

Group Managing Director

Date Appointed to the Board

11 October 2010

Membership of Board Committees

None

Directorships of Other Public Companies

CCM Duopharma Biotech Berhad

Securities Holdings in the Company and its Subsidiaries

None (as at 30 April 2012)

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 10 years Other than Traffic Offences

None

Qualifications

- Bachelor of Science Economics (Accounting and Finance), London School of Economics, University of London
- Fellow of the Institute of Chartered Accountants England and Wales

Working Experience and Occupation

Prior to Amirul Feisal's appointment to CCM as Group Managing Director in 2011, he was the Executive Vice President for Special Projects in Permodalan Nasional Berhad. Amirul Feisal started his career in KPMG Plc in the Audit Division based in London and left as an Assistant Manager to join Schroders Investment Banking in Kuala Lumpur in 1997. He remained at Schroders (later acquired by Salomon Smith Barney and subsequently renamed Citigroup Global Markets) until 2004. During that period, he worked in various departments within the Investment Banking Division including the Project Finance and Privatisation Department, Corporate Finance Group, Mergers & Acquisition Group and the Industrial/ Large Cap Group based in Kuala Lumpur, Singapore and Hong Kong. In 2004, Amirul Feisal joined BinaFikir Sdn. Bhd., a Malaysian-based boutique advisory firm as a shareholder and Executive Director. He was also the Managing Director, Investment Banking for Maybank Investment Bank from 2008 until September 2010. Amirul Feisal is also a member of the Advisory Panel for Malaysia-Japan International Institute of Technology (MJIIIT), Universiti Teknologi Malaysia, International Campus.



DATO' AZMI BIN MOHD. ALI

Age: 51 years

Nationality: Malaysian

Position on the Board

Non-Independent Non-Executive Director

Date Appointed to the Board

8 October 2010

Membership of Board Committees

Chairman, Risk Management Committee
Member, Finance and Investment Committee

Directorships of Other Public Companies

Sime Darby Berhad
Pernec Corporation Berhad
Perbadanan Nasional Berhad

Securities Holdings in the Company and its Subsidiaries

None (as at 30 April 2012)

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 10 years Other than Traffic Offences

None

Qualifications

- LLB (Hons), University of Malaya
- LLM in US & Global Business Law, University of Suffolk, Boston

Working Experience and Occupation

Dato' Azmi Mohd. Ali, a corporate and commercial lawyer with 28 years of experience, is the Senior Partner of Azmi & Associates, a leading corporate and commercial law firm in Malaysia with close to 55 lawyers, since 2000. Prior to this, he was the Partner/Head Department of Corporate, Commercial and Special Projects of Hisham, Sobri and Kadir from 1995 to 2000. Dato' Azmi started his career in Petroliaam Nasional Berhad (PETRONAS) in 1984 and left PETRONAS' employment as Head of Gas/ New Ventures, Upstream Legal Department in 1990 to join a boutique law firm of T. Tharu & Associates from 1990 -1995. He is also an Adjunct Professor of Law at the International Islamic University of Malaysia's Law Faculty.



KHALID BIN SUFAT

Age: 56 years

Nationality: Malaysian

Position on the Board

Senior Independent Non-Executive Director

Date Appointed to the Board

11 October 2010

Membership of Board Committees

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

Directorships of Other Public Companies

Binapuri Holdings Berhad
UMW Holdings Berhad
Tradewinds (M) Berhad
Kuwait Finance House (Malaysia) Berhad

Securities Holdings in the Company and its Subsidiaries

None (as at 30 April 2012)

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 10 years Other than Traffic Offences

None

Qualifications

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

Working Experience and Occupation

Khalid bin Sufat, 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.



DR. LEONG CHIK WENG

Age: 49 years

Nationality: Malaysian

Position on the Board

Independent Non-Executive Director

Date Appointed to the Board

11 October 2010

Membership of Board Committees

Member, Nomination and Remuneration Committee

Directorships of Other Public Companies

A-Rank Berhad
UMW Holdings Berhad
Oldtown Berhad

Securities Holdings in the Company and its Subsidiaries

None (as at 30 April 2012)

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 10 years Other than Traffic Offences

None

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.



PROFESSOR DATO' IR. DR. ZAINI BIN UJANG

Age: 47 years

Nationality: Malaysian

Position on the Board

Non-Independent Non-Executive Director

Date Appointed to the Board

10 January 2011

Membership of Board Committees

Member, Risk Management Committee
Member, Finance and Investment Committee

Directorships of Other Public Companies

None

Securities Holdings in the Company and its Subsidiaries

None (as at 30 April 2012)

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 10 years Other than Traffic Offences

None

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

Working Experience and Occupation

Professor Dato' Ir. Dr. Zaini bin Ujang 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. 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. He obtained his Bachelor of Chemical Engineering from Universiti Teknologi Malaysia, and Master of Science and Doctor of Philosophy in Environmental Engineering from University of Newcastle, United Kingdom. He is also an alumni of the Harvard Business School (AMP 177), 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 has registered more than 20 intellectual property rights and published more than 200 technical papers and 50 books.



DATUK KAROWNAKARAN @ KARUNAKARAN A/L RAMASAMY

Age: 61 years

Nationality: Malaysian

Position on the Board

Independent Non-Executive Director

Date Appointed to the Board

10 January 2011

Membership of Board Committees

Chairman, Finance and Investment Committee
Member, Audit and Compliance Committee

Directorships of Other Public Companies

Lion Corporation Berhad
Integrated Logistics Berhad
Maybank Investment Bank Berhad
KNM Group Berhad
Etiqua Insurance Berhad
IOI Corporation Berhad

Securities Holdings in the Company and its Subsidiaries

None (as at 30 April 2012)

**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 10 years Other than Traffic Offences**

None

Qualification

- Bachelor of Economics (Accounting) Hons., University of Malaya

Working Experience and Occupation

Datuk Karownakaran @ Karunakaran A/L Ramasamy (Datuk Karunakaran) joined the Malaysian Industrial Development Authority (MIDA) in August 1972 and served in various positions including Deputy Director, Director, Deputy Director-General and Director-General. He also served as the Director of MIDA Singapore, Cologne (Germany) and London (England). Having served MIDA for about 36 years, Datuk Karunakaran retired as the Director-General of MIDA in June 2008, a position he held for about four years. During Datuk Karunakaran's service with MIDA, he was responsible for the promotion and coordination of the development of the manufacturing and services sector in Malaysia including promoting domestic and foreign investment in Malaysia.



DATIN PADUKA KARTINI BINTI HJ. ABDUL MANAF

Age: 50 years

Nationality: Malaysian

Position on the Board

Non-Independent Non-Executive Director

Date Appointed to the Board

10 January 2011

Membership of Board Committees

Member, Risk Management Committee
Member, Audit and Compliance Committee

Directorships of Other Public Companies

Sen Sen Chemical Berhad

Securities Holdings in the Company and its Subsidiaries

None (as at 30 April 2012)

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 10 years Other than Traffic Offences

None

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 binti Hj. Abdul Manaf started her career in Permodalan Nasional Berhad (PNB) in March 1983 and is presently the Chief Strategy Officer of PNB.

In her career of over 29 years at PNB, she has served in various capacities and different departments, covering portfolio management, property investment, corporate finance and business development.



ABD. RAHMAN BIN ABDULLAH THANI

Director, Corporate Office

Age: 47 years

Nationality: Malaysian

Qualifications

- Bachelor of Commerce, Accounting and Finance, University of Tasmania, Australia
- Fellow, Certified Practising Accountant, Australia
- Chartered Accountant, Malaysian Institute of Accountants
- Harvard Business School – Alumni Club Malaysia
- ICLIF – Leading Leaders Alumni

Working Experience and Occupation

Abd. Rahman was attached to Price Waterhouse from 1988 to 1991 as an Audit Senior. He then joined Petronas Trading Corporation Sdn. Bhd. (PETCO) and was subsequently seconded to Subic Bay Petroleum Products Ltd., a joint venture company between PETCO and Coastal Corporation, USA as its Financial Controller in 1994. Following this, he joined a pharmaceutical manufacturing company, Raza Manufacturing Berhad, in May 1995 as the General Manager of Finance and Administration and was involved in the formation of Pharmaniaga Berhad in 1998 through a merger of Raza, Strand Pharmaceuticals and Remedi Pharmaceuticals before being promoted to the position of Director of International and subsequently Director of Indonesia Operations in Pharmaniaga. His last position was as the President Director of an Indonesian listed company in Bursa Efek Indonesia, PT Millennium Pharmacon International Tbk, a subsidiary of Pharmaniaga International Corporation Sdn. Bhd. Abd. Rahman joined CCM in July 2009 as Director Finance (designate) and was appointed as Director, Finance on 1 December 2009. Beginning 1 May 2012, he now takes on his current role which oversees Group Strategy, Security, Corporate Affairs, Halal and Transformation.

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 has more than 20 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 had also served three (3) main board public listed companies in Malaysia, as General Manager Finance and Chief Financial Officers. During her tenure at those public listed companies, apart from accounting and finance, she was involved in various corporate transactions, namely merger & 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.



NIK FAZILA BINTI NIK MOHAMED SHIHABUDDIN

Director, Finance

Age: 46 years

Nationality: Malaysian



LEONARD ARIFF BIN ABDUL SHATAR

Director, CCM Pharmaceuticals Division

Age: 47 years

Nationality: Malaysian

Qualifications

- LLB, Monash University, Melbourne, Australia
- Bachelor of Economics, Monash University, Melbourne, Australia

Working Experience and Occupation

Leonard Ariff was appointed the Chief Executive Officer of CCM Duopharma Biotech Berhad cum Director of CCM Pharmaceuticals Division on 1 January 2008. Since 1988, he has worked in various capacities in the legal profession before joining the CCM Group in 1990 where his main responsibilities were in business development at CCM Chemicals Sdn. Bhd. In 2000, he assumed the position of Managing Director of Usaha Pharma (M) Sdn. Bhd. (formerly known as Prima Health Pharmacy (Retail) Sdn. Bhd.), CCM's pharmaceuticals retail arm. He then became General Manager of ICI Paints Malaysia Sdn. Bhd. in 2003 and subsequently as Managing Director before taking on his current appointment. He also holds directorship on the boards of several companies within the CCM Group. He also acts in an advisory capacity at Monash University Business School, University Science Malaysia, International Medical University, University Malaya (Pahang/Penang) and as Committee Member of Good Governance for Medicines in the Ministry of Health, Malaysia. He is currently the President of the Malaysian Organisation of Pharmaceutical Industries (MOPI).

Qualifications

- Bachelor of Commerce & Administration, University of Victoria, Wellington, New Zealand
- Building Construction Certificate
- INSEAD Asia Executive Program

Working Experience and Occupation

Mohamed Nazmi bin Sallehuddin started his career in CCM Group as Head, Market Development in 2006. He was then transferred to CCM Chemicals Sdn. Bhd. to head the Water Chemicals business. In 2008, he was appointed the Chief Operating Officer and managed the Malaysian market operations for the Chemicals Division which houses the Chlor-Alkali, Chemicals Trading, Water Engineering, Polymer Coatings and a JV with Orica Australia. He further managed the South East Asia Chemicals markets as the Director, Chemicals Division in December 2009 until to date.

His experience ranges from Oil and Gas, and Telecommunication before Chemicals working in various capacities in product sales, management and development, market development and Retail Planning and Development.

He is also an EXCO member of Chemical Industries Council of Malaysia (CICM).



MOHAMED NAZMI BIN SALLEHHUDIN

Director, CCM Chemicals Division

Age: 46 years

Nationality: Malaysian



MAHMOOD BIN YOUP

Director, CCM Fertilizers Division

Age: 49 years

Nationality: Malaysian

Qualifications

- Bachelor of Agricultural Science, Universiti Putra Malaysia
- Master of Business Administration, Universiti Teknologi Mara (UiTM)

Working Experience and Occupation

Mahmood graduated in 1985 with a Bachelor of Agricultural Science degree from Universiti Putra Malaysia and obtained his Executive Masters in Business Administration from UiTM in 2004. He started his career with Bayer Malaysia Sdn. Bhd. in 1985 before joining DuPont Malaysia Sdn. Bhd. in July 1993. He held several positions with DuPont Crop Protection Malaysia and was promoted to the position of Marketing Services Manager in 1998 and further promoted to the position of National Account Manager in 2001. In January 2003, Mahmood moved to a new business role as Business Development Manager for DuPont Safety Resources and subsequently promoted to the position of Business Manager for DuPont Powder Coatings Malaysia Sdn. Bhd. in January 2005. Mahmood joined CCM Fertilizers Division in April 2010 as Chief Operating Officer and was appointed as Acting Head, CCM Fertilizers Division on 23 December 2010. On 1 July 2011, he was appointed Director, CCM Fertilizers Division. Mahmood is also the Chairman of the Fertilizer Industry Association of Malaysia.

Qualifications

- Doctorate in Business Administration (DBA), University of South Australia (UniSA), Australia
- Master of Business Administration, Cranfield Institute of Technology, United Kingdom
- Bachelor of Science (Hons), Electrical & Electronic Engineering, University of Manchester Institute of Science & Technology (UMIST), United Kingdom
- Professional Chartered Management Accounting, Chartered Institute of Management Accountants (CIMA)
- Advanced Course in Production Methods and Management, University of Cambridge, United Kingdom
- Senior Management Development Program (SMDP), Harvard Business School
- ICI International Managers Course, United Kingdom

Working Experience and Occupation

Recruited by ICI Paints UK in 1979, Dr. Lee held various senior positions within the Group and was the Managing Director of CCM Pharmaceuticals for more than 10 years prior to assuming the role of Director, Group Information Technology and Systems on 1 January 2009, responsible for spearheading the Shared Services Transformation Initiative. He is a Council Member of the Chartered Institute of Management Accountants (CIMA) Global and Chairperson for CIMA's South East Asia Regional Board. He was also the Organising Chairman for the World Congress of Accountants (WCOA 2010).

DR. LEE YEE CHONG

Director, Group Information Technology and Systems

Age: 57 years

Nationality: Malaysian



KASSIM ALI BIN MYDIN

Director, Group Human Resources

Age: 45 years

Nationality: Malaysian

Qualifications

- Master Degree in Business Administration (MBA) Majoring in Human Resource Management from APIU, New Zealand
- Certified Advanced Human Resource Practitioner (CAHRP), MIHRM
- Certified Advanced Management Program (AMP), Oxford Learning Academy
- Member, International Society for Human Resource Management, USA
- Associate Member, Malaysian Institute of Human Resource Management

Working Experience and Occupation

Kassim has an excellent portfolio charting over 20 years of experience in the entire spectrum in Human Resources Management. He has worked in several multinationals in various capacities. Prior to joining CCM Group in June 2011, Kassim was the Human Resource Director for ICI Paints Malaysia Sdn. Bhd.

Qualifications

- Advance Diploma, International Business, Helsinki School of Economy, Helsinki, Finland
- MBA, Victoria University of Technology, Melbourne, Australia
- Six Sigma Black Belt, Saral Six Sigma & Business Solution, India
- Six Sigma Green Belt, Avery Denison, USA
- Diploma, Management, MIM, Malaysia
- Diploma, Federal Institute of Technology, Malaysia

Working Experience and Occupation

Raflee Abdullah has more than 20 years of working experience with several multinational organisations in various positions. Raflee started his career as Maintenance Head responsible for automation in semiconductor industry before taking up the position as Factory Manager in the fast moving consumer goods industry. He spent about 14 years in the paper and film industries like pressure sensitive labels and siliconizing.

He has worked in Asia, Europe and US covering functions from supply chain, maintenance, EHS, production and process. Raflee also has experience in paper and film extrusion lamination. During his career, Raflee has set up plants in India, Thailand, Indonesia and China.

Some of the organisations that Raflee has worked with are Motorola Semiconductor, Boh Plantation, Avery Dennison, United Paper Mill and Loparex. His last employment before joining CCM was in the US as Director of Manufacturing Technology improving performance of manufacturing plants.



MOHD. RAFLEE BIN ABDULLAH

Director, Engineering and Technology

Age: 46 years

Nationality: Malaysian





Integrity

Our commitment to provide trusted, quality products calls for the highest standards of excellence and integrity in managing our activities and the environmental impacts these activities entail.

Statement on Corporate Governance

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

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

The Board is pleased to report to the shareholders on the manner the Company has applied the principles of good corporate governance and the extent of compliance with the Best Practices of Good Governance as set out in the Code throughout the financial year ended 31 December 2011.

BOARD OF DIRECTORS

Board Responsibilities

The Board retains full and effective control of the Group. This includes responsibilities for determining the Group's overall strategic directions as well as development and control of the Group. Key matters, such as approval of

annual and quarterly results, acquisitions and disposals, as well as material agreements, major capital expenditure, short term and long term plans and strategies and succession planning for top management are reserved for the Board. The Board has also established the authority limits for Management to manage the business of the Group.

The Directors are required to make declarations on any potential or actual conflict of interest in any transaction. Where issues involve conflict of interest, the interested Directors abstain from discussing or voting on the matter.

The Directors, collectively, have a wide range of relevant expertise and experience to enable them to discharge their responsibilities effectively. The wide spectrum of skills and experiences has given them an edge and an added strength in terms of leadership and management, thus ensuring that the Group is steered and guided by an accountable and competent Board.

The Board, together with the Audit and Compliance Committee and Risk Management Committee, review the internal control and risk management systems within the organisation in ensuring the custody and effective and efficient utilisation of Group assets.

The Board is chaired by a Non-Independent Non-Executive Chairman. On 1 January 2011, the Board appointed an Executive Director to assume the role of the Group Managing Director. Subsequently, on 1 August 2011, the Executive Director was re-designated to Group Managing Director.

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

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

The Non-Executive Directors provide considerable depth of knowledge collectively gained from experiences in a variety of public and private companies and public service. The Independent Non-Executive Directors provide unbiased and independent views in ensuring that the strategies proposed by the Management are fully deliberated and examined, in the interest not only of the Group, but also of minority shareholders, employees and the business communities in which the Group conducts its business.

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

Board Composition and Balance

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

independence is in accordance with paragraph 1.01 (Definition and Interpretations of the Bursa Malaysia Listing Requirements).

In accordance with the requirements of the Code, Khalid bin Sufat has been appointed the Senior Independent Non-Executive Director to replace Dato' Kalsom binti Abdul Rahman who resigned from the Board with effect from 10 January 2011.

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

At the beginning of the financial year, the Company had eight (8) Directors on its Board of whom three (3) were Independent Directors.

There were changes to the Board membership during the year. To date, there are eight (8) Directors of whom three (3) are Independent. The composition of the Board was maintained so that not less than one-third (1/3) were independent directors at all times. A brief profile of each Director is presented on pages 32 to 39 of the Annual Report.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Appointment

The Board has established a formal and transparent policy on the appointment and selection process of its members which is consistent with the Company's Articles of Association. The appointment and selection process adopted by the Board ensures that the Board comprised members with the appropriate skills, knowledge/experience and mindset to achieve the strategic direction of the Group.

The proposed appointment of a new member to the Board as well as the proposed re-appointment and re-election of Directors at the

Annual General Meeting are recommended by the Nomination and Remuneration Committee (NRC) to the Board for their approval.

New members of the Board undergo an in-house company training programme to familiarise themselves with the operations of the Group. This includes visits to the Group's businesses and sites and meetings with senior management as appropriate, to enable them to get a full understanding of the nature of the Group's businesses, current issues within the Group and the corporate strategies as well as the structure and management of the Group.

Re-election

The Company's Articles of Association provide that at least one third (1/3) of the Board are subject to retirement by rotation at each Annual General Meeting provided always that each Director shall retire at least once in every three years. The Directors to retire in each year are the Directors who have been longest in office since their appointment or re-appointment. This provides an opportunity for shareholders to renew their mandate. To assist shareholders in their decision, sufficient information such as personal profile, meeting attendance and the shareholdings in the Company of each Director standing for election are furnished in a separate Statement Accompanying the Notice of Annual General Meeting. Directors over seventy years of age are required to submit themselves for re-appointment annually in accordance with Section 129 (6) of the Companies Act, 1965.

Directors' Training

The Board acknowledges the importance of continuous education and training to enable effective discharge of its responsibility. All Board members have attended the Mandatory Accreditation Programme (MAP) as prescribed by Bursa Malaysia Listing Requirements.

The Directors are regularly informed of industry-specific conventions to enable them to understand the industries within which the Group operates. The Company has initiated its own comprehensive and formal training programme tailored to the needs of the Board of Directors. During the year, the Company has organised a seminar on "Competition Act and What it Means to CCM" for the Directors of the Group which was facilitated by industry expert as part of the Continuing Education Programme.

In addition to the in-house seminars, Directors are also encouraged to attend seminars and/or conferences organised by relevant regulatory authorities and professional bodies to further enhance their skills and knowledge as well as update themselves on new developments in the business environment. Newly appointed Directors also underwent programmes such as plant visits and briefings to familiarise themselves with each of the business divisions.

STRUCTURE AND PROCESS

Board Meetings

Board meetings are scheduled a year ahead in order to enable full attendance at Board meetings. A minimum of four (4) Board meetings are held during the year. Additional meetings are held as and when required.

There is a formal agenda for all scheduled meetings and Board papers are prepared and submitted in advance to ensure adequate information is available to assist deliberation by Board members. The Board papers include, among others, the following:-

- Minutes of Meetings / Reports of all Board Committees;
- Business plan and direction;
- Current operating and business issues;
- Annual budget review, forecasts and projections;
- Quarterly and annual financial reports;
- Potential acquisitions and disposal of assets of substantial value;
- Major investment and financial decisions;
- Key policies, procedures and authority limits;
- Reports, advices and opinions of external consultants/advisors as had been sought for.

Statement on Corporate Governance cont'd

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

Name of Directors and Status	No. of Meetings Attended
Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman Chairman, Non-Independent Non-Executive Director	11/11
Amirul Feisal bin Wan Zahir Group Managing Director (redesignated as Group Managing Director w.e.f. 01/08/2011)	11/11
Dato' Azmi bin Mohd. Ali Non-Independent Non-Executive Director	11/11
Khalid bin Sufat Senior Independent Non-Executive Director	11/11
Dr. Leong Chik Weng Independent Non-Executive Director	11/11
Professor Dato' Ir. Dr. Zaini bin Ujang Non-Independent Non-Executive Director (appointed w.e.f. 10/01/2011)	10/11
Datuk Karownikaran @ Karunakaran A/L Ramasamy Independent Non-Executive Director (appointed w.e.f. 10/01/2011)	11/11
Datin Paduka Kartini binti Hj. Abdul Manaf Non-Independent Non-Executive Director (appointed w.e.f. 10/01/2011)	10/11
Tan Sri Ab. Rahman bin Omar Non-Independent Non-Executive Director (resigned w.e.f. 10/01/2011)	0/1
Dato' Kalsom binti Abdul Rahman Senior Independent Non-Executive Director (resigned w.e.f. 10/01/2011)	1/1
Dato' Mohd. Nizam bin Zainordin Non-Independent Non-Executive Director (resigned w.e.f. 10/01/2011)	1/1

RELATIONSHIP BETWEEN THE BOARD AND SENIOR MANAGEMENT

The Board maintains a close and transparent relationship with the Management. Many of the responsibilities of the Board are delegated to the Management. There is an adequate degree of independence and process in place to allow directors to meet and actively exchange views with the Management.

The Board is furnished with information relating to the running of the Group's operations through various financial and operational monthly and quarterly reports prepared by the Management. This will allow them to understand the operations better and make decisions in steering the Company towards a profitable business.

Quality/Supply of Information

Board papers are prepared for all agenda items to ensure relevant information is provided to assist decision making. The board papers are supplied in a timely fashion with information in a form and quality appropriate to enable the Directors to discharge their duties effectively.

The Chairman is primarily responsible for ensuring that sufficient information is provided to the Board members to assist them in their deliberation. He ensures that all relevant issues and quality information to facilitate decision making and effective running of the Group's business are included in the meeting agenda. In doing so, the Chairman will liaise with the Group Managing Director and the Company Secretary on the agenda for board meetings. In line with this, the Company has established a board paper rating process whereby all board papers tabled at Board Meetings will be rated based on contents and presentation to ensure sufficient information are provided to the Board members for them to make an informed decision.

