



CHEMICAL COMPANY
OF MALAYSIA BERHAD
(5136-T)

50 years
living ahead

annual report 2012



living ahead
INSPIRING GROWTH



A tree grows strong when it is given the right nourishment while it is still a sapling. Similarly, a nation's wellbeing is supported by happy, healthy people and robust industrial growth.

With our Chemicals Division supporting the industrial and manufacturing sector, the Fertilizers Division increasing agricultural yields and the wide array of healthcare and pharmaceutical products from our Pharmaceuticals Division, the core businesses of Chemical Company of Malaysia Berhad have been working in synergy to enhance the quality of life of the people in the region.

As a responsible manufacturer of pharmaceuticals, chemicals and fertilizers, we recognise our pivotal role in protecting the environment and continuously endeavour to ensure that our products are safe with minimal impact on Mother Earth.

CCM's slogan of 'Living Ahead' hopes to inspire growth in the industry by continually investing in innovations and new methodologies to ensure that we are able to support the future needs of the next generation.

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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**



We inspire and energise everyone to be the best



We consistently deliver outstanding performance through innovative solutions



We succeed together because we work as one



We conduct ourselves with pride in being honest and ethical



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



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



Financial CALENDAR

Financial Year End 31 December 2012
Annual General Meeting 26 June 2013

PROPOSED FINAL DIVIDEND

Entitlement date 2 July 2013
Payment date 23 July 2013

ANNOUNCEMENT OF 2012 TRADING RESULTS

Three months	(1st Quarter)	21 May 2012
Six months	(2nd Quarter)	17 August 2012
Nine months	(3rd Quarter)	23 November 2012
Full year	(4th Quarter)	27 February 2013



Financial REVIEW

TURNOVER AND PROFITABILITY

(RM'mil)	Turnover		Profit/(Loss) before tax	
	2012	2011	2012	2011
Pharmaceuticals	284.8	262.4	25.5	19.5
Chemicals	352.2	413.2	39.0	43.5
Fertilizers	876.3	934.2	10.7	(10.0)
Intersegment Eliminations and others	0.7	0.4	(3.3)	4.7
Group	1,514.0	1,610.2	71.9	57.7

LIQUIDITY

(RM'000)	2012	2011
Net cash from operating activities	41,162	75,276
Net cash used in investing activities	(33,201)	(21,176)
Net cash generated from/(used in) financing activities	105,149	(83,463)
Exchange difference on translation of the financial statements of foreign operations	823	(2,255)
Net increase/(decrease) in cash and cash equivalents	113,933	(31,618)
Cash and cash equivalents at 1 January	179,994	211,612
Cash and cash equivalents at 31 December	293,927	179,994



Financial HIGHLIGHTS

as at 31 December

Statement of Financial Position

(RM'000)	2012	2011
Total non-current assets	993,511	1,000,854
Total current assets	1,058,671	994,383
Total assets	2,052,182	1,995,237
Financed by:		
Share Capital	457,630	404,756
Reserves	31,273	16,860
Retained profits	345,779	319,916
Total equity attributable to equity holders of the Company	834,682	741,532
Minority interest	133,272	128,030
Total equity	967,954	869,562
Total non-current liabilities	575,683	143,143
Total current liabilities	508,545	982,532
Total liabilities	1,084,228	1,125,675
Total equity and liabilities	2,052,182	1,995,237