Access to Information/Advice

All Directors have the same right of access to all information within the Group and the duty

to make further enquiries which they may require in discharging their duties including seeking independent professional advice, if necessary, at the Company's expense. Minutes of proceedings and resolutions passed at each Board and Board Committees meetings are kept in the statutory register at the registered office of the Company and are accessible to all Directors. The Company also provides a platform for dialogue between the Board and the Directors of each Division either at Board meetings or during the business unit visits. This will assist the Board in arriving at business and strategic decisions relating to the Group. The Directors also have access to the advice and services of the Company Secretary who is available to provide them with the appropriate advice and services and also to ensure that the relevant procedures are followed. The Directors are regularly updated on the latest developments in the legislations as well as statutory and regulatory requirements relating to the duties and responsibilities of Directors. When necessary, the Directors also visit locations of business units which would assist the Board to make effective decisions relating to the Group.

Board Committees

The Board of Directors delegates specific responsibilities to the Board Committees, namely the Nomination and Remuneration Committee, Audit and Compliance Committee, Risk Management Committee and Finance and Investment Committee.

All committees have their terms of reference approved by the Board. These Committees have the authority to examine particular issues and submit reports of their deliberations and major findings to the Board.

The terms of reference, composition and activities of the respective committees are stated in their respective reports.

DIRECTORS' REMUNERATION

The remuneration of Directors is determined at levels which enable the Company to attract and retain Directors with the relevant experience and expertise to manage the Group successfully. The component parts of remuneration are structured so as to link rewards to corporate and individual performance, in the case of the Group Managing Director. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the particular Non-Executive Directors concerned.

Statement on Corporate Governance cont'd

The Nomination and Remuneration Committee is responsible for setting the policy framework and for making recommendations to the Board on all elements of the remuneration and other terms of employment of the Group Managing Director. The Group Managing Director abstains from the deliberations and voting decisions in

respect of his remuneration. All Non-Executive Directors are paid directors' remuneration for Board and Committee meetings. In addition, they are paid a meeting allowance for attendance at each Board and Committee meeting. The directors' fees are approved by the Company at the Annual General Meeting in accordance with the Articles of Association.

The aggregate remuneration of Directors categorised into appropriate components for the financial year ended 31 December 2011 is as follows:-

	Category of Director	
	Group Managing Director (RM)	Non-Executive Directors (RM)
Fees		411,976
Allowance	86,800	146,400
Salaries and Bonus	513,333	-
Other Emoluments	160,114	-
Benefits-in-Kind	7,200	-
Total	767,447	558,376

Range of Remuneration	Executive	Non-Executive
RM1-RM50,000	-	3
RM50,001 to RM100,000	-	7
RM250,000 to RM300,000	-	-
RM700,001 and above	1	-

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

Audit and Compliance Committee

The details are shown in the accompanying report of the Audit and Compliance Committee on pages 56 to 59.

Internal Audit

The Group has established an internal audit function which is performed in-house by the Group Internal Audit Department that reports to the Audit and Compliance Committee. The internal audit function is independent of the activities they audit and is performed with impartiality, proficiency and due professional care.

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

Internal Control

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

The function of the Group Internal Audit Department on the systems of internal control is to assist the Audit and Compliance Committee and the Board of Directors as follows:-

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

The Statement on Internal Control which is presented on pages 69 to 70 of the Annual Report is to provide an overview of the state of internal controls within the Group.

Risk Management Committee

The details are shown in the accompanying report of the Risk Management Committee on pages 60 to 61.

Risk Management

The Group's risk management function is performed by the Group Risk Management Department, which is separate from the Group Internal Audit Department. The Department reports the results of the risk management activities to the Risk Management Committee. The Department facilitates the risk management processes within the Group.

The broad objectives of Enterprise Risk Management (ERM) framework for the Group ensure oversight over the management of risks and identify significant risks that the Group is willing to accept. The objectives include promoting operational efficiencies, optimise use of capital and improve margins through managing cost of risk and reviewing business processes.

In enhancing the ERM framework, the Group has aligned its structure, processes and methodologies to the ISO 31000 guidelines on managing risks. This includes quantification of risks, review of CCM Risk Universe and adopting a KPI linked risk reporting. These processes and methodologies are being automated using an Enterprise Risk Management information system (RiSmart) within the Group for a more effective and timely management reporting.

The report on Risk Management on pages 62 to 64 of the Annual Report describes the structure and process of risk management in the Group.

Relationship with the External Auditors

The Group has always maintained a close, transparent and professional relationship with its External Auditors i.e. Messrs KPMG in seeking professional advice and ensuring compliance with the accounting standards in Malaysia as well as the auditors' professional requirements. Messrs KPMG has continued to report to shareholders of the Company on its opinion which is included as part of the Group's financial reports with respect to their audit on each year's statutory financial statements. The External Auditors also highlighted to the Audit and Compliance Committee and Board of Directors on matters that require their attention. The Audit and Compliance Committee held two meetings with the External Auditors without the presence of the management during the financial year under review.

Whistle-Blowing Policy

As part of best practices in good corporate governance, the Group has established a "Whistle-Blowing" policy. This policy is to encourage employees to report any major concerns over

any wrongdoing within the Group relating to unlawful conduct, financial malpractice or dangers to the public or the environment. In this respect, the policy makes it clear that any such concern can be raised without fear of victimisation, recrimination, discrimination or disadvantage to the employee reporting the concern. It provides a formal channel to encourage and enable employees to report serious concerns so that such concerns can be properly addressed.

Shareholders

The Group is committed to providing sufficient information to shareholders to allow them to effectively evaluate the performance of the Company.

The Annual General Meeting (AGM) provides a forum for dialogue with shareholders. Members of the Board, the Group's Senior Management, as well as the Group's auditors will be present to answer questions about the Group's affairs. In addition to the normal agenda for the AGM, the Board presents the progress and performance of the business as contained in the Annual Report and provides opportunities for shareholders to raise questions pertaining to the business activities of the Group. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. Extraordinary General Meetings (EGM) will be held as and when required.

In addition, a press conference is normally held after the AGM at which members of the press are encouraged to ask the Group Managing Director questions on a range of topics relevant to the Group.

Other avenues whereby shareholders have access to company data are through quarterly filing of financial data and the Company's website at www.ccm.com.my. The full financial

results and the Company's announcements/press releases can also be obtained from Bursa Malaysia's website.

Investor Relations

The Group also holds briefings/dialogues with institutional investors, fund managers, analysts and research houses. Analysts and investors are briefed as required, in relation to major corporate exercises and pertinent issues within the disclosure requirements of Bursa Malaysia.

While the Group endeavours to provide as much information as possible to its shareholders and stakeholders, it must also be wary of the legal and regulatory framework governing the release of material and price sensitive information. All corporate disclosures take into account the prevailing legislative restrictions and requirements as well as the investors need for timely release of price sensitive information such as financial performance results and statements, material acquisitions, significant corporate proposals as well as other significant corporate events.

In all circumstances, the Group is cautious not to provide undisclosed material information about the Group and continually stresses on the importance of timely and equal dissemination of information to shareholders and stakeholders.

Annual Report

The Directors believe that an important channel to reach shareholders and investors is through the Annual Report. Besides including comprehensive financial performance and information on business activities, the Group strives to improve the contents of the Annual Report in line with the developments in corporate governance practices.

The Company's Annual Report can be obtained by accessing the Company's website at www.ccm.com.my.

Announcement of Quarterly Results for the Financial Year Ended 31 December 2011

The Directors view the timely announcement of the quarterly financial results as vital to the dissemination of information to the shareholders' and investors' community.

The Company has consistently announced its quarterly results before Bursa Malaysia's deadlines as indicated below:-

Announcement of Quarterly Results 2011	Date of Announcement
1st Quarter	27 May 2011
2nd Quarter	19 August 2011
3rd Quarter	22 November 2011
4th Quarter	29 February 2012

Continuing Disclosure of Material Information

The Group has long observed the continuing disclosure obligation imposed upon a listed issuer by Bursa Malaysia. The Group has consistently adopted and applied the principles

of best practices in Corporate Disclosure Policy and Procedures as laid down by Bursa Malaysia.

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

Date of Announcement	Subject Matter of Material Information
11 February 2011	Originating Summons No.: D24NCC-245-2010 on Chemical Company of Malaysia Berhad by AKN Technology Berhad (AKN) in Kuala Lumpur High Court (Commercial Division) – Settlement and Discontinuance of the aforesaid litigation case.
27 May 2011	Proposed Bridging Loan Comprising a Revolving Credit Facility of up to RM120 million from MIDF Amanah Investment Berhad to part finance up to RM120 million of the Group's upcoming RM150 million Finance Service Reserve Account commitment in respect of its existing RM500 million Musyarakah Commercial Papers/Medium Term Notes Programme and/or to supplement the CCM's working capital requirements.
3 August 2011	Proposed Issuance of Sukuk Musyarakah of up to RM120 million in Nominal Value, to be established under the Shariah Principle of Musyarakah by Chemical Company of Malaysia Berhad.
30 November 2011	Proposed Issuance of Musyarakah Commercial Papers (MCP) and Musyarakah Medium Term Notes (MMTN) pursuant to a MCP Programme of up to RM250 million in nominal value (MCP Programme) and a MMTN Programme of up to RM500 million in nominal value (MMTN Programme), respectively to be established under the Shariah Principle of Musyarakah (Programmes) with a combined master limit of RM500 million in nominal value - Redemption of Initial Issuance of the MMTN with a nominal value of RM150 Million.
29 December 2011	Proposed Internal Restructuring to Streamline, Realign and Promote Synergy within the Innovative Group.

Directors' Responsibilities in relation to the preparation of the Audited Financial Statements

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

In preparing the financial statements, the Directors have:-

- Adopted suitable accounting policies and applied them consistently;
- Made judgments and estimates that are prudent and reasonable;

- Ensured that applicable accounting standards have been followed; and
- Prepared the financial statements on a going concern basis.

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

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE

The Group has in all material respects complied with the Code of Corporate Governance throughout the financial year ended 31 December 2011. This statement is made in accordance with a resolution of the Board of Directors dated 29 February 2012.

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 2011.

COMPOSITION OF AUDIT AND COMPLIANCE COMMITTEE AND MEETINGS

In view of the increasing importance of the audit and compliance, and risk management

functions, the Board of Directors of the Company has resolved that the roles of the audit and compliance, and risk functions be segregated. Consequently, the terms of reference of the Audit and Compliance Committee was reviewed to focus on compliance, internal processes and corporate governance processes.

The Audit and Compliance Committee comprises of three (3) members, all of whom are Non-Executive Directors. During the financial year, two members who were Dato' Kalsom binti Abdul Rahman and Dato' Azmi bin Mohd. Ali resigned from the Committee with effect from 10 January 2011. Their departures were replaced by the appointment of Datuk Karownikaran @ Karunakaran A/L Ramasamy and Datin Paduka Kartini binti Hj. Abdul Manaf on 10 January 2011. The current composition of the Committee stands at three (3) members.

A total of eleven (11) meetings of the Audit and Compliance Committee 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
Khalid bin Sufat Chairman, Senior Independent Non-Executive Director	11/11
Datuk Karownikaran @ Karunakaran A/L Ramasamy Member, Independent Non-Executive Director (appointed w.e.f. 10/01/2011)	11/11
Datin Paduka Kartini binti Hj. Abdul Manaf Member, Non-Independent Non-Executive Director (appointed w.e.f. 10/01/2011)	11/11
Dato' Kalsom binti Abdul Rahman Member, Senior Independent Non-Executive Director (resigned w.e.f. 10/01/2011)	N/A
Dato' Azmi bin Mohd. Ali Member, Non-Independent Non-Executive Director (resigned w.e.f. 10/01/2011)	N/A

Report of the Audit and Compliance Committee cont'd

TERMS OF REFERENCE

In fulfilling its duties and objectives, the Audit and Compliance Committee is guided by the Terms of Reference as follows:-

Membership

- i. The Audit and Compliance Committee shall be appointed by the Board of Directors and shall consist of a minimum of three (3) Non-Executive Directors, a majority of whom are Independent;
- ii. The Chairman of the Audit and Compliance Committee shall be approved by the Board and shall be an Independent Non-Executive Director;
- iii. At least one member of the Committee:-
 - must be a member of the Malaysian Institute of Accountants (MIA); or
 - if not a member of MIA:-
 - he must have at least three years of working experience; and
 - he must have passed the examination specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - he must be a member of one of the Associations of Accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
 - fulfils such other requirements as prescribed or approved by the Exchange.

Meetings

- i. Meetings shall be held not less than four (4) times a year;
- ii. The quorum shall be two (2) members who must be Independent Directors;

- iii. The Group Managing Director, the Group Finance Director and the Group Chief Internal Auditor shall normally be invited to attend the meeting;
- iv. Any other Board members and any other representatives as deemed necessary shall be invited to attend the meeting;
- v. The Committee shall meet with the external auditors, the internal auditors or both, excluding the attendance of other directors or employees of the listed issuer at least twice a year or whenever is deemed necessary;
- vi. The Secretary to the Committee shall be the Group Company Secretary.

Authority

The Audit and Compliance Committee is authorised by the Board:-

- i. to seek any information relevant to its activities from employees of the Group;
- ii. the necessary resources required to carry out its duties and to obtain independent professional advice it considers necessary;
- iii. to full and unlimited access to any information and documents pertaining to the Group.

Responsibilities

- i. To consider and recommend to the Board the nomination, appointment and termination of External Auditors, as well as the audit fee;
- ii. To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- iii. To review the quarterly and year end financial statements of the Board, focusing particularly on:-
 - any change in accounting policies and practices;
 - significant adjustments arising from the audit;
 - the going concern assumption; and
 - compliance with accounting standards and other legal requirements.

Responsibilities (continued)

- iv. To discuss problems and reservations arising from the interim and final audits, and any matter the external auditor may wish to discuss (in the absence of management where necessary);
- v. To review the External Auditor's management letter and management's response;
- vi. To carry out the following, in relation to the internal audit function of the Group:-
 - review and approve the annual audit plan;
 - review the adequacy of the scope, functions, competency and resources of internal audit functions and that it has the necessary authority to carry out its work;
 - review the internal audit plans and results of these activities and where necessary, ensure that appropriate actions are taken on the recommendations of these functions;
 - review and endorse the audit charter which outlines the purpose, authority and responsibility of the Group Internal Audit;
 - review the annual budget for Group Internal Audit;
 - review any appraisal on performance as well as competency of the Group Internal Audit functions;
 - approve any appointment or termination of senior staff members of the Group Internal Audit functions; and
 - take cognizance of resignations of staff/ members of the Group Internal Audit function and provide the resigning staff/ members an opportunity to submit his reasons for resigning.

- vii. To review any related party transactions that may arise within the Group;
- viii. To review the major findings of internal investigations and management's response; and
- ix. To consider other topics as defined by the Board.

ACTIVITIES DURING THE FINANCIAL YEAR

- i. Reviewed and approved the internal audit plan of the Group;
- ii. Reviewed the status report of internal audit activities of the Group for the year to ensure that all planned activities were properly carried out;
- iii. Reviewed the internal audit and special investigation reports prepared by Group Internal Audit and monitored the status of corrective actions taken by the Management to ensure all audit issues are addressed;
- iv. Reviewed the management letters, reports and fees of the external auditors;
- v. Evaluated the performance of the External Auditors and made recommendations to the Board on their re-appointment and audit fees;
- vi. Reviewed the Group's financial performance and quarterly announcement to Bursa Malaysia and annual reports of the Group prior to the submission to the Board for consideration and approval;
- vii. 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;
- viii. Reviewed and recommended to the Board dividends to be declared to the shareholders of the Company.

STATEMENT ON INTERNAL AUDIT FUNCTION

The Audit and Compliance Committee is supported by an in-house Group Internal Audit Department which reports functionally to the Committee.

The Group Internal Audit Department's principal responsibility 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. The Group Internal Audit Department also provides an independent, objective assurance and consulting services designed to add value and improve the Company's operations.

Adopting a risk-based approach after evaluation and assessment of risks at Company and Group level, the Group Internal Audit Department formulated an Annual Audit Plan, which was

approved by the Audit and Compliance Committee. The scope of the Group Internal Audit function covers the audit of all business units and operations of the Company and its subsidiaries.

The Internal Audit reports, which included issues and action plans, were presented to and discussed with the Management. The Group Internal Audit Department subsequently monitored the implementation of the agreed action plans to ensure full compliance. The reports together with the follow-up action plans and implementation status were presented to the Audit and Compliance Committee for their deliberation and subsequent approval.

The total expenditure incurred for Group Internal Audit Department for the financial year, which amongst others includes departmental expenditures such as office running expenses, training expenses, travelling expenses, staff remuneration, etc. is estimated at RM718,000.

Report of the Risk Management Committee

The Board is pleased to issue the following report of the Risk Management Committee and its activities during the financial year ended 31 December 2011.

COMPOSITION OF RISK MANAGEMENT COMMITTEE AND MEETINGS

Following the separation of functions between the audit and compliance and risk functions, a

Risk Management Committee was established on 10 January 2011 to focus solely on the risk management functions within the Group.

The Risk Management Committee comprises of three (3) members, all of whom are Non-Executive Directors. The quorum for meetings of the Committee shall be two (2) members, who must include the Chairman provided that in the event the Chairman is unable to be present for a meeting, the members who are present at the meeting can appoint a Chairman among themselves to chair the meeting. Any other Board members, the Group Managing Director and any other officer or person as deemed necessary may be invited to attend the meeting. The Secretary of the Committee shall be the Group Company Secretary. The current composition of the Committee stands at three (3) members.

A total of seven (7) meetings were held during the year. The status of directorship and attendance record of each of the members during the financial year are as follows:-

Name of Directors and Status	No. of Meetings Attended
Dato' Azmi bin Mohd. Ali Chairman, Non-Independent Non-Executive Director (appointed as Chairman w.e.f. 10/01/2011)	7/7
Professor Dato' Ir. Dr. Zaini bin Ujang Member, Non-Independent Non-Executive Director (appointed w.e.f. 10/01/2011)	6/7
Datin Paduka Kartini binti Hj. Abdul Manaf Member, Non-Independent Non-Executive Director (appointed w.e.f. 10/01/2011)	7/7

TERMS OF REFERENCE

Purpose

The purpose of the Risk Management Committee is to assist the Board of Directors in the effective discharge of its primary responsibilities of identifying principal risks and implementing appropriate systems and risk assessment processes to manage such risks, in line with the Malaysian Code on Corporate Governance issued by Securities Commission and Bursa Malaysia Listing Requirements.

Principles

- i. CCM Group consciously takes measured amount of risks and manages these risks effectively to meet its long term goals and objectives;
- ii. Risk Management is an integral part of the Group's business practice at all levels of the CCM Group;
- iii. The Committee will keep under review the effectiveness of Group's Risk Management system, taking into account:-
 - the development and maintenance by management of a comprehensive Risk Management framework;

- the Group's culture of Risk Management (including awareness, education and training for all levels of staff);
- feedback from the Management and the External Auditors on the effectiveness of the Risk Management system;
- changes to the divisional risk profiles, arising from the material, financial and non-financial risks facing the divisions and/or any part of the CCM Group;
- the impact and mitigation of significant risk events.

Duties

Subject to any resolution of the Board, the duties of the Committee are to:-

- i. set risk appetite, approve frameworks, policies and processes for managing risk, and accept risks beyond the approval discretion provided to the management;
- ii. recommend to the Board the parameters of the CCM Group's risk-reward strategy, monitor the alignment of the Group's risk profile with the risk appetite and ensure that the Group maintains an appropriate level and quality of capital in line with the risks inherent in its activities and projected business performance;
- iii. monitor changes anticipated for the economic and business environment, including consideration of emerging risks, legislative or regulatory changes, major initiatives and other factors considered relevant to the CCM Group's risk profile;
- iv. receive reports from the Executive Risk Management Committee (ERMC) and/or Group Risk Management Department (GRMD) which have been duly reviewed/deliberated by the ERMC concerning:-

- Risk Management policies, strategies, processes and controls, status of the implementation and effectiveness thereof, within the divisions and, if thought fit, approve or vary them;
- Alignment or integration of risk management activities with other management activities/tools which include formulation of strategies, development of business plans, budgeting, forecasting and performance review, within the divisions;
- Identification and management of enterprise risks which could impact the achievement of business objectives.

STATEMENT ON RISK MANAGEMENT FUNCTION

The Group has an in-house risk management function which is performed at the Group level. The key risks which are identified through the risk management process are reported to the Senior Management and Board Committee referred to as the Executive Risk Management Committee and the Risk Management Committee of the Board. This enables the Risk Management Committee to focus on the key risks inherent in the Group's business and operations and the system of internal control necessary to manage such risks.

ACTIVITIES DURING THE FINANCIAL YEAR

The Group Risk Management function has conducted various operational, strategic and related assignments in accordance with the approved Risk Management Programme for 2011. These include review and update of the business division's key strategic risk profiles, various operational risk registers, including those for the regional offices, and risk assessment of the fertilizer plant in Bintulu, Innovative Group and pharmaceutical Klang production. Special project assignments cover a wide spectrum of risk-based issues impacting both the current and potential future businesses.

In enhancing the ERM framework, the Group has aligned its structure, processes and methodologies to the ISO 31000 guidelines on managing risks. This includes quantification of risks, review of CCM Risk Universe and adopting a KPI linked risk reporting. These processes and methodologies are being automated using an Enterprise Risk Management information system (RISmart) within the Group for a more effective and timely management reporting.

Report on Risk Management

ENTERPRISE RISK MANAGEMENT

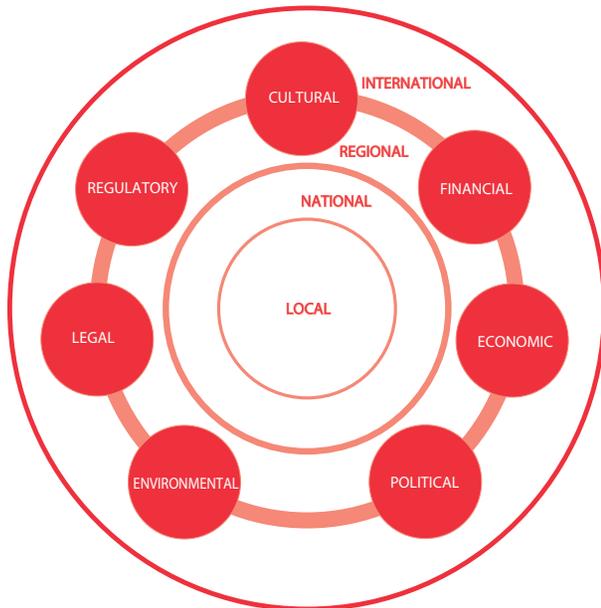
Risk is inherent in all businesses and the effective management of risk is a core competency within the Group. The Group has formally established the Enterprise Risk Management (ERM) framework since 2001 which forms an integral part of the Group's corporate governance structure and a key management tool. Group Risk Management Department (GRMD) provides the main support to the Executive Risk Management Committee, chaired by the Group Managing Director and comprises Senior Management staff of the Group.

The Group adopts a systematic, structured and disciplined approach to risk management through its integrated ERM framework. A good ERM framework advocating a holistic, robust, integrated, focused and process-oriented approach is implemented to assist the Group to manage all key businesses and opportunities with the intent of optimising and creating stakeholders' values for the Group as a whole.