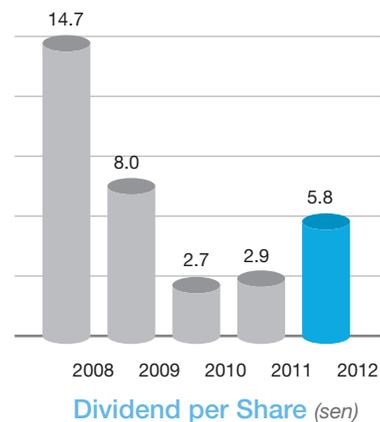
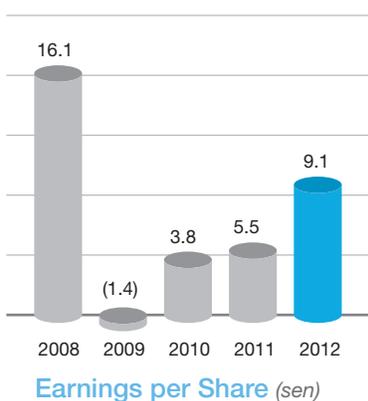
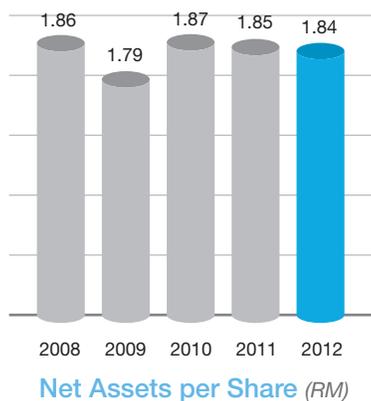
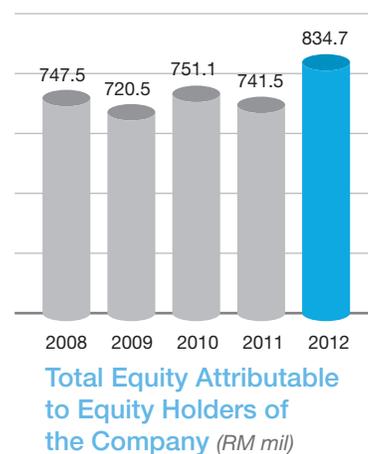
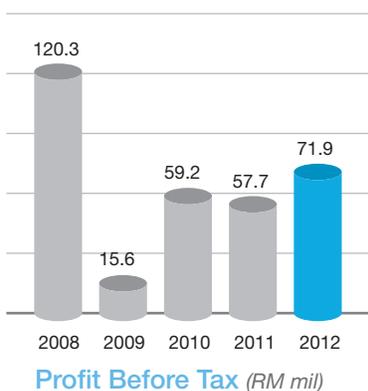
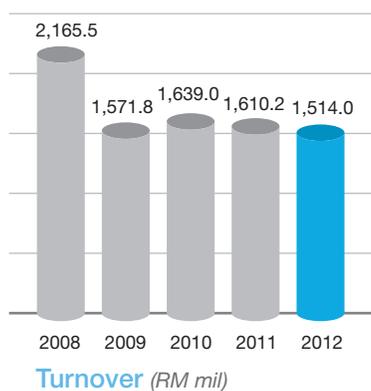
Statement of Profit or Loss and Other Comprehensive Income

(RM'000)	2012	2011
Revenue	1,514,030	1,610,187
Profit before tax	71,882	57,676
Taxation	(17,863)	(18,437)
Profit for the year	54,019	39,239
Profit attributable to:		
Owners of the Company	36,912	22,272
Non-controlling interest	17,107	16,967
Profit for the year	54,019	39,239



Group Financial RATIOS

	2012	2011		2012	2011
Profitability (%)			Market Ratios		
Turnover growth rate	(5.97)	(1.76)	Net Assets per share (RM)	1.84	1.85
Profit after taxation as a % of turnover	3.57	2.44	Earning per share (sen)	9.11	5.50
Return on Equity	6.02	4.51	Dividend per share (sen)	5.75	2.86
Liquidity			Productivity		
Current Ratio (x)	2.08	1.01	Turnover per employee (RM'000)	766	793
Acid test ratio (x)	1.36	0.61	Total Assets per employee (RM'000)	1,038	983
			Number of employees	1,977	2,030





Chairman's
STATEMENT



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



Chairman's STATEMENT cont'd



Dear Shareholders,

2012 has been a year of perseverance. I am happy to note that some of the strategic initiatives undertaken by CCM Group since two years ago have started to bear fruits and show improvements in the Group's financial results. Although the overall business environment is still very tough and various market conditions continue to present many challenges to our operations, I must commend all the members of the CCM family, from staff, middle management, senior management all the way to the Board members for all the hard work, commitment and steadfastness shown in our journey towards continuous improvement. One small step that we take may indeed result in significant gains to the Group.