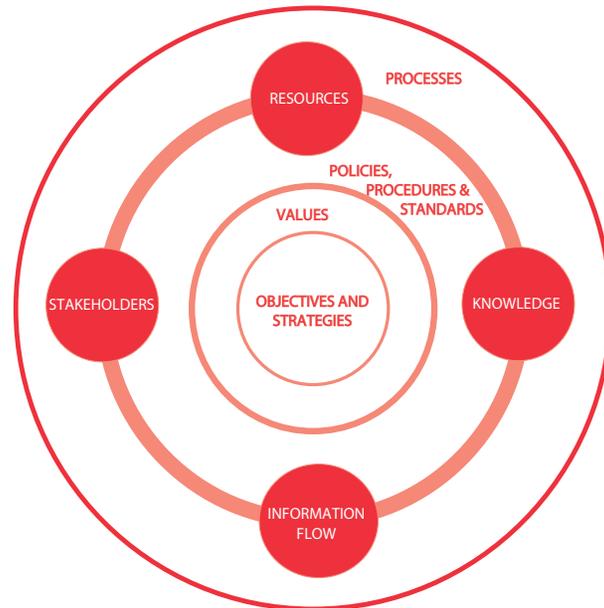
The underlying principle of ERM is for the risk function to operate as an independent control working in partnership with the business units to provide competitive advantage to the Group. This is also to establish a common risk management language that includes common measures around likelihood, impact and common risk categories.

The risks facing the Group in its businesses and operations can result from internal and external factors, therefore, the context within which the Group manages the risks are as follows:-

EXTERNAL CONTEXT

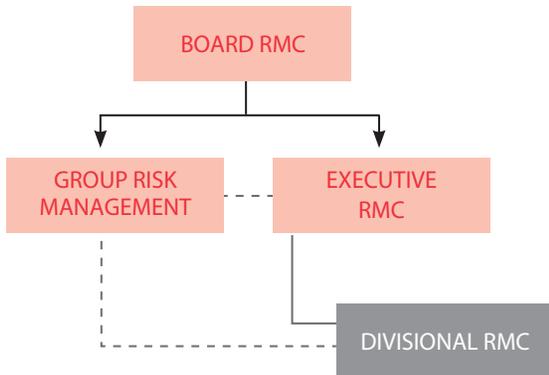


INTERNAL CONTEXT



Establishing the context of the risk management process includes defining accountabilities and responsibilities.

GROUP RISK MANAGEMENT REPORTING STRUCTURE



The Group recognises the broad spectrum of risks which it faces along with the opportunities which it seeks in its businesses and operations. It is the strategic objective of the Group to have an effective risk management programme and control systems to assess and mitigate these risks and thereby facilitate the Group in meeting all its business objectives, most specifically:-

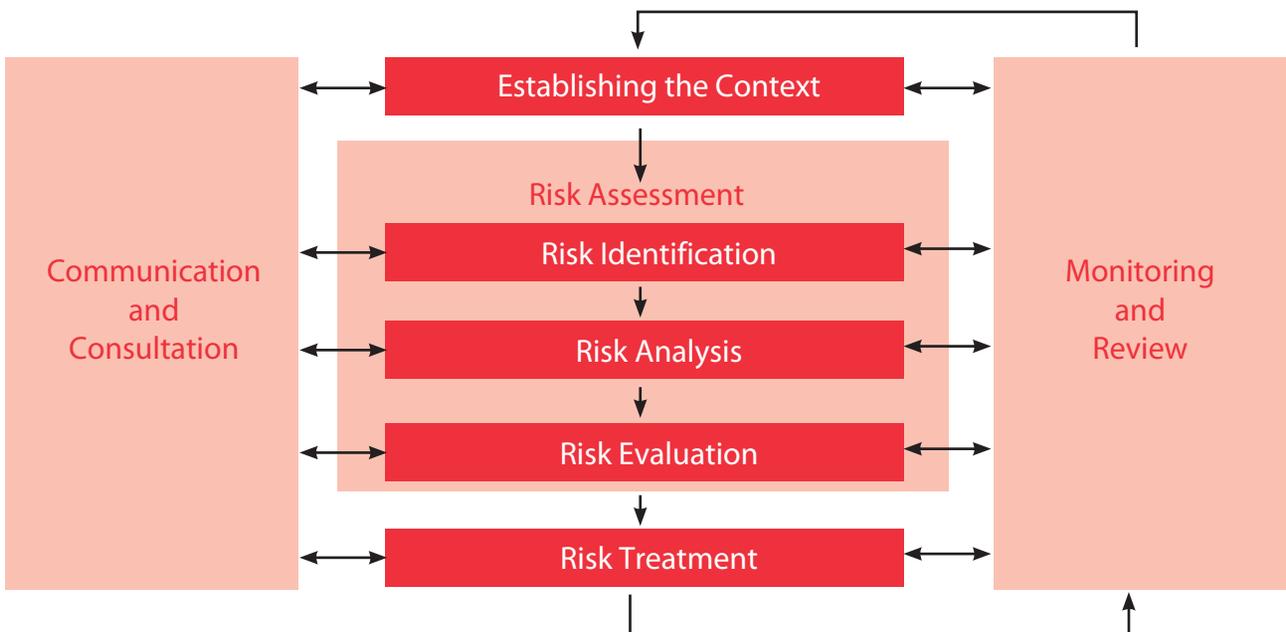
- to enhance the Group's high standards of corporate governance;
- to safeguard shareholders' investment;
- to safeguard the Group's assets;
- to develop the Group's employees and promote their well-being;
- to facilitate the Group's long-term growth under all business conditions.

The Group's Annual Risk Management Programme is approved by the Risk Management Committee. The GRMD facilitates the conduct of risk management activities outlined in the Programme which include updating of risk profiles and risk analysis of business or operational initiatives/issues emerging in the Group.

RISK MANAGEMENT PROCESS

The Group's risk management processes involve establishing the context of risk in relation to the Group and thereon risk identification, analysis, evaluation and treatment. Throughout this process, there is continuous monitoring and review; and communication and consultation. The process is illustrated as follows:-

PROCESS FOR MANAGING RISK



RISK ANALYSIS AND MITIGATION

The identified risks are analysed according to their likelihood of occurrence and significance of their consequences. Based on the risk analysis and subsequent evaluation for treatment priority, the appropriate risk mitigation strategies are devised to treat the risks accordingly. The following illustrates risk profiles in general and describes generally the respective risk mitigation strategies of the Group.

Extreme Risk

The risk must be managed by senior management with a detailed action plan or significant senior management attention is required. Extensive management of the risk is essential with focus on both reducing the likelihood of the risk and mitigating its consequence. Guidance from Board of Directors may be required where appropriate.

High High Risk

Considerable senior management attention is required including specifying management responsibility. Given the significant consequences of the risk, preventive control measures must be maintained effectively with regular assessment thereof in order to maintain the likelihood of the risk occurring at a low level. Ideally, contingency measures should also be maintained to mitigate the consequence of the risk should it eventuate. Guidance from Board of Directors may be required where appropriate.

High Risk

Considerable senior management attention is required including specifying management responsibility. Given the significant consequences of the risk, preventive control measures must be maintained effectively with regular assessment thereof in order to maintain the likelihood of the risk occurring at a low level. Ideally, contingency measures should also be maintained to mitigate the consequence of the risk should it eventuate.

Moderate Risk

While the consequence of the risk is insignificant, its high likelihood of occurrence should be reduced. Middle management should monitor the risk; identify its root causes; and design and implement corrective measures to reduce its likelihood of occurrence.

Minor Risk

The risk may be managed by routine procedures or may be worth accepting with monitoring by middle management. The risk may also not need specific application of resources in which case the risk is accepted by middle management.

Trivial Risk

The risk may be accepted by middle management with notation and reporting.

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 of the Nomination and Remuneration Committee and its activities during the financial year ended 31 December 2011.

COMPOSITION OF NOMINATION AND REMUNERATION COMMITTEE AND MEETINGS

The Nomination and Remuneration Committee consists of three (3) members, all of whom are Non-Executive Directors with the majority being independent directors. The quorum for the Committee shall be two (2) members, of which one shall be an independent director. In the absence of the Chairman of the Committee, the members present shall elect one of their number to chair the meeting. The Secretary of the Committee shall be the Group Company Secretary. During the financial year, Tan Sri Ab. Rahman bin Omar, Dato' Kalsom binti Abdul Rahman and Dato' Azmi bin Mohd. Ali resigned from the Committee on 10 January 2011. They were replaced by Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman, Khalid bin Sufat and Dr. Leong Chik Weng on the same date. The current composition of the Committee now stands at 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
Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman Chairman, Non-Independent Non-Executive Director (appointed w.e.f. 10/01/2011)	7/7
Khalid bin Sufat Member, Senior Independent Non-Executive Director (appointed w.e.f. 10/01/2011)	7/7
Dr. Leong Chik Weng Member, Independent Non-Executive Director (appointed w.e.f. 10/01/2011)	7/7
Dato' Kalsom binti Abdul Rahman Chairman, Senior Independent Non-Executive Director (resigned w.e.f. 10/01/2011)	N/A
Tan Sri Ab. Rahman bin Omar Member, Non-Independent Non-Executive Director (resigned w.e.f. 10/01/2011)	N/A
Dato' Azmi bin Mohd. Ali Member, Non-Independent Non-Executive Director (resigned w.e.f. 10/01/2011)	N/A

TERMS OF REFERENCE

Objectives

- i. To recommend to the Board of Directors, candidates for all directorships in the Company and Group to be appointed by the shareholders or the Board;
- ii. To recommend to the Board, directors to fill seats on Board Committees;
- iii. To consider candidates for directorships proposed by the Group Managing Director and within bounds of practicability, by any other senior executive or any director or shareholder;
- iv. To evaluate the effectiveness of the Board and Board Committees with regard to their structure, size, balance and composition including the required mix of skills, knowledge, expertise, experience, professionalism, integrity including core competencies which Non-Executive directors should bring to the Board, and contributions of each individual director;
- v. To evaluate the candidates' ability to discharge such responsibilities/functions as expected from Non-Executive directors, in the case of candidates for the position of Independent Non-Executive directors;
- vi. To provide adequate training and orientation to new Directors as well as continuous training to current Directors with respect to business, structure and management of the Group as well as the expectations of the Board;
- vii. To recommend to the Board whether Directors retiring by rotation should be put forward for re-election;
- viii. To ensure an appropriate framework and plan for Board and management succession in the Group;
- ix. To review management's recommendations on appointment or promotions of senior management personnel of the Group;

- x. To review and ensure that the policy on Directors' fees for the Company and Group are in line with market and industry practice and are reflective of the contribution of each individual director;
- xi. To review and recommend to the Board policies on the remuneration package of Executive Directors of the Company as well as Managing Directors, Chief Executive Officers and Chief Operating Officers and General Managers of the CCM Group of Companies;
- xii. To review and recommend to the Board the annual increment and bonus package for non-unionised employees in the CCM Group of Companies;
- xiii. To review and recommend to the Board on any new Incentive Scheme of the CCM Group and/or amendments to the existing scheme.

ACTIVITIES DURING THE FINANCIAL YEAR

During the year, the Committee:-

- i. Recommended for approval of the Board the appointment of new Directors to the Group;
- ii. Recommended for approval of the Board the appointment of Directors to the Board Committees;
- iii. Recommended for approval of the Board the remuneration package of the Group Managing Director and Division Directors/Chief Executive Officer/Chief Operating Officers of the CCM Group of Companies;
- iv. Reviewed and recommended to the Board the remuneration package for Directors of the Company;
- v. Reviewed the Management's recommendation on appointment or promotions of senior management personnel of the Group;
- vi. Reviewed and recommended for approval of the Board the annual global increment and bonus package for non-unionised employees of the Group;
- vii. Reviewed and recommended for approval of the Board the Performance Management System and Bonus Scheme Remodelling for employees of the Group;
- viii. Reviewed the remuneration policy for Executives on subsidiary boards;
- ix. 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;
- x. Considered other matters as referred by the Board.

Report of the Finance and Investment Committee

The Board is pleased to issue the following report of the Finance and Investment Committee and its activities during the financial year ended 31 December 2011.

COMPOSITION OF FINANCE AND INVESTMENT COMMITTEE AND MEETINGS

The Committee shall have a minimum of three (3) members, all of whom are Non-Executive Directors. The quorum for the Committee shall be two (2) members. In the absence of the Chairman of the Committee, the members present shall elect one of their number to chair the meeting. The Secretary of the Committee shall be the Group Company Secretary. Following the resignation of Dr. Leong Chik Weng from the Committee on 8 February 2012, the current composition of the Committee stands at three (3) members.

A total of eight (8) meetings were held during the year. The status of directorship and attendance record of each of the members during the financial year are as follows:-

Name of Directors and Status	No. of Meetings Attended
Datuk Karownikaran @ Karunakaran A/L Ramasamy Chairman, Independent Non-Executive Director (appointed w.e.f. 10/01/2011)	8/8
Professor Dato' Ir. Dr. Zaini bin Ujang Member, Non-Independent Non-Executive Director (appointed w.e.f. 10/01/2011)	8/8
Dato' Azmi bin Mohd. Ali Member, Non-Independent Non-Executive Director (appointed w.e.f. 10/01/2011)	8/8
Dr. Leong Chik Weng Member, Independent Non-Executive Director (resigned w.e.f. 08/02/2011)	7/8

TERMS OF REFERENCE

- i. To review and recommend to the Board of Directors the Group's operational plan and budget;
- ii. To review and approve all capital expenditure in excess of RM1 million and up to RM20 million as proposed by companies within the Group;
- iii. To review and recommend to the Board of Directors all capital expenditure in excess of RM20 million as proposed by companies within the Group;
- iv. To review and approve all acquisition and disposal of company's assets and properties in excess of RM1 million and up to RM20 million as proposed by the companies within the Group;
- v. To review and recommend to the Board of Directors all acquisition and disposal of company's assets and properties in excess of RM20 million as proposed by the companies within the Group;
- vi. To review and recommend to the Board of Directors all acquisitions and divestments of companies (excluding dormant companies) and setting up of new business, irrespective of value;

vii. To consider other matters as referred to the Committee by the Board.

ACTIVITIES DURING THE FINANCIAL YEAR

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

- i. The operational plan and budget for the year;
- ii. The Group's strategies and internal restructuring;
- iii. Expenditures and investment proposals in relation to replacement of parts i.e, plants/ new machines, construction of related plant facilities as well as new projects undertaken within the Group;

iv. Acquisition and disposal of the Group's assets and properties as proposed by the companies within the Group;

v. Funding requests by entities within the Group;

vi. Frameworks on mergers and acquisitions and international business expansion;

vii. The proposed amendments to the Terms of Reference of the Committee;

viii. Divestments of investments.

The Committee also monitored during the year the progress of investment proposals, capital expenditures and projects approved by the Board of Directors as well as considered other matters as referred to by the Board.

Statement on Internal Control

The Board is responsible for the Group's system of internal control and for reviewing its adequacy and integrity. The system includes financial, operational, compliance controls and risk management. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and accordingly, it can only provide reasonable and not absolute assurance against material misstatement or loss.

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. The Management has operated this process during the year under review 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.

Management from each business or operations area apply a risk/control self-assessment approach to identify the risks relating to their areas of supervision and control. These include the likelihood of these risks occurring; the consequences if they do occur and 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 which is dedicated to the role.

The Group Risk Management maintains regular communication and consultation with management and also facilitates risk analysis of strategic business objectives, operational initiatives and emerging issues in the Group. It also conducts periodic follow-up of the updating of risk profiles and the implementation of risk treatment measures by management.

From the beginning of 2011, the key risks which were identified through the risk management process are reported to the Executive Risk Management Committee and the Board Risk Management Committee. The Divisional Risk Profiles enable the Board Risk Management Committee to focus on the key risks affecting the Group's businesses and operations and the system of internal control necessary to manage such risks.

From the third quarter of 2011, the Group Risk Management had embarked on several new initiatives to improve the Enterprise Risk Management framework for the Group. This includes linking the risks to performance indicators and also quantification of risk exposures of the Group. Moving forward, the implementation of the new improved framework will be carried out in 2012 with the introduction of the automated risk management software, which is expected to improve accuracy, timelines and effective control of risks for the Group. This initiative is based on ISO 31000, which is the international guideline for managing risk.

The Group Internal Audit independently reviews the adequacy and integrity of the system of internal control 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 Group Internal Audit to assess the status of implementation thereof by management. In carrying out its work, the Group Internal Audit focuses on areas of priority as directed by the Audit and Compliance Committee of the Board.

The Group has a Project Review Committee to provide added assurance 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 provides feedback and recommendation on projects/capital expenditure/investment/annual budget to the Finance and Investment Committee. Where areas of improvement are identified including those relating to projects/investments, the Board considers the recommendations made by the Finance and Investment Committee and provides appropriate directive.

Management reports are presented to the Board each quarter providing financial information including key performance and risk indicators. The information are reviewed and verified by the Audit and Compliance Committee before it is presented to the Board for consideration and approval.

The Board remains committed towards maintaining a sound system of internal control 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 Directors' Responsibilities

As required under the Companies Act 1965 ("Act"), the Directors on pages 76 to 80 of this Annual Report have made a statement expressing an opinion on the financial statements. The Board is of the opinion that the financial statements have been drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of the financial position of the Company and the Group for the financial year ended 31 December 2011.

In the process of preparing these financial statements, the Directors have reviewed the accounting policies and practices to ensure that they were consistently applied throughout the year. In cases where judgment and estimates were made, they were based on reasonableness and prudence.

Additionally, the directors have relied on the system of internal controls to ensure that the information generated for the preparation of the financial statements from the underlying accounting records is accurate and reliable.

This statement is made in accordance with a resolution of the Board of Directors dated 9 April 2012.

Other Disclosures

MATERIAL CONTRACTS

There were no other material contracts entered into by the CCM Group during the two (2) years preceding the Circular to Shareholders dated 5 June 2012, other than contracts entered into in the ordinary course of business.

As at 31 December 2011 (audited) the Group has material commitments for capital expenditure of RM35,406,000 (contracted but not provided for) and RM30,454,000 (authorised but not contracted for), amounting to a total of RM65,860,000.

RECURRENT RELATED PARTY TRANSACTION OF A REVENUE NATURE

At an Annual General Meeting ("AGM") held on 27 June 2011, the Company obtained a shareholders' mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations and are in the ordinary course of business with related parties. The said general mandate took effect from 27 June 2011 until the conclusion of the forthcoming Annual General Meeting of the Group. The disclosure of the recurrent related party transactions conducted during the financial period ended 31 December 2011 is set out on pages 158 to 159 and 168 to 170 of the Annual Report.

The Group intends to seek a renewal of the said general mandate and a proposed extension of scope of the shareholders mandate to apply to recurrent related party transactions of a revenue or trading nature with new related parties at the forthcoming Annual General Meeting of the Group. The details of the new mandate to be sought are furnished in the Circular to Shareholders dated 5 June 2012.

SHARE BUY-BACK

There were no repurchase of its issued and paid up shares since 2003. As at 31 December 2011, the Company held 2,998,000 of the issued and paid up shares as treasury shares.

NON-AUDIT FEES

During the year ended 31 December 2011, the Group has paid a sum of RM85,000 being fee for non audit work performed.

VARIATION IN RESULTS

There is no material variance between the results for the financial period and the unaudited results previously announced by the Company.

PROFIT GUARANTEES

There was no profit guarantee given by the Company during the year.

IMPOSITION OF SANCTION AND PENALTIES

There were no sanctions and/or penalties imposed by the relevant authorities on the Company and/or its subsidiary companies, and Directors arising from any significant breach of regulations.

AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAMME

During the financial year, the Company did not issue any ADR or GDR programme.

MUSYARAKAH COMMERCIAL PAPERS AND MUSYARAKAH MEDIUM TERM NOTES (COLLECTIVELY SUKUK)

On 28 November 2008, the company issued RM150,000,000 nominal amount of 3 year fixed rate Musyarakah Medium Term Notes (MMTN) at 5.95% p.a.

UTILISATION OF SUKUK PROCEEDS

	Amount (RM'000)	Utilised	Balance as at 31/12/11 (RM'000)
To refinance, wholly or partly the existing external borrowings which may include the existing bonds	300,000	-	300,000
To finance the Group's capital expenditure and/or any investment/acquisitions and/or working capital requirements and for payment of fees arising from the programmes	200,000	-	200,000

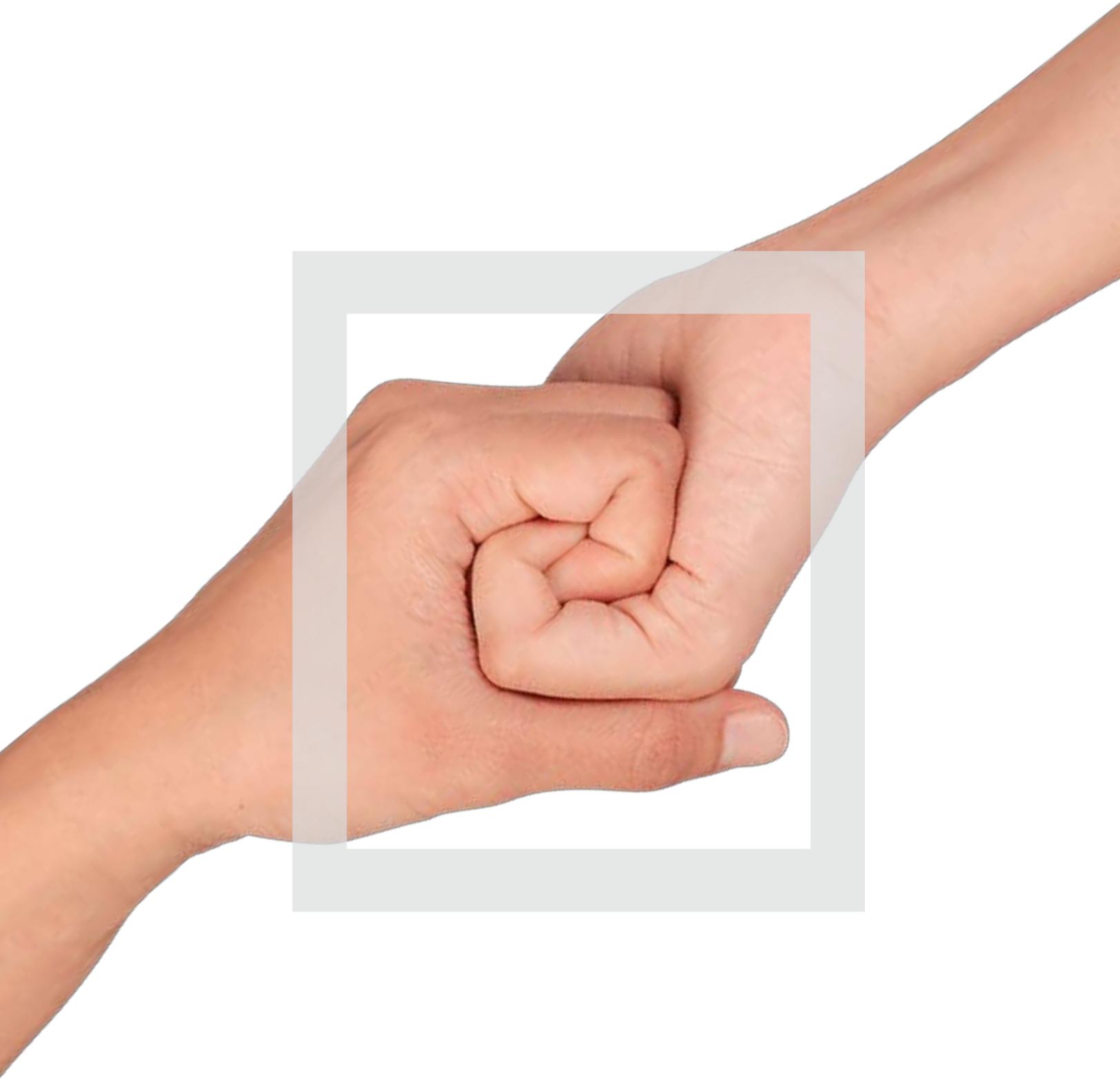
Based on Subscription Agreement dated 8 August 2011, the Company issued RM120 million nominal amount of 5 year fixed rate non-rated Unsecured Sukuk Musyarakah ("USM") at 4.35% p.a. from MIDF Amanah Investment Bank Berhad. The proceeds of the RM120 million non rated Sukuk Musyarakah was

to refinance wholly CCM's existing bridging facility of RM120 million with MIDF Amanah Investment Bank Berhad.

The purpose of the bridging facility is partly to refinance up to RM120 million of CCM existing RM150 million Musyarakah Medium Term Notes (MMTN) at 4.35% million. CCM had, on 29 November 2011, fully redeemed the said issuance.

WARRANTS EXERCISED DURING THE YEAR

	Balance as at 1/1/11 RM'000	Exercised RM'000	Lapsed RM'000	Balance as at 31/12/11 RM'000
Warrant B	55,329	15	-	55,314





Excellence

Excellence is our commitment to quality in ensuring the stringent requirements of the industry's standards and the relevant accreditations are met to support our product and service delivery.

Directors' Report

for the year ended 31 December 2011

Amounts in RM'000 unless otherwise stated

The Directors of Chemical Company of Malaysia Berhad present their fiftieth annual report together with the audited financial statements of the Group and of the Company for the year ended 31 December 2011. This report and the financial statements will be presented to the shareholders at the Annual General Meeting to be held on 27 June 2012.

PRINCIPAL ACTIVITIES

Chemical Company of Malaysia Berhad is an investment holding and management company with subsidiaries engaged in the manufacturing and marketing of fertilizers, chemicals and pharmaceuticals products and services as stated in note 7 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

RESULTS

	Group	Company
Profit attributable to:		
Owners of the Company	22,272	37,309
Non-Controlling interests	16,967	-
	39,239	37,309

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.

DIVIDENDS

Since the end of the previous financial year, the Company paid a final tax exempt dividend of 2.65 sen per ordinary share totalling RM10,646,404.60, in respect of the financial year ended 31 December 2010 on 22 July 2011.

The final ordinary dividends recommended by the Directors in respect of the financial year ended 31 December 2011 is 2.86 sen per ordinary share, in the following manner:-

- 0.44 sen per share less tax at 25% (0.33 sen net per share); and
- 2.42 sen per share tax exempt dividend

which if approved, will be paid on 24 July 2012 to shareholders registered at the close of business on 3 July 2012.

Directors' Report cont'd

for the year ended 31 December 2011

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman, Chairman
Amirul Feisal bin Wan Zahir, Group Managing Director
Dato' Azmi bin Mohd. Ali
Khalid bin Sufat
Dr. Leong Chik Weng
Professor Dato' Ir. Dr. Zaini bin Ujang
Datuk Karownikaran @ Karunikaran A/L Ramasamy
Datin Paduka Kartini binti Haji Abdul Manaf

DIRECTORS' INTERESTS

None of the Directors holding office at 31 December 2011 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 a benefit included in the aggregate amount of emoluments 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 15,000 ordinary shares of RM1 each for cash arising from conversion of 15,000 Warrants-B on the basis of one ordinary share at the price of RM1.36 per ordinary share for every warrant held.

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

OPTIONS GRANTED OVER UNISSUED SHARES/WARRANTS

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

Directors' Report cont'd

for the year ended 31 December 2011

WARRANTS

On 27 December 2002, the Company issued RM200,000,000 nominal amount of 7-year 3% Fixed Rate Bonds ("Bonds") together with 88,040,592 detachable warrants (hereinafter termed "Warrants-B") at 100% of the nominal amount of the Bonds to AmMerchant Bank Berhad as primary subscriber.

On 13 January 2003, the primary subscriber offered for sale 88,040,592 Warrants-B at an offer price of RM0.4522 per warrant on a non-renounceable basis to the shareholders of the Company on the basis of one (1) warrant for every four (4) existing ordinary shares held.

These Warrants-B confer upon the registered holder the right to subscribe for one ordinary share ("New Share") of RM1.00 in the Company at an exercisable price of RM1.36 for each new ordinary share, subject to adjustments under certain circumstances in accordance with the Deed Poll dated 22 November 2002 commencing on the issue date and ending on the date falling 10 years from the issue date.

The Company has on 24 December 2010 fully redeemed the Bonds and fully settled the final interest payment for the Bonds in accordance with the terms and conditions of the Trust Deed dated 21 November 2002 relating to the issuance of the Bonds.

Pursuant to the terms and conditions of the Deed Poll dated 22 November 2002, Warrants-B may be exercised at any time within ten (10) years commencing on the issue date and ending on 26 December 2012.

TREASURY SHARES

There were no changes in treasury shares during the year.

OTHER STATUTORY INFORMATION

Before the statements of financial position and statements of comprehensive income 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.

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

Directors' Report cont'd

for the year ended 31 December 2011

OTHER STATUTORY INFORMATION (CONTINUED)

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, the financial performance of the Group and of the Company for the financial year ended 31 December 2011 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.

HOLDING COMPANY

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

AUDITORS

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

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

Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman

Amirul Feisal bin Wan Zahir

Kuala Lumpur,

Date: 9 April 2012

Statement by Directors

pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 83 to 159 are drawn up in accordance with the Financial Reporting Standards and Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2011 and of their financial performance and cash flows for the year then ended.

In the opinion of the Directors, the information set out in note 32 on page 160 has been properly compiled in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman

Amirul Feisal bin Wan Zahir

Kuala Lumpur,

Date: 9 April 2012

Statutory Declaration

pursuant to Section 169(16) of the Companies Act, 1965

I, **Abd Rahman bin Abdullah Thani**, the officer 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 83 to 160 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur in the Federal Territory on 9 April 2012.

Abd Rahman bin Abdullah Thani

Before me:

Commissioner for Oaths
Kuala Lumpur

Independent Auditors' Report

to the members of Chemical Company of Malaysia Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Chemical Company of Malaysia Berhad, which comprise the statements of financial position as at 31 December 2011 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 83 to 159.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 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 2011 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in note 7 to the financial statements. We have also considered the unaudited financial statements of CCM Investment Limited.

Independent Auditors' Report cont'd

to the members of Chemical Company of Malaysia Berhad

- c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in note 32 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG

Firm Number: AF 0758
Chartered Accountants

Hasman Yusri Yusoff

Approval Number: 2583/08/12(J)
Chartered Accountant

Petaling Jaya,

Date: 9 April 2012

Statements of Financial Position

as at 31 December 2011

Amounts in RM'000 unless otherwise stated

	Note	Group		Company	
		2011	2010	2011	2010
Assets					
Property, plant and equipment	3	619,132	629,091	47,345	37,110
Intangible assets	4	303,713	303,245	63	63
Prepaid lease payments	5	6,553	6,921	-	-
Investment properties	6	50,793	42,682	130,174	127,600
Investment in subsidiaries	7	-	-	336,210	321,821
Investment in associate	8	10,538	8,004	-	-
Other investments	9	124	24,515	-	-
Deferred tax assets	10	10,001	3,269	-	-
Receivables	11	-	-	652,523	699,991
Total non-current assets		1,000,854	1,017,727	1,166,315	1,186,585
Trade and other receivables	11	354,515	409,204	31,167	12,145
Inventories	12	391,317	308,062	-	-
Current tax assets		66,270	61,035	52,861	43,759
Assets classified as held for sale	13	1,740	1,740	-	-
Cash and cash equivalents	14	180,541	212,159	46,800	87,738
Total current assets		994,383	992,200	130,828	143,642
Total assets		1,995,237	2,009,927	1,297,143	1,330,227
Equity					
Share capital		404,756	404,741	404,756	404,741
Reserves		60,827	78,752	27,599	27,594
Retained earnings		275,949	267,637	257,784	231,121
Total equity attributable to equity holders of the Company	15	741,532	751,130	690,139	663,456
Non-controlling interests		128,030	126,884	-	-
Total equity		869,562	878,014	690,139	663,456

Statements of Financial Position cont'd

as at 31 December 2011

Amounts in RM'000 unless otherwise stated

	Note	Group		Company	
		2011	2010	2011	2010
Liabilities					
Loans and borrowings	16	122,438	311,254	120,000	300,000
Deferred tax liabilities	10	20,705	21,193	2,776	2,022
Total non-current liabilities		143,143	332,447	122,776	302,022
Provision	17	766	850	-	-
Trade and other payables	18	263,238	222,138	26,876	42,674
Current tax liabilities		53,458	46,522	47,352	42,075
Loans and borrowings	16	665,070	529,956	410,000	280,000
Total current liabilities		982,532	799,466	484,228	364,749
Total liabilities		1,125,675	1,131,913	607,004	666,771
Total equity and liabilities		1,995,237	2,009,927	1,297,143	1,330,227

The notes on pages 93 to 159 are an integral part of these financial statements.

Statements of Comprehensive Income

for the year ended 31 December 2011

Amounts in RM'000 unless otherwise stated

	Note	Group		Company	
		2011	2010	2011	2010
Revenue	19	1,610,187	1,639,039	72,565	26,367
Cost of goods sold		(1,351,326)	(1,397,620)	(861)	(861)
Gross profit		258,861	241,419	71,704	25,506
Other income		15,929	6,210	2,586	1,782
Distribution expenses		(53,904)	(50,305)	-	-
Administrative expenses		(84,173)	(75,532)	(11,601)	(4,019)
Other expenses		(47,320)	(33,278)	(17,939)	(5,297)
Results from operating activities		89,393	88,514	44,750	17,972
Finance income		4,860	3,267	32,737	32,719
Finance costs		(39,111)	(34,654)	(28,732)	(28,404)
Operating profit	20	55,142	57,127	48,755	22,287
Share of profit of equity accounted investee, net of tax		2,534	2,073	-	-
Profit before tax		57,676	59,200	48,755	22,287
Income tax expense	22	(18,437)	(26,129)	(11,446)	(5,208)
Profit for the year		39,239	33,071	37,309	17,079
Other comprehensive income, net of tax					
Foreign currency translation difference for foreign operations		(1,292)	123	-	-
Fair value of available-for-sale financial assets		(16,638)	(8,687)	-	-
Surplus on revaluation of property, plant and equipment		-	34,644	-	9,676
Deferred tax liability on revaluation surplus		-	(3,693)	-	-
Other comprehensive income for the year, net of tax	23	(17,930)	22,387	-	9,676
Total comprehensive income for the year		21,309	55,458	37,309	26,755

Statements of Comprehensive Income cont'd

for the year ended 31 December 2011

Amounts in RM'000 unless otherwise stated

	Note	Group		Company	
		2011	2010	2011	2010
Profit attributable to:					
Owners of the Company		22,272	15,372	37,309	17,079
Non-controlling interests		16,967	17,699	-	-
Profit for the year		39,239	33,071	37,309	17,079
Total comprehensive income attributable to:					
Owners of the Company		4,342	35,549	37,309	26,755
Non-controlling interests		16,967	19,909	-	-
Total comprehensive income for the year		21,309	55,458	37,309	26,755
Basic earnings per ordinary share (sen)	24	5.50	3.80		
Diluted earnings per ordinary share (sen)	24	4.84	3.34		

The notes on pages 93 to 159 are an integral part of these financial statements.

Statements of Changes in Equity

for the year ended 31 December 2011

Amounts in RM'000 unless otherwise stated

Group	Note	Share capital	Share premium	Share redemption reserve	Attributable to equity holders of the Company			Distributable			Non controlling interest	Total equity
					Capital reserve	Translation reserve	Revaluation reserve	Other capital reserve	Treasury shares	Retained earnings		
At 1 January 2010		402,946	20,259	73	(8,954)	24,610	2,982	(5,836)	284,102	745,530	115,660	861,190
Foreign exchange translation differences		-	-	-	123	-	-	-	-	123	-	123
Fair value of available for sale		-	-	-	(8,687)	-	-	-	-	(8,687)	-	(8,687)
Deferred tax on revaluation gain	10	-	-	-	(3,141)	-	-	-	-	(3,141)	(552)	(3,693)
Surplus on revaluation of properties		-	-	-	-	31,882	-	-	-	31,882	2,762	34,644
Realisation of revaluation reserve on the disposal of property		-	-	-	(180)	-	-	-	180	-	-	-
Realisation of revaluation on landed property		-	-	-	(373)	-	-	-	373	-	-	-
Total other comprehensive income for the year		-	-	-	123	(8,687)	28,188	-	553	20,177	2,210	22,387
Profit for the year		-	-	-	-	-	-	-	15,372	15,372	17,699	33,071
Total comprehensive income for the year		-	-	-	123	(8,687)	28,188	-	15,925	35,549	19,909	55,458
Issue of shares:												
Conversion of warrants		1,795	646	-	-	-	-	-	-	2,441	-	2,441
Dividends to owners of the Company	25	-	-	-	-	-	-	-	(31,998)	(31,998)	-	(31,998)
Dividends to non-controlling interests		-	-	-	-	-	-	-	-	-	(8,472)	(8,472)
Dilution for changes in stake		-	-	-	-	-	-	-	(392)	(392)	(213)	(605)
At 31 December 2010		404,741	20,905	73	(8,831)	52,798	2,982	(5,836)	267,637	751,130	126,884	878,014

Note 15.1

Note 15.2 Note 15.3 Note 15.4 Note 15.5

Note 15.6

Statements of Changes in Equity cont'd

for the year ended 31 December 2011

Amounts in RM'000 unless otherwise stated

Group	Note	Attributable to equity holders of the Company										Total equity	
		Non-distributable					Distributable						
		Share capital	Share premium	Share redemption reserve	Capital reserve	Translation reserve	Fair value reserve	Revaluation reserve	Other capital reserve	Treasury shares	Retained earnings		Total
At 1 January 2011		404,741	20,905	73	(8,831)	16,661	52,798	2,982	(5,836)	267,637	751,130	126,884	878,014
Foreign exchange translation differences		-	-	-	(1,292)	-	-	-	-	-	(1,292)	-	(1,292)
Fair value of available for sale		-	-	-	-	(16,638)	-	-	-	-	(16,638)	-	(16,638)
Total other comprehensive income for the year		-	-	-	(1,292)	(16,638)	-	-	-	-	(17,930)	-	(17,930)
Profit for the year		-	-	-	-	-	-	-	-	22,272	22,272	16,967	39,239
Total comprehensive income for the year		-	-	-	(1,292)	(16,638)	-	-	-	22,272	4,342	16,967	21,309
Issue of shares:													
Conversion of warrants		15	5	-	-	-	-	-	-	-	20	-	20
Dividends to owners of the Company	25	-	-	-	-	-	-	-	-	(10,646)	(10,646)	-	(10,646)
Dividends to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(12,079)	(12,079)
Dilution for changes in stake		-	-	-	-	-	-	-	-	(3,314)	(3,314)	(3,742)	(7,056)
At 31 December 2011		404,756	20,910	73	(10,123)	23	52,798	2,982	(5,836)	275,949	741,532	128,030	869,562

Note 15.1

Note 15.2

Note 15.3

Note 15.4

Note 15.5

Note 15.6

The notes on pages 93 to 159 are an integral part of these financial statements.

Statements of Changes in Equity cont'd

for the year ended 31 December 2011

Amounts in RM'000 unless otherwise stated

Company	Note	← Non-distributable Capital →				→ Distributable		Total equity
		Share capital	Share premium	redemption reserve	Revaluation reserve	Treasury shares	Retained earnings	
At 1 January 2010		402,946	20,259	73	2,776	(5,836)	246,040	666,258
Surplus on revaluation of properties		-	-	-	9,676	-	-	9,676
Profit for the year		-	-	-	-	-	17,079	17,079
Total comprehensive income		-	-	-	9,676	-	17,079	26,755
Issue of shares:								
Conversion of warrants		1,795	646	-	-	-	-	2,441
Dividends to owners of the Company	25	-	-	-	-	-	(31,998)	(31,998)
At 31 December 2010/1 January 2011		404,741	20,905	73	12,452	(5,836)	231,121	663,456
Profit for the year and total comprehensive income for the year		-	-	-	-	-	37,309	37,309
Issue of shares:								
Conversion of warrants		15	5	-	-	-	-	20
Dividends to owners of the Company	25	-	-	-	-	-	(10,646)	(10,646)
At 31 December 2011		404,756	20,910	73	12,452	(5,836)	257,784	690,139
		Note 15.1		Note 15.2	Note 15.5	Note 15.6	Note 15.7	

The notes on pages 93 to 159 are an integral part of these financial statements.

Statements of Cash Flows

for the year ended 31 December 2011

Amounts in RM'000 unless otherwise stated

	Note	Group		Company	
		2011	2010	2011	2010
Cash flows from operating activities					
Profit before tax		57,676	59,200	48,755	22,287
Adjustments for:					
Allowance for impairment of goodwill		-	5,500	-	-
Amortisation of prepaid lease payments	5	445	439	-	-
Change in fair value of investment properties	6	(2,391)	(3,361)	(2,574)	(52)
Depreciation of property, plant and equipment	3	43,117	44,206	1,042	1,222
Dividend income from subsidiaries		-	-	(67,500)	(21,441)
Gain on disposal of property, plant and equipment		(206)	(2,347)	(12)	(1,731)
Gain on disposal of asset held for sale		-	(3,804)	-	(1,522)
Gain on disposal of other investment		(9,481)	-	-	-
Gain on disposal of investment properties		-	(160)	-	(160)
Loss on revaluation of property, plant and equipment		-	8,955	-	-
Finance costs		39,111	34,654	28,732	28,404
Finance income		(4,860)	(3,267)	(32,737)	(32,719)
Impairment loss on asset held for sale		-	140	-	-
Impairment loss on investment in subsidiary		-	-	1,667	-
Impairment loss on amount due from a subsidiary		-	-	12,628	-
Share of profit of equity accounted investee, net of tax		(2,534)	(2,073)	-	-
Property, plant and equipment written off		156	809	-	-
Operating profit/(loss) before working capital		121,033	138,891	(9,999)	(5,712)
Changes in working capital:					
Inventories		(83,255)	69,380	-	-
Payables and accruals		41,016	(40,136)	(15,798)	(50,639)
Receivables, deposits and prepayments		54,689	19,165	6,818	72,321
Cash generated from/(used in) operations		133,483	187,300	(18,979)	15,970
Finance costs paid		(39,111)	(34,654)	(28,732)	(28,404)
Finance income received		4,860	3,267	32,737	32,719
Income taxes paid		(23,956)	(19,017)	(5,415)	(1,234)
Net cash generated from/(used in) operating activities		75,276	136,896	(20,389)	19,051

Statements of Cash Flows cont'd

for the year ended 31 December 2011

Amounts in RM'000 unless otherwise stated

	Note	Group		Company	
		2011	2010	2011	2010
Cash flows from investing activities					
Acquisition of property, plant and equipment	3	(38,840)	(87,770)	(11,285)	(8,861)
Acquisition of other investment		-	(100)	-	-
Acquisition of investment properties		-	-	-	(227)
Dividends received from subsidiaries		-	-	58,398	20,407
Dividend received from associate		-	2,430	-	-
Increase in investment in subsidiaries		-	-	(7,056)	(605)
Proceeds from disposal of property, plant and equipment		430	3,325	20	1,737
Proceeds from disposal of asset held for sale		-	41,921	-	28,879
Proceeds from disposal of other investment		17,234	-	-	-
Proceeds from disposal of investment properties		-	8,506	-	8,506
Net cash (used in)/generated from investing activities		(21,176)	(31,688)	40,077	49,836
Cash flows from financing activities					
Acquisition of non-controlling interests		(7,056)	-	-	-
Dividends paid to non-controlling interests		(12,079)	(8,472)	-	-
Dividends paid to owners of the Company	25	(10,646)	(31,998)	(10,646)	(31,998)
Increase in deposits pledged with banks		-	(25)	-	-
Proceeds from loans and borrowings		120,000	-	120,000	-
Proceeds from exercise of warrants		20	2,441	20	2,441
Repayment of loans and borrowings		(173,702)	(87,349)	(170,000)	(75,000)
Net cash used in financing activities		(83,463)	(125,403)	(60,626)	(104,557)
Exchange differences on translation of the financial statements of foreign operations					
		(2,255)	4,987	-	-
Net decrease in cash and cash equivalents		(31,618)	(15,208)	(40,938)	(35,670)
Cash and cash equivalents at 1 January	(i)	211,612	226,820	87,738	123,408
Cash and cash equivalents at 31 December	(i)	179,994	211,612	46,800	87,738

Statements of Cash Flows cont'd

for the year ended 31 December 2011

Amounts in RM'000 unless otherwise stated

Cash and cash equivalents

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

	Group		Company	
	2011	2010	2011	2010
Cash and bank balances	110,544	73,478	1,367	4,180
Deposits with licensed banks (excluding deposits pledged)	69,450	138,134	45,433	83,558
	179,994	211,612	46,800	87,738

The notes on pages 93 to 159 are an integral part of these financial statements.

Notes to the Financial Statements

Amounts in RM'000 unless otherwise stated

Chemical Company of Malaysia Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board 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 year ended 31 December 2011 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 year ended 31 December 2011 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 fertilizers, chemicals and pharmaceuticals products and services as stated in note 7. There has been no significant change in the nature of these activities during the financial year.

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

The financial statements were approved by the Board of Directors on 9 April 2012.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Financial Reporting Standards ("FRSs"), accounting principles generally accepted and the Companies Act, 1965 in Malaysia.

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

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2011

- IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- FRS 124, *Related Party Disclosures (revised)*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Transfers of Financial Assets*
- Amendments to FRS 112, *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012

- Amendments to FRS 101, *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- FRS 10, *Consolidated Financial Statements*
- FRS 11, *Joint Arrangements*
- FRS 12, *Disclosure of Interests in Other Entities*
- FRS 13, *Fair Value Measurement*
- FRS 119, *Employee Benefits (2011)*
- FRS 127, *Separate Financial Statements (2011)*
- FRS 128, *Investments in Associates and Joint Ventures (2011)*
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to FRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

- FRS 9, *Financial Instruments (2009)*
- FRS 9, *Financial Instruments (2010)*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Mandatory Date of FRS 9 and Transition Disclosures*

The Group and Company's financial statements for annual period beginning on 1 January 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") issued by the MASB and International Financial Reporting Standards ("IFRSs"). As a result, the Company will not be adopting the above FRSs, Interpretations and amendments.

(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 financial statements in conformity with FRSs requires management to make judgements, 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 estimates are revised and in any future periods affected.

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 those disclosed in the following notes:

- Note 2(d) (i) and note 3 - revaluation of property, plant and equipment
- Note 2(e) and note 5 - leased assets
- Note 2(g) (iii) and note 6 - valuation of investment properties
- Note 2(l) and note 4 - measurement of the recoverable amounts of cash-generating units and intangible assets
- Note 2(o) and note 17 - provisions
- Note 2(p) (iii) and note 19 - revenue from construction contracts
- Note 2(r) and note 10 - deferred tax assets and liabilities

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, other than those disclosed.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investments in subsidiaries are stated in the Company's statement of financial position at cost less impairment losses, unless the investment is classified held for sale.

(ii) Accounting for 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.

The Group has changed its accounting policy with respect to accounting for business combinations.

From 1 January 2011 the Group has applied FRS 3, *Business Combinations (revised)* in accounting for business combinations. The change in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share.

Acquisitions on or after 1 January 2011

For acquisitions on or after 1 January 2011, the Group measures 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(ii) Accounting for business combinations (continued)

Acquisitions on or after 1 January 2011 (continued)

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

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, 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.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Acquisitions between 1 January 2006 and 1 January 2011

For acquisitions between 1 January 2006 and 1 January 2011, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

Acquisitions prior to 1 January 2006

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

(iii) Accounting for acquisitions of non-controlling interests

The Group treats 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(iv) Loss of control

The Group applied FRS 127, *Consolidated and Separate Financial Statements (revised)* since the beginning of the reporting period in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share. Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous 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.

In the previous financial years, if the Group retained any interest in the previous subsidiary, such interest was measured at the carrying amount at the date that control was lost and this carrying amount would be regarded as cost on initial measurement of the investment.

(v) 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, unless it is classified as held for sale or included in a disposal group that is classified as held for sale. 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 equity accounted 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 investee.

Investments in associates 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. The cost of the investment includes transaction costs.

(vi) 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 comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Since the beginning of the reporting period, the Group has applied FRS 127, *Consolidated and Separate Financial Statements (revised)* where 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. This change in accounting policy is applied prospectively in accordance with the transitional provisions of the standard and does not have impact on earnings per share.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(vi) Non-controlling interests (continued)

In the previous financial years, where losses applicable to the non-controlling interests exceed their interests in the equity of a subsidiary, the excess, and any further losses applicable to the non-controlling interests, were charged against the Group's interest except to the extent that the non-controlling interests had a binding obligation to, and was able to, make additional investment to cover the losses. If the subsidiary subsequently reported profits, the Group's interest was allocated with all such profits until the non-controlling interests' share of losses previously absorbed by the Group had been recovered.