The initial results of the cost rationalisation initiatives for the Fertilizers Division, in addition to the favourable market conditions in the pharmaceuticals sector, have helped to strengthen margins. On the other hand, despite experiencing a challenging market, our Chemicals Division has continued its positive contribution to the Group.

Overall, CCM Group continued its performance enhancement programme, with all three business divisions implementing various operational initiatives to consolidate their positions, which include cost optimisation and business portfolio rationalisation strategies. This was done together with other various strategic initiatives to establish a solid foundation for future growth. We believe that the measures undertaken 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 CCM Group for the financial year ended 31 December 2012.

OUR PERFORMANCE

For the financial year ended 31 December 2012, CCM Group's profit before tax increased by 24.6% to RM71.9 million from RM57.7 million albeit on the back of slightly declining total revenue of RM1,514.0 million, which was 6.0% lower than the previous year's RM1,610.2 million.

The Chemicals Division remained as the largest contributor of profits, although 10.3% lower at RM39.0 million from RM43.5 million in 2011. The decline in profitability was mainly due to a combination of factors attributed to restructuring of business segments, increase in utility costs and softer commodity market. This was also reflected in the fall in revenue for the division by 14.8% to RM352.2 million from RM413.2 million in the preceding year.

The Pharmaceuticals Division recorded an 8.5% increase in revenue of RM284.8 million from RM262.4 million for the period under review. Profit before tax for the division surged by 30.3% to RM25.4 million from RM19.5 million as a result of improved sales and margins to both the government and private sectors.

The Fertilizers Division has shown marked improvement in its performance during the year under review, registering profit before tax of RM10.7 million – a recovery from loss before tax of RM10.0 million in the preceding year. This was despite lower revenue recorded by the division amounting to RM876.3 million, which represented a 6.2% decline from RM934.2 million in 2011. The turnaround was attributed to the increase in gross profit margins of compound and straights/mixture fertilizers as well as the division's ongoing cost rationalisation efforts.

In addition, there was also recognition of change in fair value of investment properties of RM7.3 million, which has contributed positively towards CCM Group's overall profitability. CCM Group's cash position was also strengthened due to positive operating cash flows as well as proceeds from conversion of warrants. Further, CCM Group has also refinanced its short-term borrowings into long term, thus reducing its short-term obligations from RM665.1 million to RM293.6 million for the year ended 31 December 2012. Accordingly, this has raised long-term borrowings from RM122.4 million to RM550.0 million. The overall refinancing strategy however, has allowed CCM Group to focus on various strategic initiatives to improve operations in the short and medium term.

DIVIDEND

The Board of Directors is recommending a final dividend (single tier) of 5.75 sen for the current period ended 31 December 2012, more than double from 2.86 sen in the previous year.

BUSINESS OUTLOOK AND PROSPECTS

This year, Malaysia's GDP is expected to continue to grow steadily at a rate of 4.5% to 5.5%. Nevertheless, in light of continued uncertain global market conditions and increasingly competitive markets, 2013 may still be a challenging year for all of CCM Group's businesses.

Demand in the manufacturing sector is expected to remain resilient with an expected growth rate of 5.0% annually until 2015. However, the Chlor-Alkali market is expected to experience a challenging first half of 2013, attributed to regional market dynamics. However, conditions are expected to improve incrementally as we go into the second half of the year. Our trading and polymer coating businesses are expected to cushion the cyclical effect of the Chlor-Alkali market. Therefore, we expect that our Chemicals Division to continue to contribute positively in 2013.

The Government is expected to continue its focus on the pharmaceutical sector, which is one of the National Key Economic Areas (NKEA) under the Economic Transformation Programme (ETP). Under the improvement of healthcare delivery initiative through the establishment of 1Malaysia Clinics and new hospitals across the country, our Pharmaceuticals Division is poised to benefit from steady

demand for generic products. In addition, the general trends of increasing life expectancy and growing affluence of the population would also translate into increased demand for pharmaceutical products in the long term.