(vii) 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 associates. 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 Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at 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.

(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 2006 which are reported using the exchange rates at the dates of the acquisition.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency (continued)

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

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 profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, 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.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely 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 FCTR within equity.

(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) or financial assets that are specifically designated into this category upon initial recognition.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

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

Financial assets (continued)

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

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) *Held-to-maturity investments*

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

(c) *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.

(d) *Available-for-sale financial assets*

Available-for-sale category comprises investment in equity and debt securities instruments 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(l)(i)).

Financial liabilities

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

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

Financial liabilities (continued)

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) 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 unquoted equity instruments whose fair values 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.

(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.

Financial guarantee contracts are classified as deferred income and are 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) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(v) 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 the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. 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 the profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(v) Derecognition (continued)

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or 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 the profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

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

Property, plant and equipment under the revaluation model

The Group revalues its property comprising land and building every 5 years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value. Additions subsequent to their revaluation are stated in the financial statements at cost until the next revaluation exercise.

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is recognised in profit or loss.

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 the equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

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" and "other expenses" respectively in profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(ii) Subsequent costs

The cost of replacing part 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 part will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced part 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 calculated over the depreciable amount, which is the cost of an assets, or other amount substituted for cost, less its residual value.

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leasehold assets were 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 - 96 years
• Freehold building	50 years
• Long term leasehold building	10 years to 50 years
• Short term leasehold building	10 years to 50 years
• Plant, machinery and equipment	4 years to 13 years

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

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assume substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition of 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 a 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leased assets (continued)

(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, the leased assets are not recognised in the statement of financial position of the Group or the Company.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. 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 investees, 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 investee.

(ii) Marketing rights

Marketing rights acquired via a purchase consideration are carried at the original cost of purchase less any accumulated amortisation and any accumulated impairment.

(iii) Brand name

Brand name is stated at cost less any accumulated impairment losses. Brand name has an indefinite use 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investment property

(i) Investment property 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 change 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 property

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 other comprehensive income and accumulated in equity as revaluation reserve. 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 deemed cost for subsequent accounting.

(iii) Determination of fair value

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio on a year to year basis, and at shorter intervals whenever the fair value of the properties is expected to differ materially.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

In the absence of current prices in an active market, the valuations are prepared by considering the estimated rental value of the property. A market yield is applied to the estimated rental value to arrive at the gross property valuation. When actual rents differ materially from the estimated rental value, adjustments are made to reflect actual rents.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investment property (continued)

(iii) Determination of fair value (continued)

Valuations reflect, where appropriate:

- the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness;
- the allocation of maintenance and insurance responsibilities between the Group and the lessee; and
- the remaining economic life of the property.

When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and where appropriate counter-notices have been served validly and within the appropriate time.

Investment property under construction is valued by estimating the fair value of the completed investment property and then deducting from that amount the estimated costs to complete construction, financing costs and a reasonable profit margin.

Significant assumptions in arriving at the fair value of investment properties are disclosed in note 6.

(h) Inventories

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

The cost of inventories is measured based on weighted average cost formula, 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.

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(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 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 to sell.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

(j) Construction work in progress

Construction work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billing and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity. For qualifying contracts, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Construction work-in-progress is presented as part of trade and other receivables as amount due from contract customers in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as deferred revenue in the statement of financial position.

(k) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(l) Impairment of assets

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investment 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 equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments 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 the 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 the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Impairment of assets (continued)

(i) Financial assets (continued)

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 the profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories, assets arising from construction contract, 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.

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 groups of assets (the "cash-generating unit"). 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 to sell. 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 or the group of cash-generating units and then to reduce the carrying amount of the other assets in the cash-generating unit (or a 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 year in which the reversals are recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Equity instruments

Instrument 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.

(ii) Repurchase of share capital

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 distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable reserves, or both.

Where treasury shares are reissued by re-sale in the open market, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

(n) 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. Once the contributions have been paid, the Group has no further payment obligations.

(o) Provision

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Provision (continued)

(ii) 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 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.

Where the Group enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Group considers these to be insurance arrangements, and accounts for them as such. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

(iii) 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.

(p) Revenue recognition

(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 discount 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, and 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) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised in profit or loss in proportion to the stage of completion of the contract. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Revenue recognition (continued)

(iii) Construction contracts (continued)

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

(iv) 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.

(v) 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.

(vi) 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.

(q) 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.

(r) Income tax

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Income tax (continued)

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

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.

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

(s) Earnings per 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 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. An operating segment's operating 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 assess its performance, and for which discrete financial information is available.

3. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land	Freehold land	Freehold buildings	Long term leasehold buildings	Short term leasehold buildings	Plant, machinery and equipment	Under construction	Total
Cost/Valuation								
At 1 January 2010	120,853	32,465	48,540	114,220	986	611,107	17,629	945,800
Additions	-	-	434	761	505	19,174	66,896	87,770
Reclassification	-	-	(5,261)	35,288	28,577	(23,026)	(35,578)	-
Transfer to assets held for sale	-	(1,355)	(525)	-	-	-	-	(1,880)
Disposals	-	-	-	-	-	(3,657)	-	(3,657)
Write-off	-	-	-	-	-	(8,457)	-	(8,457)
Effect of movements in								
exchange rates	-	-	-	-	-	(2,646)	-	(2,646)
Revaluation loss	-	-	-	-	(8,955)	-	-	(8,955)
Revaluation surplus	5,053	20,329	3,115	6,147	-	-	-	34,644
Adjustment on revaluation	(2,903)	-	(2,661)	(10,144)	-	-	-	(15,708)
At 31 December 2010/ 1 January 2011	123,003	51,439	43,642	146,272	21,113	592,495	48,947	1,026,911
Additions	-	-	777	1,998	55	21,448	14,562	38,840
Reclassification	-	2,095	29,299	-	-	10,394	(41,788)	-
Transfer to investment property	-	(5,720)	-	-	-	-	-	(5,720)
Disposals	-	-	-	-	-	(16,474)	-	(16,474)
Write-off	-	-	-	-	-	(329)	-	(329)
Effect of movements in								
exchange rates	-	-	-	-	171	222	25	418
At 31 December 2011	123,003	47,814	73,718	148,270	21,339	607,756	21,746	1,043,646

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Leasehold land	Freehold land	Freehold buildings	Long term leasehold buildings	Short term leasehold buildings	Plant, machinery and equipment	Under construction	Total
Depreciation								
At 1 January 2010	5,764	-	4,407	9,648	318	359,512	-	379,649
Depreciation for the year	1,878	-	4,535	3,424	2,580	31,789	-	44,206
Reclassification	-	-	(1,461)	-	-	1,461	-	-
Disposals	-	-	-	-	-	(2,679)	-	(2,679)
Write-off	-	-	-	-	-	(7,648)	-	(7,648)
Adjustment on revaluation	(2,903)	-	(2,661)	(10,144)	-	-	-	(15,708)
At 31 December 2010/ 1 January 2011	4,739	-	4,820	2,928	2,898	382,435	-	397,820
Depreciation for the year	1,889	-	712	5,106	1,575	33,835	-	43,117
Disposals	-	-	-	-	-	(16,250)	-	(16,250)
Write-off	-	-	-	-	-	(173)	-	(173)
At 31 December 2011	6,628	-	5,532	8,034	4,473	399,847	-	424,514
Carrying amounts								
At 1 January 2010	115,089	32,465	44,133	104,572	668	251,595	17,629	566,151
At 31 December 2010/ 1 January 2011	118,264	51,439	38,822	143,344	18,215	210,060	48,947	629,091
At 31 December 2011	116,375	47,814	68,186	140,236	16,866	207,909	21,746	619,132

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Freehold land	Freehold buildings	Under construction	Plant, machinery and equipment	Total
Cost/Valuation					
At 1 January 2010	15,400	623	-	9,773	25,796
Additions	-	-	8,437	424	8,861
Disposals	-	-	-	(582)	(582)
Revaluation surplus/(loss)	9,700	(24)	-	-	9,676
Adjustment on revaluation	-	(60)	-	-	(60)
At 31 December 2010/1 January 2011	25,100	539	8,437	9,615	43,691
Additions	-	-	10,856	429	11,285
Disposals	-	-	-	(103)	(103)
At 31 December 2011	25,100	539	19,293	9,941	54,873
Depreciation					
At 1 January 2010	-	48	-	5,947	5,995
Depreciation for the year	-	12	-	1,210	1,222
Disposals	-	-	-	(576)	(576)
Adjustment on revaluation	-	(60)	-	-	(60)
At 31 December 2010/1 January 2011	-	-	-	6,581	6,581
Depreciation for the year	-	-	-	1,042	1,042
Disposals	-	-	-	(95)	(95)
At 31 December 2011	-	-	-	7,528	7,528
Carrying amounts					
At 1 January 2010	15,400	575	-	3,826	19,801
At 31 December 2010/ 1 January 2011	25,100	539	8,437	3,034	37,110
At 31 December 2011	25,100	539	19,293	2,413	47,345

Property, plant and equipment under construction

During the year ended 31 December 2011, the Group incurred the following:

- (i) installation and implementation of a new software of the Group and Company; costs incurred up to the period end date totalled RM19,293,000 (2010: RM8,437,000).
- (ii) installation of new plant and machinery for manufacturing of a wide range of pharmaceutical products; costs incurred up to the period end date totalled RM2,453,000 (2010: RM40,510,000).

4. INTANGIBLE ASSETS

Group	Note	Goodwill	Marketing rights	Trademark	Brands	Total
Cost						
At 1 January 2010		310,930	17,123	63	4,000	332,116
Reversal of contingent consideration	4.4	(4,185)	-	-	-	(4,185)
Effect of movement in exchange rates		-	(1,706)	-	-	(1,706)
At 31 December 2010/1 January 2011		306,745	15,417	63	4,000	326,225
Effect of movement in exchange rates		-	468	-	-	468
At 31 December 2011		306,745	15,885	63	4,000	326,693
Accumulated impairment loss						
At 1 January 2010		17,480	-	-	-	17,480
Impairment loss		5,500	-	-	-	5,500
At 31 December 2010/ 1 January 2011/ 31 December 2011		22,980	-	-	-	22,980
Carrying amounts						
At 1 January 2010		293,450	17,123	63	4,000	314,636
At 31 December 2010/1 January 2011		283,765	15,417	63	4,000	303,245
At 31 December 2011		283,765	15,885	63	4,000	303,713

Company	Trademark
Cost	
At 1 January 2010/ At 31 December 2010/ 1 January 2011/ At 31 December 2011	63
Accumulated impairment losses	
At 1 January 2010/ At 31 December 2010/ 1 January 2011/ At 31 December 2011	-
Carrying amount	
At 1 January 2010/ At 31 December 2010/ 1 January 2011/ At 31 December 2011	63

4. INTANGIBLE ASSETS (CONTINUED)

4.1 Material intangible assets

Goodwill

The carrying amount of the goodwill of subsidiaries in the pharmaceutical and chemical segments, arising from acquisition through business combination, was assessed for impairment during the year.

Marketing rights

The carrying amount of marketing rights represents the sole and exclusive right to market and sell to the region of Asia, excluding Japan, Pneumococcal Vaccine developed by Synergy America, Inc., a company incorporated in the United States of America, in which the Group has interests. The products have yet to be fully commercialised at year-end, as such the Group has not amortised the marketing rights. The Group will amortise once the products are fully commercialised. The management made an assumption the marketing rights will be recovered through future commercial activity when the products are fully commercialised in the future.

Brands

The carrying amount of brands represents the acquisition of the brand name of the over-the-counter products. The Group has not amortised the brand as the Group is of the opinion that the brands have indefinite useful lives. The Group has assessed the carrying amount for impairment during the year. It is reasonably anticipated that the brands will be recovered through future commercial activity.

4.2 Amortisation and impairment charge

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

4.3 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:

	Group	
	2011	2010
A subsidiary in pharmaceuticals division	193,850	193,850
Subsidiaries in chemicals division	89,915	89,915
	283,765	283,765

The recoverable amounts of the goodwill arising from consolidations were based on value in use of the investment in the respective subsidiaries ("the subsidiaries"). These calculations use pre-tax cash flow projections based on financial budgets approved by management.

4. INTANGIBLE ASSETS (CONTINUED)

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

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 3 years budget. Cash flows for a further 2-years (2010: 7 years) period were extrapolated using a steady growth rate of 8 percent (2010: 8 percent) for subsidiaries of pharmaceuticals division and 5 percent steady growth rate (2010: 5 percent declining growth rate) for subsidiaries of chemicals division. Management believes that these 5 years (2010: 10 years) forecast period was justified due to the long term nature of the business.
- (b) The anticipated growth rate for revenue was projected in accordance with the Group's 3 years budget and subsequently projected based on growth rate as stated in note (a) above.
- (c) A pre-tax discount rate of 5.65 percent (2010: 5.50 percent) was applied in determining the recoverable amount. The discount was estimated based on the Group weighted average cost of capital.

The key assumptions represent the Group and the Company's assessment of future trends in the pharmaceutical and chemical industries and are based on both external and internal sources of historical data.

4.4 Reversal of contingent consideration

Pursuant to the Conditional Profit Guarantee Agreement dated 23 April 2008 and Supplemental Conditional Profit Guarantee Agreement dated 3 July 2008 between AKN Technology Berhad ("AKN") and Chemical Company of Malaysia Berhad ("CCM") in respect of acquisition of Innovative Polymer Systems Sdn. Bhd., Innovative Resins Sdn. Bhd. and Delta Polymer Systems Sdn. Bhd. (collectively known as "Innovative Group"), AKN has agreed to compensate CCM any shortfall in Innovative Group cumulative net profit over the two financial years (i.e. 2009 and 2010) of RM40 million.

Following the completion of second anniversary of acquisition of Innovative Group on 31 December 2010, the cumulative net profit over the two financial years (i.e. 2009 and 2010) of Innovative Group was below RM40 million resulting in a shortfall of RM4.185 million. As such, this shortfall has been adjusted as part of cost of investment and goodwill of Innovative Group in financial year 2010.

5. PREPAID LEASE PAYMENTS

Group	Unexpired period less than 50 years
Cost	
At 1 January 2010	9,284
Effect of movements in exchange rates	(512)
At 31 December 2010/1 January 2011	8,772
Effect of movements in exchange rates	77
At 31 December 2011	8,849
Amortisation	
At 1 January 2010	1,412
Amortisation for the year	439
At 31 December 2010/1 January 2011	1,851
Amortisation for the year	445
At 31 December 2011	2,296
Carrying amounts	
At 1 January 2010	7,872
At 31 December 2010/1 January 2011	6,921
At 31 December 2011	6,553

6. INVESTMENT PROPERTIES

	Group		Company	
	2011	2010	2011	2010
At 1 January	42,682	47,667	127,600	135,667
Additions	-	-	-	227
Change in fair value	2,391	3,361	2,574	52
Disposals	-	(8,346)	-	(8,346)
Reclassification from property, plant and equipment	5,720	-	-	-
At 31 December	50,793	42,682	130,174	127,600

6. INVESTMENT PROPERTIES (CONTINUED)

Included in the above are:

	Group		Company	
	2011	2010	2011	2010
Freehold land	33,319	26,300	30,200	28,800
Leasehold land with unexpired lease period of less than 50 years	4,000	4,000	-	-
Leasehold land with unexpired lease period of more than 50 years	12,174	11,082	84,795	83,608
Buildings	1,300	1,300	15,179	15,192
At 31 December	50,793	42,682	130,174	127,600

All the investment properties are determined based on market values.

The fair value of the investment properties are determined by the Directors of the Company based on an external independent valuation company using an open market value method.

Investment properties of the Group and of the Company comprise a number of commercial properties that are leased to third party and subsidiaries.

The range of yields applied to the net annual rentals to determine fair value of property for which current prices in an active market are unavailable is as follows:

Malaysia	Yields
Office buildings, warehouses and factory	3.59% - 5.95% (2010: 5.30% - 5.62%)
Residential house	0.74% (2010: 0.8%)

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Rental income	827	688	5,065	4,926
Direct operating expenses:				
- income generating investment properties	226	296	861	861
- non-income generating investment properties	6	1	-	-

7. INVESTMENT IN SUBSIDIARIES

	Company	
	2011	2010
At cost:		
Unquoted shares	342,077	326,021
Less: Accumulated impairment loss	(5,867)	(4,200)
	336,210	321,821

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest	
			2011 %	2010 %
CCM Fertilizers Sdn. Bhd. and its subsidiaries:	Malaysia	Manufacture and marketing of fertilizers	50.1	50.1
Max Agriculture Sdn. Bhd.	Malaysia	Dormant	50.1	50.1
CCMF Agronomic and Technical Services Sdn. Bhd.*	Malaysia	Dormant	50.1	50.1
CCM Chemicals Sdn. Bhd. and its subsidiaries:	Malaysia	Manufacture and marketing of chlor-alkali and coagulant products and marketing of industrial and specialty chemicals	80.0	80.0
CCM Watercare Sdn. Bhd.	Malaysia	Marketing of water treatment products	80.0	80.0
CCM Singapore Pte. Ltd.*	Singapore	Marketing of chlor-alkali and coagulant products	80.0	80.0
CCM Chemtrans Sdn. Bhd.	Malaysia	Dormant	80.0	80.0
CCM Chemtrade Sdn. Bhd.	Malaysia	Dormant	80.0	80.0
P.T. CCM Indonesia*	Indonesia	Marketing of chlor-alkali and coagulant products and industrial chemicals	80.0	80.0
CCM Pharma Sdn. Bhd.	Malaysia	Investment holding	100.0	100.0
Innovax Sdn. Bhd.	Malaysia	Research and development of pharmaceutical products	100.0	100.0

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows (continued):

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest	
			2011 %	2010 %
CCM Innovative Solutions Sdn. Bhd. (f.k.a. Usaha Pharma (M) Sdn. Bhd.) and its subsidiaries :	Malaysia	Dormant	100.0	100.0
Innovative Polymer Systems Sdn. Bhd.	Malaysia	Manufacturing of hydrogel coating products.	100.0	93.06
Delta Polymer Systems Sdn. Bhd.	Malaysia	Manufacturing and trading of coating products.	100.0	93.05
Innovative Resins Sdn. Bhd.	Malaysia	Investment holding	100.0	93.06
CCM Agriculture (Sabah) Sdn. Bhd.	Malaysia	Manufacturing and marketing of fertilizers	100.0	100.0
CCM Agriculture Sdn. Bhd.	Malaysia	Manufacturing and marketing of fertilizers	100.0	100.0
CCM International Sdn. Bhd. and its subsidiaries:	Malaysia	Investment holding	100.0	100.0
CCM Pharmaceuticals (S) Pte. Ltd.*	Singapore	Distribution, wholesaler of medicinal and pharmaceutical products	100.0	100.0
P.T. CCM AgriPharma*	Indonesia	Manufacturing and trading of fertilizers and importing and trading of pharmaceutical products	100.0	100.0
CCM Siam Ltd.*	Thailand	Engage in the business of fertilizers, chemicals and pharmaceuticals	100.0	100.0
CCM Marketing Sdn. Bhd. and its subsidiaries:	Malaysia	Investment holding	100.0	100.0
CCM Duopharma Biotech Berhad and its subsidiary:	Malaysia	Investment holding	73.37	73.37
Duopharma (M) Sdn. Bhd.	Malaysia	Manufacturing, distributing, importing and exporting of pharmaceutical products and medicines	73.37	73.37

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows (continued):

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest	
			2011 %	2010 %
Euphorex Corporation Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
Liberal Wira Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
Usaha Progresif Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
Upha Pharmaceutical Manufacturing (M) Sdn. Bhd.	Malaysia	Manufacturing of pharmaceutical products and sales of medicines	100.0	100.0
CCM Pharmaceuticals Sdn. Bhd. and its subsidiaries:	Malaysia	Marketing and sales of medicine and pharmaceutical products	100.0	100.0
CCM Biopharma Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
Sentosa Pharmacy Sdn. Bhd.	Malaysia	Marketing of pharmaceutical and healthcare products	100.0	100.0
Unique Pharmacy (Ipoh) Sdn. Bhd.	Malaysia	Marketing of pharmaceutical and healthcare products	100.0	100.0
Unique Pharmacy (Penang) Sdn. Bhd.	Malaysia	Marketing of pharmaceutical and healthcare products	100.0	100.0
Negeri Pharmacy Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
CCM Agri-Max Sdn. Bhd.	Malaysia	Marketing of wide range of fertilizers	100.0	100.0
CCM Usaha Kimia (M) Sdn. Bhd. and its subsidiary:	Malaysia	Marketing of chlor-alkali and chemical products	100.0	100.0
CCM Water Systems Sdn. Bhd.	Malaysia	Designing, manufacturing, installing, commissioning and providing maintenance services for water purification and waste water treatment plant systems and sale of its related products.	100.0	98.4
CCM Investments Limited** and its subsidiary:	British Virgin Islands	Investment holding	100.0	100.0

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows (continued):

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest	
			2011 %	2010 %
CCM International (Philippines), Inc.*	Republic of Philippines	Distribution, importing and exporting of pharmaceuticals and chemicals product	99.9	99.9
Yayasan CCM (Limited by Guarantee)	Malaysia	To receive and administer funds for education and charitable purposes, all for the public welfare.	100.0	100.0

* Audited by external auditors other than KPMG

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

7.1 Pursuant to the Shareholders' Agreement dated 23 April 2008 between the Company, CCM Usaha Kimia (M) Sdn. Bhd. ("CCMUK"), Mr. Mar Hung Than, Mr. Low Kim Choong and Mr. Chieng Diing Yaw, the Company had acquired the remaining shares in Innovative Polymer Systems Sdn. Bhd. ("IPSB"), Innovative Resins Sdn. Bhd. ("IRSB") and Delta Polymer Systems Sdn. Bhd. ("DPSB") not held by the Company and CCMUK amounting to 30,638 ordinary shares of RM1.00 each, 6,383 ordinary shares of RM1.00 each and 64 ordinary shares of RM1.00 each, respectively.

The above acquisition was carried out in two tranches on 12 January 2011 and 28 February 2011 at a total purchase price of RM7,056,000 satisfied in cash. As at 28 February 2011, the Company owned 100% equity interest in IPSB, IRSB and DPSB.

7.2 On 29 December 2011, the Company increased its investment in CCM International Sdn. Bhd., CCM Agriculture Sdn. Bhd., CCM Agriculture (Sabah) Sdn. Bhd. and CCMUK comprising of 2,200,100 ordinary shares of RM1.00 each, 2,200,100 ordinary shares of RM1.00 each, 2,200,100 ordinary shares of RM1.00 each and 2,400,100 ordinary share of RM1.00 each, respectively, by capitalisation of certain amount due to the Company.

7.3 On 30 December 2011, the Company restructured the shareholding of its direct subsidiaries, IPSB and DPSB. The entire equity interest of IPSB and DPSB comprising of 510,638 ordinary shares of RM1.00 each and 1,064 ordinary share of RM1.00 each, respectively, were transferred from the Company and CCMUK to CCM Innovative Solutions Sdn. Bhd. (formerly known as Usaha Pharma (M) Sdn. Bhd.) ("CCMIS"), a direct wholly-owned subsidiary of the Company for a total purchase consideration of RM122,959,046. The purchase consideration was satisfied by issuance of new shares by CCMIS to the Company comprising of 122,959,046 ordinary share of RM1.00 each. As a result of the transfer, IPSB and DPSB became wholly-owned subsidiaries of the CCMIS.

7.4 In 2010, the Company acquired 151,248 ordinary shares of RM1.00 each representing 1.51% of the issued and paid up capital of CCM Water System Sdn. Bhd. ("CCMWS") from Mr Aloysius Lai Min Yun for a total purchase consideration of RM605,150, as agreed in the Shareholders' Agreement between the Company, CCMUK, Mr Lai Wai Kun and Mr Aloysius Lai Min Yun dated 17 April 2008.

As a result of the above acquisition, the total shareholding of the Company in CCMWS stood at 528,173 ordinary shares of RM1.00 each, representing approximately 5.28% of the issued and paid up capital of CCMWS and, effectively CCMWS became wholly owned subsidiary of the Company.

8. INVESTMENT IN ASSOCIATE

	Group		Company	
	2011	2010	2011	2010
At cost:				
Unquoted shares	1,408	1,408	-	-
Share of post acquisition reserves	11,560	9,026	-	-
Dividend received from associate	(2,430)	(2,430)	-	-
	10,538	8,004	-	-

Summary financial information for associates, not adjusted for the percentage ownership held by the Group:

Group	Country of incorporation	Effective ownership interest	Revenue (100%)	Profit (100%)	Total assets (100%)	Total liabilities (100%)
2011						
Orica-CCM Energy Systems Sdn. Bhd.	Malaysia	45.0%	39,657	5,632	33,083	9,265
2010						
Orica-CCM Energy Systems Sdn. Bhd.	Malaysia	45.0%	30,406	4,607	25,650	7,464

9. OTHER INVESTMENTS

Group	Share Quoted in Malaysia	Share Quoted outside Malaysia	Total
2011			
Non-current			
Available-for-sale	124	-	124
Representing items:			
At fair value	124	-	124
Market value of quoted investments	124	-	124

9. OTHER INVESTMENTS (CONTINUED)

Group	Share Quoted in Malaysia	Share Quoted outside Malaysia	Total
2010			
Non-current			
Available-for-sale Financial assets	100	24,415	24,515
Representing items:			
At fair value	100	24,415	24,515
Market value of quoted investments	100	24,415	24,515

10. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2011	2010	2011	2010	2011	2010
Property, plant and equipment	-	-	27,934	30,588	27,934	30,588
Provisions	(5,775)	(4,006)	-	-	(5,775)	(4,006)
Other temporary differences	(5,043)	(8,056)	77	56	(4,966)	(8,000)
Tax losses carry-forwards	(6,489)	(658)	-	-	(6,489)	(658)
Tax (assets)/liabilities	(17,307)	(12,720)	28,011	30,644	10,704	17,924
Set off	7,306	9,451	(7,306)	(9,451)	-	-
Net tax (assets)/liabilities	(10,001)	(3,269)	20,705	21,193	10,704	17,924
Company						
Property, plant and equipment	-	-	3,091	2,022	3,091	2,022
Other temporary differences	(315)	-	-	-	(315)	-
Tax (assets)/liabilities	(315)	-	3,091	2,022	2,776	2,022
Set off	315	-	(315)	-	-	-
Net tax (assets)/liabilities	-	-	2,776	2,022	2,776	2,022

10. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Unrecognised deferred tax assets

Deferred tax assets and liabilities have not been recognised in respect of the following items:

	Group	
	2011	2010
Tax losses carry-forwards	(5,966)	(27,918)
Other temporary differences	1,406	1,080
	(4,560)	(26,838)

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.

Movement in temporary differences during the year

	At 1.1.2010	Recognised in profit or loss (Note 22)	Recognised in equity	At 31.12.2010	Recognised in profit or loss (Note 22)	At 31.12.2011
Group						
Property, plant and equipment	24,264	2,631	3,693	30,588	(2,654)	27,934
Provisions	(5,336)	1,330	-	(4,006)	(1,769)	(5,775)
Other temporary differences	(3,362)	(4,638)	-	(8,000)	3,034	(4,966)
Tax losses carry-forwards	(1,831)	1,173	-	(658)	(5,831)	(6,489)
	13,735	496	3,693	17,924	(7,220)	10,704
Company						
Property, plant and equipment	2,807	(785)	-	2,022	1,069	3,091
Other items	-	-	-	-	(315)	(315)
	2,807	(785)	-	2,022	754	2,776

11. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2011	2010	2011	2010
Current Trade					
Trade receivables		328,353	392,082	-	-
Amount due from contract customers	11.1	218	2,440	-	-
		328,571	394,522	-	-
Non-trade					
Amount due from subsidiaries	11.2	-	-	28,848	7,074
Amount due from associate	11.2	25	23	17	17
Deposits		3,140	2,916	383	255
Other receivables		6,504	4,916	42	390
Prepayments		16,275	6,827	1,877	4,409
		25,944	14,682	31,167	12,145
Total current		354,515	409,204	31,167	12,145
Non-current					
Non-trade					
Amount due from subsidiaries	11.3	-	-	652,523	699,991
Total non-current		-	-	652,523	699,991

11.1 Construction work in progress

	Note	Group		Company	
		2011	2010	2011	2010
Aggregate costs incurred to date		28,083	20,187	-	-
Add: Attributable profits less foreseeable loss		-	4,868	-	-
		28,083	25,055	-	-
Less: Progress billings		(27,872)	(22,834)	-	-
		211	2,221	-	-
Amount due from contract customers		218	2,440	-	-
Amount due to contract customers	18	(7)	(219)	-	-
		211	2,221	-	-

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

11.2 The non-trade receivables due from subsidiaries and associate are unsecured, subject to interest ranging from 4.05% p.a. to 4.45% p.a. (2010: 4.19% p.a. to 4.36% p.a.) and repayable on demand.

11.3 The advances to subsidiary companies are unsecured, subject to interest ranging from 4.05% p.a. to 4.45% p.a. (2010: 4.19% p.a. to 4.36% p.a.) and are not repayable over the next 12 months.

12. INVENTORIES

	Group	
	2011	2010
Raw materials	138,512	82,046
Work-in-progress	7,291	8,201
Finished goods	227,134	196,211
Spares and consumables	18,380	21,604
	391,317	308,062

In 2011, the write-down of inventories to net realisable value amounted to RM1,044,000 (2010: RM3,046,000) and write-off of inventories amounted to RM5,933,000 (2010: RM3,349,000). The write-down and write-off are included in cost of sales.

13. ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2011	2010
Reclassified from property, plant and equipment, and investment properties	1,880	1,880
Impairment loss	(140)	(140)
	1,740	1,740

An impairment loss of RM Nil (2010: RM140,000) was recognised as other operating expense in the profit or loss of the Group to write down the assets to fair value less cost to sell.

14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	2010	2011	2010
Cash and bank balances	110,544	73,478	1,367	4,180
Deposits are placed with licensed banks	69,997	138,681	45,433	83,558
	180,541	212,159	46,800	87,738

Included in deposits placed with licensed banks of the Group, RM547,000 (2010: RM547,000) has been pledged as security for a bank facility granted to a subsidiary.

15. CAPITAL AND RESERVES

15.1 Share capital

	Group and Company			
	Amount	Number of	Amount	Number of
	2011	shares	2010	shares
		2011		2010
		'000		'000
Authorised:				
Ordinary shares of RM1 each	800,000	800,000	800,000	800,000
Issued and fully paid:				
Ordinary shares of RM1 each				
At 1 January	404,741	404,741	402,946	402,946
Conversion of warrants	15	15	1,795	1,795
At 31 December	404,756	404,756	404,741	404,741

15.2 Capital redemption reserve

The capital redemption reserve comprises the equity portion of financial instruments issued.

15.3 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.

15.4 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.

15. CAPITAL AND RESERVES (CONTINUED)

15.5 Revaluation reserve

The revaluation reserve relates to the revaluation of land and buildings.

15.6 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 Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

There were no repurchase of its issued shares capital since 2003. At 31 December 2011, the Group held 2,998,000 (2010: 2,998,000) of the Company's shares.

15.7 Retained Earnings

The Finance Act, 2007 introduced a single tier company income tax system with effect from 1 January 2008. As such, the Section 108 tax credit as at 31 December 2011 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

Subject to agreement by the Inland Revenue Board, the Company has moved into the single tier dividend system. As such, all its distributable reserves at 31 December 2011 are available to be paid out as dividends.

15.8 Warrants

On 27 December 2002, the Company issued RM200,000,000 nominal amount of 7-year 3% Fixed Rate Bonds ("Bonds") together with 88,040,592 detachable warrants (hereinafter termed "Warrants-B") at 100% of the nominal amount of the Bonds to AmMerchant Bank Berhad as primary subscriber.

On 13 January 2003, the primary subscriber offered for sale 88,040,592 Warrants-B at an offer price of RM0.4522 per warrant on a non-renounceable basis to the shareholders of the Company on the basis of one (1) warrant for every four (4) existing ordinary shares held.

These Warrants-B confer upon the registered holder the right to subscribe for one ordinary share ("New Share") of RM1.00 in the Company at an exercisable price of RM1.36 for each new ordinary share, subject to adjustments under certain circumstances in accordance with the Deed Poll dated 22 November 2002 commencing on the issue date and ending on the date falling 10 years from the issue date.

The Company has on 24 December 2010 fully redeemed the Bonds and fully settled the final interest payment for the Bonds in accordance with the terms and conditions of the Trust Deed dated 21 November 2002 relating to the issuance of the Bonds.

Pursuant to the terms and conditions of the Deed Poll dated 22 November 2002, Warrants-B may be exercised at any time within ten (10) years commencing on the issue date and ending on 26 December 2012.

During the financial year, the Company issued 15,000 (2010: 1,795,000) ordinary shares of RM1 each for cash arising from conversion of 15,000 (2010: 1,795,000) Warrants-B on the basis of one ordinary share at the price of RM1.36 (2010: RM1.36) per ordinary share for every warrant held.

16. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's and the Company's interest-bearing loans and borrowings. For more information about the Group's and the Company's exposure to interest rate and foreign currency risk, see note 27.

	Note	Group		Company	
		2011	2010	2011	2010
Non-current					
Secured term loan	16.1	356	838	-	-
Unsecured Sukuk Musyarakah	16.2	120,000	-	120,000	-
Unsecured 3-years term loan	16.3	-	300,000	-	300,000
Unsecured non-revolving loan	16.4	2,082	10,416	-	-
		122,438	311,254	120,000	300,000
Current					
Secured term loan	16.1	483	451	-	-
Unsecured bank overdrafts		-	18,421	-	-
Unsecured bankers' acceptances		64,700	133,450	-	-
Unsecured revolving credit	16.5	208,334	204,832	110,000	130,000
Unsecured 3-years term loan	16.3	300,000	-	300,000	-
Unsecured term loan and trade facilities	16.6	83,219	14,468	-	-
Unsecured non-revolving loan	16.4	8,334	8,334	-	-
Unsecured Musyarakah medium term notes	16.7	-	150,000	-	150,000
		665,070	529,956	410,000	280,000

16.1 Secured term loan

The term loan of the Group is secured by the following:

- i) Letter of Comfort from Chemical Company of Malaysia Berhad;
- ii) first party first legal charge of RM11.5 million over leasehold factory land and building of the subsidiary together with joint and several guarantee by third party; and
- iii) first party second legal charge of RM2.0 million over leasehold factory land and building of the subsidiary.

16.2 Unsecured Sukuk Musyarakah

On 8 August 2011, the Company issued RM120,000,000 nominal amount of 5 year fixed rate Unsecured Sukuk Musyarakah ("USM") at 4.35% p.a. from MIDF Amanah Investment Bank Berhad. Some of the significant covenants of the USM are:-

Financial Covenants

The Company shall maintain the following ratios throughout the tenure of the USM.

- i) the Finance to Equity Ratio of not more than 1.5 times
- ii) the Profit/Interest Cover Ratio of at least 2 times

16. LOANS AND BORROWINGS (CONTINUED)

16.2 Unsecured Sukuk Musyarakah (continued)

Negative Covenants

The Company will not, without written consent from of the Trustee first, had and obtained for the followings:-

- i) create or permit to subsist any Security Interest over any of its present or future assets, other than those permitted by the financing document and Trust Deed.
- ii) reduce its authorised and/or issued shares save and except for any decrease in its issued capital resulting from purchase or cancellation of its own shares pursuant to Section 67A of the Companies Act 1965.
- iii) add, delete, vary or amend its Memorandum or Articles of Association in a manner inconsistent of the Financing Document other than those permitted by the Financing Document and Trust Deed.
- iv) dispose any assets in excess of 25% of the Group's net assets (as reflected in the latest consolidated annual audited financial statements) in any financial year other than those permitted by the Financing Document and Trust Deed.
- v) undertake or acquire any other business or subsidiaries where such undertaking or acquisition would have a Material Adverse Effect.
- vi) use the proceeds other than those permitted by the Financing Document and Trust Deed.

16.3 Unsecured 3-years term loan

On 19 August 2009, the Company has entered into a RM300 million, 3 years unsecured term loan with Bank of Tokyo-Mitsubishi USJ (Malaysia) Berhad at the rate of 3.92% p.a. (for first RM100 million) and 3.95% p.a. (for balance RM200 million).

Significant Covenant

The Term Loan is subject to fulfilment of the following covenant:

- i) the consolidated Net Worth shall not be less than RM750 million (2010: RM750 million).
- ii) the interest Coverage Ratio of not less than 2.0 times (2010: 2.0 times).
- iii) the consolidated Total Indebtedness to Consolidated Networth Ratio shall not be exceeding 1.5 times (2010: 1.5 times). (Net worth consists of share capital, non controlling interest and retained earnings/losses).

16.4 Unsecured non-revolving loan

On 10 July 2009, a subsidiary has received an unsecured non-revolving loan facility of RM25 million from The Bank of Nova Scotia Berhad. During the year, the subsidiary has utilised RM10,416,000 (2010: RM18,750,000) of the said facility.

16. LOANS AND BORROWINGS (CONTINUED)

16.4 Unsecured non-revolving loan (continued)

Significant Covenants

The unsecured non-revolving loan is subject to fulfilment of the following significant covenants:

- i) not to pledge any of its assets, present and future, without the prior written consent of the Bank;
- i) remain a subsidiary of Chemical Company of Malaysia Berhad;
- ii) cross default to other indebtedness of the Company and its subsidiaries;
- iii) the total liabilities to Tangible Net Worth Ratio of the subsidiary company does not exceed 1.75 times (2010: 1.75 times); and
- iv) the Debt Service Cover Ratio of the subsidiary company is at least 2.0 times (2010: 2.0 times).

16.5 Unsecured revolving credit

On 18 March 2011, the Company has obtained an unsecured RM50 million 1 year Revolving Credit ("RC") Facility with Bank of Tokyo at the rate of 3.72% p.a.. The Company also obtained unsecured RM60 million 29 days RC from AmBank (M) Berhad at the rate of 4.07% p.a..

Significant Covenants

The RC is subject to fulfilment of the following covenants:

- i) the borrower shall maintain a Gearing Ratio of not more than 1.5 times (2010: 1.5 times) during the tenure of the facility.
- ii) the borrower shall maintain Debt Service Coverage Ratio at least 2.0 times (2010: 2.0 times) Earnings Before Interest, Income Tax and Depreciation during the tenure of the facility.

On 12 September 2011 and 25 October 2011, a subsidiary of the Company has obtained revolving credit facility of RM10 million each from HSBC Bank Malaysia Berhad and OCBC Bank Berhad respectively.

Significant Covenants

The RC is subject to fulfilment of the following covenants:

- i) the borrower shall maintain a Gearing Ratio of not more than 1.0 to 1.5 times.
- ii) the borrower shall maintain Debt Service Coverage Ratio at least 2.5 times Earnings Before Interest, Income Tax and Depreciation during the tenure of the facility.

There are no financial covenants attached to the remaining unsecured term loan and trade facilities.

16.6 Unsecured term loan and trade facilities

On 8 July 2011, a subsidiary has received an unsecured term loan of USD15 million and trade facilities of USD5 million from The Bank International Indonesia ("BII"). During the year, the subsidiary has utilised both facilities amounting to USD6,672,000.

16. LOANS AND BORROWINGS (CONTINUED)

16.6 Unsecured term loan and trade facilities (continued)

Significant Covenants

The term loan and trade facilities are subject to fulfilment of the following significant covenants:

- i) no changes in direct majority shareholding structure of the subsidiary.
- ii) no additional indebtedness by the subsidiary without prior written consent from the BII.

Other than the bank facilities obtained above, a subsidiary has received a revolving credit facility and trade facilities of USD5 million each on 11 July 2011 from CIMB Bank (L) Ltd..

Significant Covenants

The revolving credit and trade facilities are subject to fulfilment of the following significant covenant:

- i) the gearing ratio of the Group is at least 1.5 times

There are no financial covenants attached to the remaining unsecured term loan and trade facilities.

16.7 Unsecured Musyarakah medium term notes

On 28 November 2008, the Company issued RM150,000,000 nominal amount of 3 year fixed rate Musyarakah Medium Term Notes ("MMTN") at 5.95% p.a. (2010: 5.95% p.a.).

On 29 November 2011, the Company has fully settled the term notes in accordance to the Sukuk Musyarakah Agreement. Some of the significant covenants of the MMTN are:-

Financial Covenants

The Company shall maintain the following ratios throughout the tenure of the MMTN.

- i) the Finance to Equity Ratio of not more than 1.5 times (2010: 1.5 times).
- ii) the Profit/Interest Cover Ratio of at least 2 times (2010: 2 times).

Negative Covenants

The Company will not, without written consent from of the Trustee first, had and obtained for the followings:-

- i) create or permit to subsist any Security Interest over any of its present of future assets, other than those permitted by the Financing Document and Trust Deed.
- ii) reduce its authorized and/or issued shares save and except for any decrease in its issued capital resulting from purchase or cancellation of its own shares pursuant to Section 67A of the Companies Act 1965.
- iii) add, delete, vary or amend its Memorandum or Articles of Association in a manner inconsistent of the Financing Document other than those permitted by the Financing Document and Trust Deed.

16. LOANS AND BORROWINGS (CONTINUED)

16.7 Unsecured Musyarakah medium term notes (continued)

Negative Covenants (continued)

iv) dispose any assets in excess of 5% of the Group's net assets (as reflected in the latest consolidated annual audited financial statements) in any financial year other than those permitted by the Financing Document and Trust Deed.

v) not to manage and conduct business affairs of the Group in a manner consistent with the provisions and conditions of the Financing Document and Trust Deed.

Terms and debt repayment schedule

Group	Year of maturity	Carrying amount	Under 1 year	1 - 2 years	2 - 5 years	Over 5 years
2011						
Unsecured 3-years term loan	2012	300,000	300,000	-	-	-
Unsecured Sukuk Musyarakah	2016	120,000	-	-	120,000	-
Secured term loan	2013	839	483	356	-	-
Unsecured term loan and trade facilities	2012	83,219	83,219	-	-	-
Unsecured bankers' acceptances	2012	64,700	64,700	-	-	-
Unsecured revolving credits	2012	208,334	208,334	-	-	-
Unsecured non-revolving loan	2013	10,416	8,334	2,082	-	-
		787,508	665,070	2,438	120,000	-
2010						
Unsecured 3-years term loan	2012	300,000	-	300,000	-	-
Unsecured Musyarakah medium term note	2011	150,000	150,000	-	-	-
Secured term loan	2013	1,289	451	838	-	-
Unsecured term loan	2011	14,468	14,468	-	-	-
Unsecured bank overdrafts	2011	18,421	18,421	-	-	-
Unsecured bankers' acceptances	2011	133,450	133,450	-	-	-
Unsecured revolving credits	2011	204,832	204,832	-	-	-
Unsecured non-revolving loan	2013	18,750	8,334	10,416	-	-
		841,210	529,956	311,254	-	-

16. LOANS AND BORROWINGS (CONTINUED)

16.7 Unsecured Musyarakah medium term notes (continued)

Terms and debt repayment schedule (continued)

Company	Year of maturity	Carrying amount	Under 1 year	1 - 2 years	2 - 5 years	Over 5 years
2011						
Unsecured 3-years term loan	2012	300,000	300,000	-	-	-
Unsecured Sukuk Musyarakah	2016	120,000	-	-	120,000	-
Unsecured revolving credit	2012	110,000	110,000	-	-	-
		530,000	410,000	-	120,000	-
2010						
Unsecured 3-years term loan	2012	300,000	-	300,000	-	-
Unsecured Musyarakah medium term notes	2011	150,000	150,000	-	-	-
Unsecured revolving credit	2011	130,000	130,000	-	-	-
		580,000	280,000	300,000	-	-

17. PROVISION

Warranties	Group	
	2011	2010
At 1 January	850	667
Provision made during the year	406	574
Provision utilised during the year	(490)	(391)
At 31 December	766	850

The provision of 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 2 years (2010: 2 years).

18. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2011	2010	2011	2010
Trade					
Trade payables		205,481	147,798	-	-
Amount due to contract customers	11.1	7	219	-	-
		205,488	148,017	-	-
Non-trade					
Accrued expenses		22,318	35,802	-	-
Amount due to subsidiaries	18.1	-	-	17,119	19,640
Other payables		35,432	38,319	9,757	23,034
		57,750	74,121	26,876	42,674
		263,238	222,138	26,876	42,674

18.1 The non-trade payables due to subsidiaries are unsecured, interest bearing ranging from 4.05% p.a. to 4.45% p.a. (2010: 4.19% p.a. to 4.36% p.a.) and repayable on demand.

19. REVENUE

	Group		Company	
	2011	2010	2011	2010
Sales	1,603,290	1,623,947	-	-
Construction contracts	3,027	13,243	-	-
Services	3,043	1,161	-	-
Rental income from investment properties	827	688	5,065	4,926
Dividends	-	-	67,500	21,441
	1,610,187	1,639,039	72,565	26,367

20. OPERATING PROFIT

	Group		Company	
	2011	2010	2011	2010
Operating profit is arrived at after charging:				
Impairment loss:				
- Goodwill	-	5,500	-	-
- Trade receivables	3,019	3,585	-	-
- Asset held for sale	-	140	-	-
- Investment in subsidiary	-	-	1,667	-
- Amount due from subsidiary	-	-	12,628	-
Amortisation of prepaid lease payments	445	439	-	-
Auditors' remuneration				
- Statutory Audit				
Auditor of the Company – current year	525	470	60	50
Auditor of the Company – prior year	50	-	50	-
Other auditors	116	40	-	-
- Other services by auditor of the Company	85	275	70	103
Bad debts written off	-	35	-	-
Depreciation of property, plant and equipment	43,117	44,206	1,042	1,222
Interest expense:				
- Subsidiaries	-	-	724	1,421
- Bank overdraft	206	1,123	164	164
- Revolving credits	8,699	4,963	6,166	4,071
- Bankers' acceptances	579	2,797	-	-
- Term loans	4,999	1,403	-	1,212
- Unsecured 3-years term loan	12,366	12,552	12,366	12,552
- Other borrowings	12,262	11,816	9,312	10,405
Operating leases expense	1,145	794	-	-
Property, plant and equipment written off	156	809	-	-
Rental expenses on property leases	6,200	6,093	861	1,035
Rental expenses on equipment	310	3,005	-	-
Research and development costs expensed as incurred	7,050	6,610	-	-
Personnel expenses (including key management personnel)				
- Contribution to Employees Provident Fund	11,089	10,839	1,483	1,432
- Wages, salaries and others	92,749	84,697	10,214	8,227
Write-down of inventories	1,044	3,046	-	-
Write-off of inventories	5,933	3,349	-	-
Net foreign exchange loss	2,733	3,332	-	-
Loss on revaluation of property, plant and equipment	-	8,955	-	-

20. OPERATING PROFIT (CONTINUED)

	Group		Company	
	2011	2010	2011	2010
and after crediting:				
Reversal of impairment loss on trade receivables	4,140	940	-	-
Change in fair value of investment properties	2,391	3,361	2,574	52
Gain on disposal of property, plant and equipment	206	2,347	12	1,731
Interest income:				
- Subsidiaries	-	-	29,154	30,882
- Associate	4	3	-	-
- Fixed deposits	4,285	3,074	3,583	1,837
- Others	571	190	-	-
Net foreign exchange gain	1,517	6,338	-	-
Gain on disposal of other investment	9,481	-	-	-
Gain on disposal of asset held for sale	-	3,804	-	1,522
Gain on disposal of investment properties	-	160	-	160

21. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2011	2010	2011	2010
Directors				
- Fees	412	410	412	410
- Remuneration	747	564	747	564
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	167	84	167	84
	1,326	1,058	1,326	1,058
Other key management personnel:				
- Remuneration	4,438	4,808	1,530	2,267
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	603	316	198	142
	5,041	5,124	1,728	2,409

Other key management personnel comprises 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.