The high inventory of crude palm oil (CPO) is putting a downward pressure on global prices and therefore, margins for plantation owners. This is owing to factors such as slower global economic growth and lower demand for CPO. However, the situation is expected to improve as we move towards the second half of 2013. Moreover, various initiatives on operational excellence in the Fertilizers Division are bearing positive results and expected to mitigate the volatility in the market. Continuous efforts on operational efficiency and market penetration in both local and regional markets are expected to support further improvements to the Fertilizers Division.

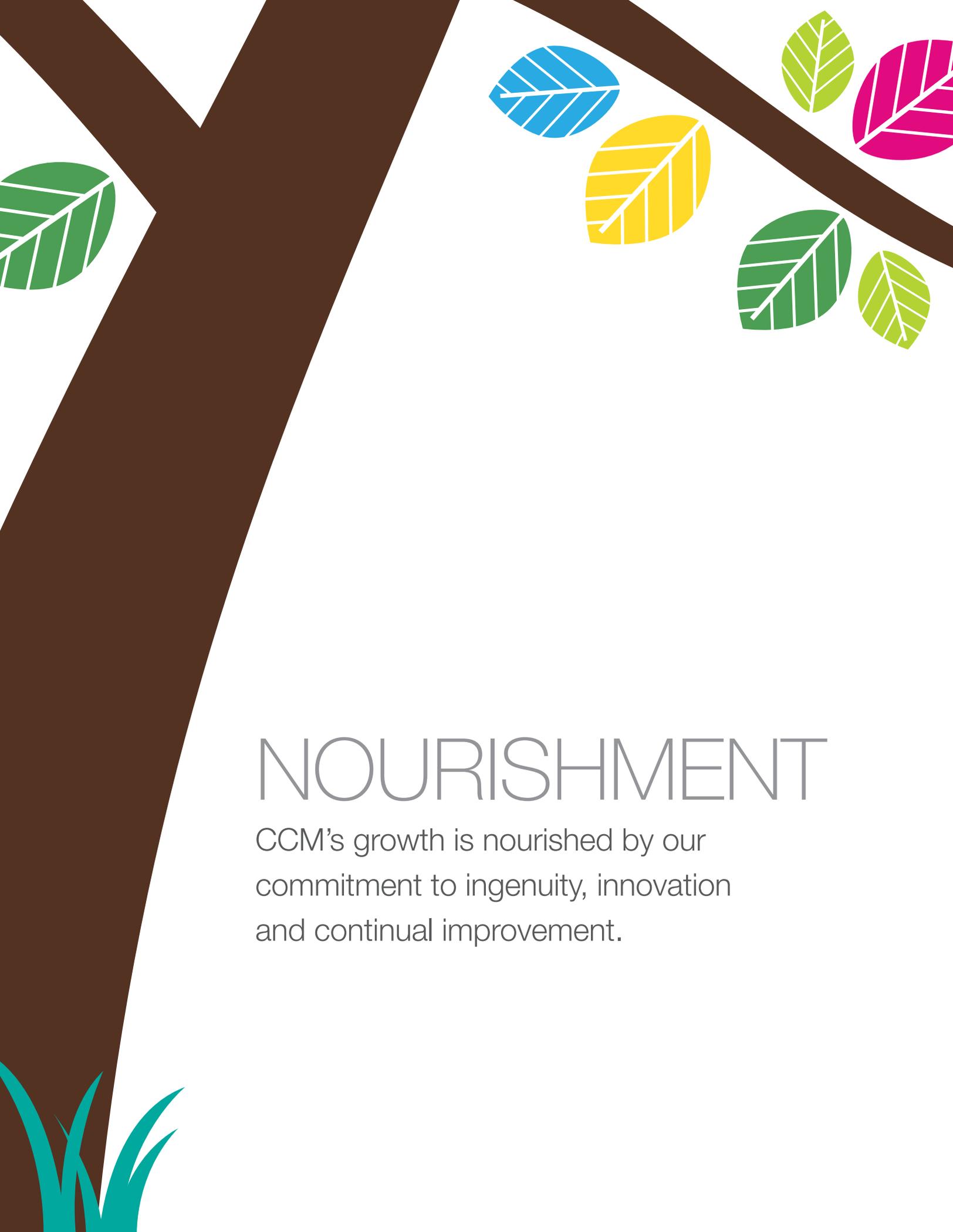
As a Group, we firmly believe in knowledge enhancement and continuous improvement. In line with this, CCM Group is putting greater emphasis on research and development (R&D) to enhance product portfolio and meeting customer needs in the short and long term in all of our businesses. The R&D is undertaken through strategic collaboration with both local and foreign major industry players and local institution of higher learning. This shall be the prevailing theme to ensure that CCM Group's current business operations and ventures consistently progress, while providing a strong foundation for future growth.

ACKNOWLEDGEMENT

The year 2013 is an auspicious year in that CCM Group will be celebrating its 50th Anniversary. I sincerely would like to thank all our stakeholders especially the shareholders, customers and partners for persevering with us in both the good and bad times. I would also like to commend my fellow Board members, management and all staff for the continuous improvement in our results in 2012. Although 2013 is expected to be a challenging year, with everyone's continuous support, passion and commitment, CCM Group shall continue to grow from strength to strength.

Thank you.

**Tan Sri Dato' Sri Hamad Kama Piah
bin Che Othman**
Chairman



NOURISHMENT

CCM's growth is nourished by our commitment to ingenuity, innovation and continual improvement.





Group Managing Director's
OPERATIONS REVIEW



Amirul Feisal bin Wan Zahir
Group Managing Director

“ The Group recorded a strong performance in the financial year 2012 where our profit after tax improved by 38% to RM54.0 million from RM39.2 million in 2011. The improved profit was achieved despite recording lower revenue of RM1,514.0 million against RM1,610.2 million in 2011. Our Pharmaceuticals and Fertilizers businesses showed significant profitability improvement relative to the previous year. Our Chemicals Division remains our largest contributor in terms of profit, although lower profits were recorded compared to last year. Overall, the better performance despite the challenging commodity markets affecting our Chemicals Division can be partly attributed to the Company’s efforts in improving operational efficiency under its transformation programme launched in 2011. ”

CHEMICALS DIVISION

The Chemicals Division continued to be the top contributor to the Group’s profit before tax despite a fall by 10% to RM39.0 million from RM43.5 million in 2011 due to lower sales and cost increases during the period. Revenue for the division declined by 15% to RM352.2 million from RM413.2 million last year as a result of softening commodity prices and the ongoing rationalisation of its trading business portfolio. The rationalisation had among others, contributed positively in terms of improved profit margin for the division.

The Chemicals Division’s manufacturing segment comprising our Chlor-Alkali and polymer coating businesses continued to be the key drivers behind the division’s performance. During the period under review, both caustic soda prices and demand from the oleochemical market softened relative to the previous year. This reduction was however, compensated by sales of other Chlor-Alkali and coagulant products. In addition, to maintain profitability in our business, the division maximised utilisation of the plant and embarked on various

cost optimisation programmes whilst managing raw material costs. The impact of the downward cycle of caustic soda prices was also cushioned further by our polymer coatings business, supplying products to surgical and examination rubber glove manufacturers, and our Watercare businesses, supplying predominantly chlorine and coagulants.

Our trading operations have been streamlined to focus on key industry segments covering health and hygiene, surface coatings, food and pharmaceutical, polyurethane and rubber chemicals businesses. Our Indonesian operations has been restructured to become more lean and more focused on expanding our Watercare and polymer coatings businesses, which are the division’s core areas of strength. A similar strategy to refocus our business on our core strengths has also been adopted in our Singapore and Philippine offices. Our efforts to date to rationalise these businesses will prepare the regional offices to better capture the profitable growth potential of the industry segments we are focusing on in the coming years.



Group Managing Director's OPERATIONS REVIEW cont'd

Despite facing pressure on raw material cost increase coupled with intense price competition, the polymer coating business had managed the market fairly well, with only a slight decline in profit.