22. INCOME TAX EXPENSE

Recognised in profit or loss

	Note	Group		Company	
		2011	2010	2011	2010
Income tax expense		18,437	26,129	11,446	5,208
Share of tax of equity accounted associate		845	791	-	-
Total income tax expense		19,282	26,920	11,446	5,208
Major components of income tax expense include:					
Current tax expense					
Malaysian - current year		26,455	25,989	10,941	6,143
- prior year		(861)	(1,322)	(249)	(150)
Overseas - current year		102	602	-	-
- prior year		(39)	364	-	-
Total current tax expense		25,657	25,633	10,692	5,993
Deferred tax expense					
Origination and reversal of temporary differences		(7,328)	1,146	729	(785)
Under/(Over) provision in prior years		108	(650)	25	-
Total deferred tax expense	10	(7,220)	496	754	(785)
		18,437	26,129	11,446	5,208
Share of tax of equity accounted associate		845	791	-	-
Total income tax expense		19,282	26,920	11,446	5,208
		%	%	%	%
Profit before tax		100	100	100	100
Income tax at Malaysian tax rate of 25%		25	25	25	25
Non-deductible expenses		32	32	14	77
Non-taxable income		(6)	(8)	(16)	(78)
Tax exempt income		(8)	(8)	-	-
Overprovision in prior years		(1)	(3)	-	(1)
Change in unrecognised temporary differences		(10)	6	-	-
		32	44	23	23

23. OTHER COMPREHENSIVE INCOME

Group	Before tax RM'000	Tax expense RM'000	Net of tax RM'000
2011			
Foreign currency translation differences for foreign operations			
- Gains arising during the year	(1,292)	-	(1,292)
Fair value of available-for-sale financial assets			
- Loss arising during the year	(16,638)	-	(16,638)
	(17,930)	-	(17,930)
2010			
Foreign currency translation differences for foreign operations			
- Gains arising during the year	123	-	123
Fair value of available-for-sale financial assets			
- Loss arising during the year	(8,687)	-	(8,687)
Revaluation of property, plant and equipment	34,644	(3,693)	30,951
	26,080	(3,693)	22,387
Company			
2011			
Revaluation of property, plant and equipment	-	-	-
2010			
Revaluation of property, plant and equipment	9,676	-	9,676

24. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2011 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2011	2010
Profit for the year attributable to ordinary shareholders	22,272	15,372

24. EARNINGS PER ORDINARY SHARE (CONTINUED)

Weighted average number of ordinary shares

	Group	
	2011 '000	2010 '000
Issued ordinary shares at 1 January	404,741	402,946
Effect of ordinary shares issued	15	1,795
Weighted average number of ordinary shares at 31 December	404,756	404,741

	Group	
	2011 Sen	2010 Sen
Basic earnings per ordinary share	5.50	3.80

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2011 was based on profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	Group	
	2011	2010
Profit for the year attributable to ordinary shareholders	22,272	15,372

Weighted average number of ordinary shares diluted

	Group	
	2011	2010
Weighted average number of ordinary shares at 31 December	404,756	404,741
Effect of conversion of warrants	55,314	55,329
Weighted average number of ordinary shares (diluted) at 31 December	460,070	460,070

The average market value of the Company's shares for purpose of calculating the dilutive effect of warrants were based on quoted market prices for the period during which the warrants were outstanding.

24. EARNINGS PER ORDINARY SHARE (CONTINUED)

Diluted earnings per ordinary share (continued)

	Group	
	2011	2010
	Sen	Sen
Diluted earnings per ordinary share	4.84	3.34

25. DIVIDENDS

Dividends recognised in the current year by the Company are:

	Sen per share (net of tax)	Total amount	Date of payment
2011			
Final 2010 ordinary (tax exempt - single tier)	2.65	10,646	22 July 2011
2010			
Final 2009 ordinary (tax exempt - single tier)	8.00	31,998	9 July 2010

After the reporting period, the following dividends were proposed by the Directors. These dividends will be recognised in subsequent financial period upon approval by owners of the Company.

	Sen per share
Final ordinary (net of tax at 25%)	0.33
Final ordinary (tax exempt – single tier)	2.42

26. OPERATING SEGMENT

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:

- Fertilizers - Manufacture and marketing of fertilizers.
- Chemicals - Manufacture and marketing of chlor-alkali and coagulant products, industrial and specialty chemicals and designing, manufacturing, installing, commissioning and providing maintenance services for water purification and waste water treatment plant systems and sale of its related products.
- Pharmaceuticals - Manufacture and marketing of pharmaceutical and healthcare products.

Other non-reportable segments comprise operations related to the investment holding company and rental of investment property.

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 of assets of each segment.

Segment liabilities

Segment liabilities information is included in the internal management reports and provided regularly to the Group's Managing Director.

26. OPERATING SEGMENT (CONTINUED)

	Fertilizers		Chemicals		Pharmaceuticals		Others		Eliminations		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Segment (loss)/profit	(11,309)	3,433	31,404	17,673	10,778	12,378	47,500	20,740	(39,134)	(21,153)	39,239	33,071
<i>Included in the measure of segment (loss)/profit:</i>												
Total external revenue	934,205	930,757	413,225	457,592	262,364	250,002	393	688	-	-	1,610,187	1,639,039
Inter-segment revenue	-	-	-	1,735	-	-	67,500	25,679	(67,500)	(27,414)	-	-
Revaluation loss	-	8,955	-	-	-	-	-	-	-	-	-	8,955
Write-down of inventories	389	1,421	655	1,318	-	307	-	-	-	-	1,044	3,046
Write-off of inventories	93	-	2,833	453	3,007	2,896	-	-	-	-	5,933	3,349
Impairment of intangible assets	-	-	-	4,000	-	1,500	-	-	-	-	-	5,500
Share of profit of associates	-	-	2,534	2,073	-	-	-	-	-	-	2,534	2,073
<i>Not included in the measure of segment profit but provided to Group Managing Director:</i>												
Depreciation and amortisation	(14,049)	(12,837)	(12,654)	(13,027)	(14,431)	(13,606)	(2,428)	(5,175)	-	-	(43,562)	(44,645)
Finance costs	(14,728)	(11,931)	(5,552)	(7,248)	(17,859)	(18,244)	(31,046)	(29,353)	30,074	32,122	(39,111)	(34,654)
Finance income	627	329	994	1,256	376	1,660	33,580	32,909	(30,717)	(32,887)	4,860	3,267
Income tax expense	(1,328)	(4,085)	(12,127)	(10,165)	(8,694)	(7,661)	(11,740)	(5,252)	15,452	1,034	(18,437)	(26,129)
Segment assets	658,813	667,022	321,852	423,910	868,643	765,278	1,233,435	1,357,375	(1,087,506)	(1,203,658)	1,995,237	2,009,927
<i>Included in the measure of segment (loss)/profit:</i>												
Investment in associate	-	-	10,538	8,004	-	-	-	-	-	-	10,538	8,004
Additions to non-current assets other than financial instrument and deferred tax assets	4,762	36,804	11,061	7,083	11,715	35,023	11,302	8,862	-	-	38,840	87,772
Segment liabilities	526,800	472,040	198,903	209,858	206,390	208,050	193,582	241,965	-	-	1,125,675	1,131,913

26. OPERATING SEGMENT (CONTINUED)

Geographical segments

The Fertilizers, Chemicals and Pharmaceuticals business segments are managed on a worldwide basis, but operate in two principal geographical areas, Malaysia and Indonesia.

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.

Geographical Segments	Malaysia		Indonesia		Other regions		Unallocated		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
External revenue	1,262,232	1,240,021	263,276	301,161	84,679	97,857	-	-	1,610,187	1,639,039
Segment assets	1,734,914	1,726,906	226,519	248,787	33,804	34,234	-	-	1,995,237	2,009,927
Segment liabilities	957,826	996,254	151,186	119,584	16,663	16,075	-	-	1,125,675	1,131,913

27. FINANCIAL INSTRUMENTS

27.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loans and receivables (L&R);
- (b) Fair value through profit or loss (FVTPL):
 - Derivatives
- (c) Available-for-sale financial assets (AFS); and
- (d) Other financial liabilities measured at amortised cost (OL).

2011	Carrying amount	L&R/ (OL)	FVTPL -Derivatives	AFS
Financial assets				
Group				
Other investments	124	-	-	124
Trade and other receivables	338,240	338,240	-	-
Cash and cash equivalents	180,541	180,541	-	-
	518,905	518,781	-	124
Company				
Trade and other receivables	681,813	681,813	-	-
Cash and cash equivalents	46,800	46,800	-	-
	728,613	728,613	-	-

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.1 Categories of financial instruments (continued)

2010	Carrying amount	L&R/ (OL)	FVTPL -Derivatives	AFS
Financial assets				
Group				
Other investments	24,515	-	-	24,515
Trade and other receivables	402,377	402,377	-	-
Cash and cash equivalents	212,159	212,159	-	-
	639,051	614,536	-	24,515
Company				
Trade and other receivables	707,727	707,727	-	-
Cash and cash equivalents	87,738	87,738	-	-
	795,465	795,465	-	-
2011				
Financial liabilities				
Group				
Loans and borrowings	(787,508)	(787,508)	-	-
Trade and other payables	(263,231)	(263,231)	-	-
	(1,050,739)	(1,050,739)	-	-
Company				
Loans and borrowings	(530,000)	(530,000)	-	-
Trade and other payables	(26,876)	(26,876)	-	-
	(556,876)	(556,876)	-	-
2010				
Financial liabilities				
Group				
Loans and borrowings	(841,210)	(841,210)	-	-
Trade and other payables, including derivatives	(221,978)	(221,919)	(59)	-
	(1,063,188)	(1,063,129)	(59)	-

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.1 Categories of financial instruments (continued)

2010	Carrying amount	L&R/ (OL)	FVTPL -Derivatives	AFS
Company				
Loans and borrowings	(580,000)	(580,000)	-	-
Trade and other payables	(42,674)	(42,674)	-	-
	(622,674)	(622,674)	-	-

27.2 Net gains and losses arising from financial instruments

	Group		Company	
	2011	2010	2011	2010
Available-for-sale financial assets				
- recognised in other comprehensive income	(16,638)	(8,687)	-	-
- recognised in profit and loss	9,481	-	-	-
Loans and receivables	5,195	2,747	32,737	32,719
Financial liabilities measured at amortised cost	(39,541)	(34,654)	(41,360)	(28,404)
	(41,503)	(40,594)	(8,623)	4,315

27.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

27.4 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 and the Company'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.

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.4 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 receivables as at the end of the reporting period by geographic region was:

	Group	
	2011	2010
Malaysia	243,853	273,728
Indonesia	73,153	102,795
Others	11,347	15,559
	328,353	392,082

Impairment losses

The ageing of receivables as at the end of the reporting period was:

Group				Net
	Gross	Individual impairment	Collective impairment	
2011				
Not past due	232,812	-	-	232,812
Past due 0 - 30 days	61,501	(4)	-	61,497
Past due 31 - 180 days	32,610	(194)	(902)	31,514
Past due more than 180 days	24,547	(18,938)	(3,079)	2,530
	351,470	(19,136)	(3,981)	328,353
2010				
Not past due	233,865	-	-	233,865
Past due 0 - 30 days	128,143	-	-	128,143
Past due 31 - 180 days	28,518	(230)	-	28,288
Past due more than 180 days	28,298	(20,402)	(6,110)	1,786
	418,824	(20,632)	(6,110)	392,082

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.4 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	
	2011	2010
At 1 January	26,742	24,196
Impairment loss recognised	3,019	3,585
Impairment loss reversed	(4,140)	(940)
Impairment loss written off	(2,504)	(99)
At 31 December	23,117	26,742

The allowance account in respect of 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 Group has invested in fixed deposits and shares quoted in Malaysia. The maximum exposure to credit risk is represented by the carrying amounts in the statement 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.

(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.

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.4 Credit risk (continued)

(iii) Inter company balances (continued)

Impairment losses

As at the end of the reporting period, the inter company balance that is assessed to be irrecoverable had been impaired other than disclosed in note 20. The Company does not specifically monitor the ageing of the advances to the subsidiaries. Nevertheless, these advances are repayable on demand. Non-current loans to subsidiaries are not overdue.

27.5 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 exposure to 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.

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:

Group	Carrying amount	Contractual interest/profit rate	Contractual cash flows	Under 1 year	1 - 2 years	2 - 5 years	More than 5 years
2011							
Secured term loan	839	7.05%	894	528	366	-	-
Unsecured term loan	83,219	1.54% - 7.00%	86,900	86,900	-	-	-
Unsecured Sukuk Musyarakah	120,000	4.35%	143,925	5,220	5,220	133,485	-
Unsecured 3-years term loan	300,000	3.92% - 3.95%	310,520	310,520	-	-	-
Unsecured non-revolving loan	10,416	3.49% - 4.10%	10,665	8,576	2,089	-	-
Unsecured bankers' acceptance	64,700	3.21% - 3.97%	64,700	64,700	-	-	-
Unsecured revolving credit	208,334	3.61% - 6.00%	208,334	208,334	-	-	-
Trade and other payables	263,238		263,238	263,238	-	-	-
	1,050,746		1,089,176	948,016	7,675	133,485	-
2010							
Secured term loan	1,289	7.05%	1,422	528	894	-	-
Unsecured term loan	14,468	1.03% - 2.45%	14,468	14,468	-	-	-
Unsecured Musyarakah medium term notes	150,000	5.95%	150,000	150,000	-	-	-
Unsecured 3-years term loan	300,000	3.92% - 3.95%	322,091	11,820	310,271	-	-
Unsecured non-revolving loan	18,750	3.49% - 4.10%	19,583	8,918	10,665	-	-
Unsecured bank overdraft	18,421	1.50% - 6.55%	18,421	18,421	-	-	-
Unsecured bankers' acceptance	133,450	3.05% - 3.55%	133,450	133,450	-	-	-
Unsecured revolving credit	204,832	2.95% - 3.85%	204,832	204,832	-	-	-
Trade and other payables	216,719		216,719	216,719	-	-	-
	1,057,929		1,080,986	759,156	321,830	-	-

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.5 Liquidity risk (continued)

Maturity analysis (continued)

Company 2011	Carrying amount	Contractual interest rate	Contractual cash flows	Under 1 year	1 - 2 years	2 - 5 years	More than 5 years
Unsecured 3-years term loan	300,000	3.92% - 3.95%	310,520	310,520	-	-	-
Unsecured Sukuk Musyarakah	120,000	4.35%	143,925	5,220	5,220	133,485	-
Unsecured revolving credit	110,000	3.72% - 4.07%	110,000	110,000	-	-	-
Trade and other payables	26,876		26,876	26,876	-	-	-
	556,876		591,321	452,616	5,220	133,485	-
2010							
Unsecured 3-years term loan	300,000	3.92% - 3.95%	322,091	11,820	310,271	-	-
Unsecured Musyarakah medium term notes	150,000	5.95%	150,000	150,000	-	-	-
Unsecured revolving credit	130,000	2.95% - 3.85%	130,000	130,000	-	-	-
Trade and other payables	42,674		42,674	42,674	-	-	-
	622,674		644,765	334,494	310,271	-	-

27.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

27.6.1 Interest rate risk

The Group's investment in fixed-rate debt securities and its fixed-rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's borrowings in variable-rate instruments are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short-term receivables and payables are not exposed to interest rate risk.

The interest rate risk for the Group is managed by a combination of both long term and short term borrowings.

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.

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.6 Market risk (continued)

27.6.1 Interest rate risk (continued)

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest earning and interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period were:

	Group		Company	
	2011	2010	2011	2010
Fixed rate instruments				
Financial assets	70,022	138,704	726,821	790,640
Financial liabilities	(777,092)	(790,812)	(530,000)	(599,640)
	(707,070)	(652,108)	196,821	191,000
Floating rate instruments				
Financial liabilities	(10,416)	(50,398)	-	-

Interest rate risk sensitivity analysis

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.

Cash flow sensitivity analysis for variable rate instruments

A change of 50 basis points ("bp") in interest rates at the end of the reporting period would have increased /(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Group	Profit or loss		Profit or loss	
	50bp increase 2011	50bp decrease 2011	50bp increase 2010	50bp decrease 2010
Floating rate instruments	(39)	39	(189)	189
Cash flow sensitivity (net)	(39)	39	(189)	189

27.6.2 Currency risk

The Group and the Company are 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, Singapore Dollar and Thai Baht.

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.6 Market risk (continued)

27.6.2 Currency risk (continued)

In respect of other monetary assets and liabilities held in currencies other than Ringgit Malaysia, the Group and the Company ensure that the net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates where necessary to address short term imbalances.

Risk management objectives, policies and processes for managing the risk

Currently, the Group does not hedge these exposures. However, the management keeps this policy under review.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

Group (Amounts are stated in RM'000)	Denominated in		
	USD	SGD	BHT
2011			
Trade receivables	22,256	3,283	29
Trade payables	(74,628)	(207)	-
Borrowings	(85,187)	-	-
Net exposure in the statement of financial position	(137,559)	3,076	29
2010			
Trade receivables	34,045	3,206	4,390
Trade payables	(53,904)	(173)	(4,186)
Net exposure in the statement of financial position	(19,859)	3,033	204

Currency risk sensitivity analysis

A 10 percent strengthening of the Ringgit Malaysia ("RM") against the following currencies at the end of the reporting period would have increased/(decreased) equity and 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.

Group (Amounts are stated in RM'000)	Profit/(Loss)	
	2011	2010
USD	10,317	1,489
SGD	(231)	(227)
BHT	(2)	(15)

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.6 Market risk (continued)

27.6.2 Currency risk (continued)

Currency risk sensitivity analysis (continued)

A 10 percent 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.

27.7 Fair values of financial instruments

The carrying amounts of cash and bank balances, trade and other receivables, trade and other payables and short term borrowings, approximate fair values due to the relatively short term nature of these financial instruments.

The carrying amount of unsecured non-revolving loan approximate fair values as they are subject to variable interest rates which in turn approximates the current market interest rates for similar facilities at the end of the reporting period.

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Group				
Quoted shares	124	124	24,515	24,515
Forward exchange contracts:				
- Liabilities	-	-	59	59
Unsecured Sukuk Musyarakah	120,000	112,000	-	-
Unsecured 3-years term loan	-	-	300,000	300,000
Secured term loan	356	356	838	838
Company				
Unsecured Sukuk Musyarakah	120,000	120,000	-	-
Unsecured 3-years term loan	-	-	300,000	300,000

The following summarises the methods used in determining the fair value of financial instruments reflected in the above table.

Quoted shares

Fair value of quoted shares is based on quoted market prices at the period end date without any deduction for transaction costs.

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.

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.7 Fair values of financial instruments (continued)

Non-derivative financial liabilities (continued)

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 : Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2011				
Financial assets				
Quoted shares	124	-	-	124

Comparative figures have not been presented for 31 December 2010 by virtue of the exemption provided in paragraph 44G of FRS 7.

28. 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 determine to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The Group's strategy was to maintain the debt-to-equity ratio of not more than 1.5:1 to comply with the banks covenant. There were no changes in the Group's approach to capital management during the financial year. The Group has not breached this covenant.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

29. CAPITAL AND OTHER COMMITMENTS

	Group		Company	
	2011	2010	2011	2010
Capital expenditure commitments				
Plant and equipment				
Authorised but not contracted for	30,454	31,027	-	-
Contracted but not provided for	35,406	53,909	16,247	42,558
	65,860	84,936	16,247	42,558

30. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to 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 or common significant influence. Related parties may be individuals or other entities.

Key management personnel are 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 a related party relationship with its subsidiaries (see note 7) and associate (see note 8).

The significant related party transactions of the Group and the Company, other than key management personnel compensation (see note 21) are as follows:

Group	Transaction value year ended 31 December		Balance outstanding as at 31 December	
	2011	2010	2011	2010
Sales of products to significant investors that has influence over a subsidiary	46,402	26,488	13,750	9,181
Company				
Rental income from subsidiaries	4,238	4,238	402	647
Shared cost charged to subsidiaries	13,349	14,338	11,507	14,338

There is no impairment made in respect of these balances outstanding at year end.

Sales to significant investors that has influence over the subsidiary in the Group are based on normal trade terms. All the amounts outstanding are unsecured.

30. RELATED PARTIES (CONTINUED)

Identity of related parties

Bursa Malaysia Securities Berhad had written a letter dated 11 October 2006 to approve the Company's application for waiver from complying with Paragraph 10.08 and 10.09 of the Listing Requirements in relation to transactions between the CCM Group of Companies and companies in which Permodalan Nasional Berhad ("PNB") and/or the Unit Trusts Funds managed by PNB companies, have interests.

31. ACQUISITIONS OF NON-CONTROLLING INTERESTS

On 28 February 2011, the Group acquired an additional interest in IPSB, DPSB and IRSB (collectively known as "Innovative Group") at total purchase price of RM7,056,000 in cash, increasing its ownership to 100%. The carrying amount of Innovative Group's net assets in the Group's financial statements on the date of the acquisition was RM59,683,000. The Group recognised a decrease in non-controlling interests of RM3,742,000 and a decrease in retained earnings of RM3,314,000.

The following summarises the effect of changes in the equity interest in Innovative Group that is attributable to owners of the Company:

	RM'000
Equity interest at 1 January 2011	55,945
Effect of increase in Company's ownership interest	3,742
Share of comprehensive income	(29,336)
Equity interest at 31 December 2011	30,351

32. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings of the Group and of the Company as at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Total retained earnings of the Company and its subsidiaries				
- realised	379,318	408,754	258,064	229,099
- unrealised	24,661	7,571	(280)	2,022
	403,979	416,325	257,784	231,121
Total share of retained earnings of associates				
- realised	10,539	7,859	-	-
- unrealised	179	145	-	-
	414,697	424,329	257,784	231,121
Less: Consolidation adjustments	(138,748)	(156,692)	-	-
Total retained earnings	275,949	267,637	257,784	231,121

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

Analysis of Shareholdings

as at 30 April 2012

Authorised Share Capital	: RM800,000,000
Issued and Paid-up Share Capital	: RM404,783,884
Class of Shares	: Ordinary Shares of RM1.00 each
Voting Rights	: One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

as at 30 April 2012

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
1 – 99	432	9.54	6,685	0.00
100 – 1,000	755	16.67	545,811	0.14
1,001 – 10,000	2,496	55.12	11,137,314	2.75
10,001 – 100,000	776	17.14	21,997,798	5.43
100,001 – 20,239,193(*)	67	1.48	50,107,316	12.38
20,239,194 and above(**)	2	0.05	320,988,960	79.30
	4,528	100.00	404,783,884	100.00

* Less than 5% of issued holdings

** 5% and above of issued holdings

SUBSTANTIAL SHAREHOLDERS

as at 30 April 2012

Names	Direct Holdings		Indirect Holdings	
	No.	%	No.	%
1. Permodalan Nasional Berhad	284,984,760	70.40	-	-
2. Citigroup Nominees (Tempatan) Sdn. Bhd. - Employees Provident Fund Board	36,004,200	8.89	-	-
3. Yayasan Pelaburan Bumiputra ^a			284,984,760	70.40

^aDeemed interested by virtue of its substantial interest in Permodalan Nasional Berhad pursuant to Section 6A of the Companies Act, 1965.

Analysis of Shareholdings cont'd

as at 30 April 2012

LIST OF TOP THIRTY (30) SHAREHOLDERS

as at 30 April 2012

No.	Names	Holdings	%
1	PERMODALAN NASIONAL BERHAD	284,984,760	70.40
2	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. – Employees Provident Fund Board	36,004,200	8.89
3	PUBLIC NOMINEES (ASING) SDN. BHD. – Pledged Securities Account for Billion Victory Sdn. Bhd. (KLC)	18,000,000	4.45
4	LEMBAGA TABUNG HAJI	7,542,100	1.86
5	CHEMICAL COMPANY OF MALAYSIA BERHAD – Share Buy Back Account	2,998,000	0.74
6	G.T.Y. HOLDINGS SDN. BHD.	2,500,000	0.62
7	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. – Maybank Trustees Berhad for Public Ittikal Fund (N14011970240)	1,753,400	0.43
8	EMPLOYEES PROVIDENT FUND BOARD	1,500,000	0.37
9	AFFIN NOMINEES (ASING) SDN. BHD. – UOB Kay Hian Pte. Ltd. for Wee Shuk Theng	848,332	0.21
10	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. – Pledged Securities Account for Nor Hayati Binti Abd Malik (1181002)	630,000	0.16
11	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. – Chua Eng Ho Wa'a @ Chua Eng Wah	622,500	0.15
12	GOH ING SING	606,600	0.15
13	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. – Pledged Securities Account for Noor Azman@Noor Hizam B Mohd Nurdin (CEB)	598,200	0.15
14	HSBC NOMINEES (TEMPATAN) SDN. BHD. – HSBC (M) Trustee Bhd for MAAKL Al-Faid (4389)	563,800	0.14
15	MENG HIN HOLDINGS SDN. BHD.	470,896	0.12
16	FU AH GOH @ FOO SEK CHENG	454,300	0.11
17	CITIGROUP NOMINEES (ASING) SDN. BHD. – CBNY for DFA Emerging Markets Small Cap Series	443,200	0.11
18	LEE YEE CHONG	422,000	0.10
19	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD – Lee Foundation, States of Malaya (00-00197-000)	420,000	0.10
20	EQUITY HEIGHTS SDN. BHD.	400,000	0.10

Analysis of Shareholdings cont'd

as at 30 April 2012

LIST OF TOP THIRTY (30) SHAREHOLDERS (CONTINUED)

as at 30 April 2012

No.	Names	Holdings	%
21	LEBTECH CONSTRUCTION SDN. BHD.	341,000	0.08
22	WONG THIAN SOON	340,000	0.08
23	LIM HOE HUP SENDIRIAN BERHAD	322,000	0.08
24	NG YONG SENG	319,400	0.08
25	CITIGROUP NOMINEES (ASING) SDN. BHD. – CBNY for Dimensional Emerging Markets Value Fund	311,000	0.08
26	GOH GEOK LOO	297,700	0.07
27	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. – Pledged Securities Account for Yeoh Keat Chye (SEC 17 PJ-CL)	287,000	0.07
28	LIM SENG GWEE	281,000	0.07
29	TAN AH KEE	278,000	0.07
30	YAP MA TIT	273,000	0.07

Analysis of Warrant Holdings

as at 30 April 2012

Exercise Price : RM1.36 per Ordinary Share
Exercise Period : 27 December 2002 up to 26 December 2012
Class of Warrant : Warrant B

DISTRIBUTION OF WARRANT HOLDERS

as at 30 April 2012

Size of Warrant Holdings	No. of Warrant-B Holders	% of Warrant-B Holders	No. of Warrant-B	% of Total Warrant-B
1 – 99	33	6.65	1,274	0.00
100 – 1,000	184	37.10	150,562	0.27
1,001 – 10,000	235	47.38	897,283	1.62
10,001 – 100,000	42	8.47	1,115,916	2.02
100,001 – 2,764,325(*)	1	0.20	300,000	0.55
2,764,326 and above(**)	1	0.20	52,821,503	95.54
	496	100.00	55,286,538	100.00

* Less than 5% of issued holdings

** 5% and above of issued holdings

SUBSTANTIAL WARRANT HOLDERS

as at 30 April 2012

Names	No. of Warrant-B held	Direct		Indirect	
			%	No. of Warrant-B held	%
1. Permodalan Nasional Berhad	52,821,503		95.54	-	-
2. Yayasan Pelaburan Bumiputra ^a				52,821,503	95.54

^aDeemed interested by virtue of its substantial interest in Permodalan Nasional Berhad pursuant to Section 6A of the Companies Act, 1965.

Analysis of Warrant Holdings cont'd

as at 30 April 2012

LIST OF TOP THIRTY (30) WARRANT HOLDERS

as at 30 April 2012

No.	Names	Holdings	%
1	PERMODALAN NASIONAL BERHAD	52,821,503	95.54
2	AMSEC NOMINEES (TEMPATAN) SDN. BHD. - Pledged Securities Account for Chin Chin Seong	300,000	0.54
3	LIM EIK HOY	85,000	0.15
4	TA NOMINEES (TEMPATAN) SDN. BHD. - Pledged Securities Account for Koay Ean Chim	70,000	0.13
5	LIM POH FONG	58,700	0.11
6	TAN AH KEE	57,000	0.10
7	TA NOMINEES (TEMPATAN) SDN. BHD. - Pledged Securities Account for Tong Chin Hen	50,500	0.09
8	YEW TUCK KAI	50,000	0.09
9	N SADASIVAN A/L N N PILLAY	50,000	0.09
10	BOO KWIE LIANG	50,000	0.09
11	TAN AH KEE	40,000	0.07
12	LIM TEH REALTY SDN. BERHAD	38,000	0.07
13	PRETAM SINGH A/L CHANAN SINGH	25,000	0.05
14	CITIGROUP NOMINEES (ASING) SDN. BHD. - Exempt AN for Citibank NA, Singapore (Julius Baer)	25,000	0.05
15	TAM LEY CHIAN	25,000	0.05
16	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. - Chua Eng Ho Wa'a @ Chua Eng Wah	25,000	0.05
17	TAN SEE GHEE	25,000	0.05
18	TEH YEE LIANG	24,700	0.04
19	HDM NOMINEES (ASING) SDN. BHD. - Phillip Securities Pte. Ltd. for Ho Poey Wee	22,000	0.04
20	LIM YONG KEAT	20,000	0.04
21	HLG NOMINEE (TEMPATAN) SDN. BHD. - Bank of China Nominees (Pte) Ltd. for Chow Ai Hwa	20,000	0.04

Analysis of Warrant Holdings cont'd

as at 30 April 2012

LIST OF TOP THIRTY (30) WARRANT HOLDERS

as at 30 April 2012

No.	Names	Holdings	%
22	MAYBANK SECURITIES NOMINEES (ASING) SDN. BHD. - Maybank Kim Eng Securities Pte. Ltd. for Lee Keow Jit	20,000	0.04
23	SOON KHIAT VOON	20,000	0.04
24	NG SU YEE	20,000	0.04
25	TEOH OOI KING ONG	20,000	0.04
26	LOH YEW VOON @ LAU AH MOI	18,832	0.03
27	CHIN MOH PLANTATIONS SDN. BERHAD	18,000	0.03
28	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. - Pledged Securities Account for Hoe Chien Yuan (MLK/SS)	17,000	0.03
29	GOH HUA SIA	17,000	0.03
30	ANG SIEW HOONG	17,000	0.03

List of Top Ten (10) Properties

as at 31 December 2011

Location	Tenure	Lease Period	Area (square metre)	Description	Approximate Age of Building	Net Book Value (RM million)	Date of Valuation
Shah Alam Works Padang Jawa, Klang Selangor Darul Ehsan	Leasehold	99 years (1973-2072)	286,992	Industrial land, factory and offices	13 - 42 years	75.50	December 2011
CCM Duopharma GM1391 & GM2239 Lot No. 2599 & 2600 Mukim and District of Klang Selangor Darul Ehsan	Freehold	-	23,270	Industrial land, factory warehouse and offices	17 years	65.10	December 2011
UPHA Factory Lot 11454, 11458, 11459 Mukim of Kajang	Leasehold	99 years (1987-2086)	22,099	Industrial land, factory and office	22 - 63 years	62.30	December 2011
Lahad Datu CCMA Fertilizers Plant CCM Agriculture (Sabah) Lot No. 33A, Phase 2, POIC Complex Jln Kastam, Lahad Datu	Leasehold	98 years (2006-2104)	67,421	Industrial land, factory and offices	2 years	43.75	December 2011
Kemena Land Bintulu Lot 3121 & Lot 3122 Block 26 Kemena Land District	Leasehold	60 years (1998-2058)	78,752	Industrial land and factory	3 years	32.07	December 2011
No. 18 & 18A Jalan Tun Ismail Kuala Lumpur	Freehold	-	8,878	Residential land and buildings	44 years	28.99	December 2011
Pasir Gudang Works Pasir Gudang Johor Darul Takzim	Leasehold	60 years (1991-2051)	104,599	Industrial land, factory and offices	20 years	26.70	December 2011
No 16A Jalan Tun Ismail Kuala Lumpur	Freehold	-	8,498	Residential land and buildings	44 years	25.62	December 2011
CCM Pharma No. 2, Jalan Saudagar U1/16, Seksyen U1 Hicom Glenmarie Industrial Park, Shah Alam Selangor Darul Ehsan	Freehold	-	5,907	Industrial land, factory and offices	15 years	22.00	December 2011
CCM Water Systems Sdn. Bhd. PT No. 609 & 610, Seksyen 16 District of Petaling, Shah Alam Selangor Darul Ehsan	Leasehold	99 years (1995-2094)	14,492	Industrial land, factory and offices	17 years	12.81	December 2011

Recurrent Related Party Transactions of a Revenue or Trading Nature

As at the Annual General Meeting held on 27 June 2011, the Company had obtained a 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 Listing Requirements, details of the Recurrent Related Party Transactions audited during the financial year ended 31 December 2011 pursuant to the shareholders mandate are as follows:-

Transaction	Vendor/ Provider	Purchaser/ Recipient	Aggregate Value (RM'000)	Related Parties
Sale of chemicals	CCM Chemicals Sdn. Bhd. (CCMC)	CCM Usaha Kimia (M) Sdn. Bhd.	13,167	<i>Interested Director/ Interested Person Connected:</i> Amirul Feisal bin Wan Zahir ¹
Sale of fertilizers	P.T. CCM Agripharma (PTCCMA)	P.T. TH Indo Plantations	49,427	<i>Interested Major Shareholder:</i> Lembaga Tabung Haji (LTH) ²
Sale of chemicals	CCMC	Innovative Group	3,343	<i>Interested Director/ Interested Person Connected:</i> Amirul Feisal bin Wan Zahir ¹
Sale of fertilizers	CCM Fertilizers Sdn. Bhd. (CCMF)	CCM Agriculture Sdn. Bhd. (CCMA)	8,637	<i>Interested Director/ Interested Person Connected:</i> Amirul Feisal bin Wan Zahir ¹
Sale of fertilizers	CCMF	CCM Agri-Max Sdn. Bhd. (CCMAM)	2,790	<i>Interested Director/ Interested Person Connected:</i> Amirul Feisal bin Wan Zahir ¹
Sale of fertilizers	CCMF	PTCCMA	21,812	<i>Interested Director/ Interested Person Connected:</i> Amirul Feisal bin Wan Zahir ¹
Sale of fertilizers	CCMF	TH Plantations Berhad	46,402	<i>Interested Major Shareholder:</i> Lembaga Tabung Haji (LTH) ²
Sale of fertilizers	CCMAM	CCMF	5,011	<i>Interested Director/ Interested Person Connected:</i> Amirul Feisal bin Wan Zahir ¹
Sale of fertilizers	CCMF	CCM Siam Limited	-	<i>Interested Director/ Interested Person Connected:</i> Amirul Feisal bin Wan Zahir ¹
Rental of warehouse cum office at Lot PT 200, Persiaran Selangor, 40000 Shah Alam, Selangor	CCMF	CCMAM	2	<i>Interested Director/ Interested Person Connected:</i> Amirul Feisal bin Wan Zahir ¹

Recurrent Related Party Transactions of a Revenue or Trading Nature cont'd

Transaction	Vendor/ Provider	Purchaser/ Recipient	Aggregate Value (RM'000)	Related Parties
Provision of Shared/ Management Services ³	Chemical Company of Malaysia Berhad (CCM)	Max Agriculture Sdn. Bhd.	1	<i>Interested Director/ Interested Person Connected:</i> Amirul Feisal bin Wan Zahir ¹
Provision of Shared/ Management Services ³	CCM	CCMF	1,354	<i>Interested Director/ Interested Person Connected:</i> Amirul Feisal bin Wan Zahir ¹
Provision of Shared/ Management Services ³	CCM	CCMC	2,158.8	<i>Interested Director/ Interested Person Connected:</i> Amirul Feisal bin Wan Zahir ¹
Provision of Shared/ Management Services ³	CCM	CCM Watercare Sdn. Bhd.	47.3	<i>Interested Director/ Interested Person Connected:</i> Amirul Feisal bin Wan Zahir ¹
Provision of Shared/ Management Services ³	CCM	CCM Chemtrans Sdn. Bhd.	0.6	<i>Interested Director/ Interested Person Connected:</i> Amirul Feisal bin Wan Zahir ¹
Provision of Shared/ Management Services ³	CCM	CCM Chemtrade Sdn. Bhd.	0.6	<i>Interested Director/ Interested Person Connected:</i> Amirul Feisal bin Wan Zahir ¹
Provision of Shared/ Management Services ³	CCM	P.T. CCM Indonesia	260.1	<i>Interested Director/ Interested Person Connected:</i> Amirul Feisal bin Wan Zahir ¹
Provision of Shared/ Management Services ³	CCM	CCM Water Systems Sdn. Bhd.	388.7	<i>Interested Director/ Interested Person Connected:</i> Amirul Feisal bin Wan Zahir ¹
Provision of Shared/ Management Services ³	CCM	CCM International (Philippines), Inc	179.8	<i>Interested Director/ Interested Person Connected:</i> Amirul Feisal bin Wan Zahir ¹
Provision of Shared/ Management Services ³	CCM	CCM Duopharma Biotech Berhad	1,278.0	<i>Interested Director/ Interested Person Connected:</i> Amirul Feisal bin Wan Zahir ¹
Provision of Shared/ Management Services ³	CCM	CCM Pharmaceuticals (S) Pte. Ltd.	134.8	<i>Interested Director/ Interested Person Connected:</i> Amirul Feisal bin Wan Zahir ¹

Recurrent Related Party Transactions of a Revenue or Trading Nature cont'd

Transaction	Vendor/ Provider	Purchaser/ Recipient	Aggregate Value (RM'000)	Related Parties
Provision of Shared/ Management Services ³	CCM	Duopharma (M) Sendirian Berhad	1,632.4	<i>Interested Director/ Interested Person Connected:</i> Amirul Feisal bin Wan Zahir ¹
Sale of fertilizers	CCMAM	PTCCMA	-	<i>Interested Director/ Interested Person Connected:</i> Amirul Feisal bin Wan Zahir ¹
Sale of fertilizers	CCMF	CCM Agriculture (Sabah) Sdn. Bhd. (CCMA(S))	2,255	<i>Interested Director/ Interested Person Connected:</i> Amirul Feisal bin Wan Zahir ¹
Sale of fertilizers	CCMA	PTCCMA	-	<i>Interested Director/ Interested Person Connected:</i> Amirul Feisal bin Wan Zahir ¹
Sale of fertilizers	CCMA(S)	PTCCMA	-	<i>Interested Director/ Interested Person Connected:</i> Amirul Feisal bin Wan Zahir ¹
Provision of Shared/ Management Services ³	CCM	CCMF Agronomic and Technical Services Sdn. Bhd.	1	<i>Interested Director/ Interested Person Connected:</i> Amirul Feisal bin Wan Zahir ¹

Notes:-

1. Amirul Feisal bin Wan Zahir is the Group Managing Director of CCM effective 1 August 2011. He is a Director of CCM Duopharma Biotech Berhad, CCM Chemicals Sdn. Bhd., CCM Fertilizers Sdn. Bhd., CCM Pharmaceuticals Sdn. Bhd. and Upha Pharmaceutical Manufacturing (M) Sdn. Bhd., and has no direct interest in these companies. Amirul Feisal bin Wan Zahir is an interested director and an interested "Person(s) connected" as defined in the Definition section of the Circular to Shareholders dated 5 June 2012, and is deemed interested in the Proposed Shareholders Mandate by virtue of him being a director and person connected to CCM.
2. Lembaga Tabung Haji holds direct interest of 49.9% in the issued share capital of CCM Fertilizers Sdn. Bhd. and 1.86% in the issued share capital of CCM. Lembaga Tabung Haji also holds a direct interest of 64.38% in TH Plantations Berhad and therefore, has interest in the transaction.
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 Fiftieth Annual General Meeting of the Company will be held at Ballroom 1, Sunway Putra Hotel (formerly the Legend Hotel), 100 Jalan Putra, 50350 Kuala Lumpur on Wednesday, 27 June 2012 at 2.30 p.m. for the following purposes:-

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2011 together with the Reports of the Directors and Auditors thereon. **Ordinary Resolution 1**
2. To approve a Final Dividend of 2.86 sen per ordinary share for the financial year ended 31 December 2011 comprising the following:- **Ordinary Resolution 2**
 - (a) Gross Final Dividend of 0.44 sen per ordinary share (less 25% tax); and
 - (b) Final Tax Exempt Dividend of 2.42 sen per ordinary share.
3. To re-elect the following Directors retiring under Article 91 of the Articles of Association of the Company:- **Ordinary Resolution 3**
 - (a) Dato' Azmi bin Mohd. Ali **Ordinary Resolution 4**
 - (b) Khalid bin Sufat
4. To approve the ordinary remuneration amounting to RM411,976 payable to the Directors entitled to receive the ordinary remuneration for the financial year ended 31 December 2011. **Ordinary Resolution 5**
5. To approve the increase in the ordinary remuneration payable to the Directors entitled to receive the ordinary remuneration with effect from 1 January 2012, in the manner as determined by the Board, as follows:- **Ordinary Resolution 6**
 - (a) Payment of RM100,000 per annum for the Chairman of the Board;
 - (b) Payment of RM75,000 per annum for each Non-Executive Director.
6. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 7**
7. To transact any other business of which due notice shall have been received.

As Special Business

To consider and, if thought fit, to pass the following Resolutions:-

8. Proposed Renewal of Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate") **Ordinary Resolution 8**

"That subject to the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company and/or its subsidiaries shall be mandated to enter into the recurrent related party transactions of a revenue or trading nature with the related party as specified in Sections 2.2.1 and 2.2.5 of the Circular to Shareholders dated 5 June 2012 which are necessary for the Company and/or its subsidiaries' day-to-day operations subject further to the following:-

- (i) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public, and the transactions are undertaken on arm's length basis and are not to the detriment of the minority shareholders;
- (ii) the approval is subject to annual renewal and shall continue to be in force until:-
 - (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the forthcoming AGM at which such mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
 - (b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143[1] of the Companies Act, 1965 but shall not extend to such extension as may be allowed pursuant to Section 143[2] of the Companies Act, 1965; or
 - (c) revoked or varied by resolution passed by the shareholders in a general meeting,whichever is the earlier; and
- (iii) the disclosure is made in the Annual Report of the aggregate value of transactions conducted pursuant to the Proposed Shareholders' Mandate during the financial year.

And that the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

9. **Proposed Amendments to the Articles of Association of the Company ("Proposed Amendments")**

Special Resolution 1

"That the deletions, alterations, modifications, variations and additions to the Articles of Association of the Company as set out in the Circular to Shareholders dated 5 June 2012 be and is hereby approved."

NOTICE OF BOOK CLOSURE

NOTICE IS HEREBY GIVEN that subject to the approval of the Shareholders at the forthcoming AGM, a Final Dividend of 2.86 sen per ordinary share comprising Gross Final Dividend of 0.44 sen per ordinary share (less 25% tax) and Final Tax Exempt Dividend of 2.42 sen per ordinary share in respect of the Company's financial year ended 31 December 2011 will be paid on 24 July 2012 to shareholders whose names appear in the Record of Depositors on 3 July 2012.

Notice of Annual General Meeting cont'd

A Depositor shall qualify for entitlement to the Dividend only in respect of:-

- (a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 3 July 2012 in respect of ordinary transfer;
- (b) Shares deposited into the Depositor's Securities Account before 12.30 p.m. on 29 June 2012 in respect of shares which are exempted from mandatory deposit; and
- (c) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

NOOR AZWAH BINTI SAMSUDIN (LS 0006071)

IBRAHIM HUSSIN SALLEH (LS 0009121)

Company Secretaries

Kuala Lumpur

Date: 5 June 2012

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. 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.
3. 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.
4. The instrument appointing a proxy must be deposited at the Company's Registrar, Symphony Share Registrars Sdn. Bhd. Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time appointed for holding the meeting.

EXPLANATORY NOTES ON SPECIAL BUSINESS

- (i) Ordinary Resolution 8 – Proposed Renewal of Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate").

The explanatory notes on Ordinary Resolution 8 are set out in the Circular to Shareholders dated 5 June 2012.

- (ii) Special Resolution 1–Proposed Amendments to the Articles of Association of the Company ("Proposed Amendments").

The Special Resolution 1 proposed, if passed, will render the Articles of Association of the Company to be consistent with the new requirements under Chapter 7 of the Listing Requirements pursuant to Bursa Malaysia Securities Berhad's letter dated 22 September 2011.

Statement Accompanying the Notice of the Fiftieth 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 two (2) 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 34 to 35 of this Annual Report.

Proxy Form

CHEMICAL COMPANY OF MALAYSIA BERHAD (5136-T)

(Incorporated in Malaysia)

I/We _____
(FULL NAME IN CAPITAL LETTERS)

of _____
(FULL ADDRESS)

being *a shareholder/shareholders of **Chemical Company Of Malaysia Berhad** (the Company) hereby appoint: _____

(FULL NAME IN CAPITAL LETTERS)

of _____

(FULL ADDRESS)

as my/our proxy to vote for me/us at the Fiftieth Annual General Meeting of the Company to be held at Ballroom 1, Sunway Putra Hotel (formerly the Legend Hotel), 100 Jalan Putra, 50350 Kuala Lumpur on **Wednesday, 27 June 2012 at 2.30 p.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.	ORDINARY BUSINESS	RESOLUTION NO.	FOR	AGAINST
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2011 together with the Reports of the Directors and Auditors thereon.	Ordinary Resolution 1	<input type="checkbox"/>	<input type="checkbox"/>
2.	To approve a Final Dividend of 2.86 sen per ordinary share for the financial year ended 31 December 2011 comprising the following:- a) Gross Final Dividend of 0.44 sen per ordinary share (less 25% tax); and b) Final Tax Exempt Dividend of 2.42 sen per ordinary share	Ordinary Resolution 2	<input type="checkbox"/>	<input type="checkbox"/>
3.	To re-elect the following Directors retiring under Article 91 of the Articles of Association of the Company:- (a) Dato' Azmi bin Mohd. Ali (b) Khalid bin Sufat	Ordinary Resolution 3 Ordinary Resolution 4	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>
4.	To approve the ordinary remuneration payable to the Directors amounting RM411,976 for the financial year ended 31 December 2011.	Ordinary Resolution 5	<input type="checkbox"/>	<input type="checkbox"/>
5.	To approve the increase in the ordinary remuneration payable to the Directors with effect from 1 January 2012, as follows:- a) Payment of RM100,000 per annum for the Chairman of the Board; b) Payment of RM75,000 per annum for each Non-Executive Director	Ordinary Resolution 6	<input type="checkbox"/>	<input type="checkbox"/>
6.	To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration.	Ordinary Resolution 7	<input type="checkbox"/>	<input type="checkbox"/>
Special Business:				
7.	Proposed Renewal of Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate").	Ordinary Resolution 8	<input type="checkbox"/>	<input type="checkbox"/>
8.	Proposed Amendments to the Articles of Association of the Company ("Proposed Amendments").	Special Resolution 1	<input type="checkbox"/>	<input type="checkbox"/>

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. 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.
3. 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.
4. The instrument appointing a proxy must be deposited at the Company's Registrar, Symphony Share Registrars Sdn. Bhd. Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time appointed for holding the meeting.

Signature/Seal

No. of shares

Signed this _____ day of _____ 2012.

fold

affix
postage
stamp

The Registrar

CHEMICAL COMPANY OF MALAYSIA BERHAD (5136-T)

Level 6, Symphony House

Block D13, Pusat Dagangan Dana 1

Jalan PJU 1A/46

47301 Petaling Jaya

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