Going forward, a key strategy for the division is to improve profitability through product innovation and by adding value to existing traded products through semi-manufacturing process. During the period under review, the division has expanded its Research & Development (R&D) team as well as stepped up efforts in collaborating with institutions of higher learning, domestic and abroad, and selected customers to bring new value added products into the market. Some of the notable new product launches in 2012 include more advanced features in our polymer coating system and new effective former cleaning agents for the production of powder-free gloves and a systems house for polyurethane blending. Moving forward, we will continue to invest in human capital and laboratory facilities in order to accelerate our product development cycle.

In carrying out our business, the division continues to practise the highest standards of Safety, Health and Environment (SHE). At the Chemical Industries Council of Malaysia (CICM) Responsible Care Awards presentation 2012, the division received Gold Awards in Process Safety Code to signify our high standards in operating a chemical plant; Employee Health and Safety Code to ensure the employees' health and safety welfare are taken care of; and Product Stewardship Code to ensure we manage our chemical products with the highest safety, health and environment standards from the day we produce till we dispose them. We were also granted the Silver Award for Community Awareness and Emergency Response Code to recognise our efforts in making our surroundings a safer place to live in and the Distribution Code to show that we adopt the safest way to distribute our products around the country and also for exports. We were also recognised with a Merit Award as a company that promotes pollution prevention and cleaner environment.

PHARMACEUTICALS DIVISION

The Pharmaceuticals Division performed well with profit before taxation for the financial year ended 31 December 2012 increasing 30% to RM25.4 million from RM19.5 million in 2011 following higher revenue and improvement in gross profit margins. The division's revenue improved by 9% to RM284.8 million in 2012 from RM262.4 million in 2011. The improved performance for the year was largely driven by higher sales to both the public and private sectors.

In 2012, the Pharmaceuticals Division focused its Ethical business efforts in niche areas such as oncology, biosimilars and vaccines while enhancing its R&D activities to strengthen the division's product pipeline and customer offerings. Our ISO17025 certified R&D facility, Innovax Sdn. Bhd., completed the development of 10 generic products that include sustained release products which differentiate the division's products from commodity generics. We have also adopted a two pronged strategy to address its future pipeline, leveraging the expiry of Innovator Patents to introduce new generic products as well as to pursue strategic partnerships with major multinational players.

One such partnership was an exclusive licensing and distribution rights agreement from Biocon Ltd, India through its Malaysian wholly owned subsidiary to appoint the division to market, sell and distribute a range of insulin products in Malaysia and Brunei. Separately, the division also inked a strategic collaboration on clinical trials and distribution with Korea's PanGen Biotech Inc. to pioneer development of biosimilars for kidney failure treatment in Malaysia. The agreement, exchanged at the Malaysian Pavilion during the 2012 BIO International Convention in Boston, Massachusetts, USA will jumpstart CCM Group's foray into biosimilars. Both these partnerships are expected to contribute positively to the Group in the future. The division will continue pursuing other strategic partnerships to augment future performance.

The Pharmaceuticals Division continues to be committed to the Quality, Safety and Efficacy of all its products, working closely with the National Pharmaceutical Control Bureau (NPCB) to ensure all its immediate release oral solid dosage products are in compliance with Bio-Equivalence (BE) requirements. As at the end of 2012, over 70 products have achieved Bio-Equivalent status with a further 140 products to achieve the same over the next 5 years.

Branding remains a key focus for the Group, especially in the Pharmaceuticals Division, which holds an array of brands that has made their mark in the Over-the-Counter (OTC) market in Malaysia and in the region. Branding conveys the positioning of the CCM Group, thus its maintenance is highly important to ensure customers' willingness to pay for CCM products is maintained.

As part of brand maintenance, the division embarked on a brand revitalisation programme for its primary OTC range in 2012, namely *Champs*, *Flavettes*, *Naturalle* and *Proviton*. The range will be refreshed via introduction of new livery and through heightened branding programmes. In this manner, visibility is expected to increase and brand equity will be reinforced.

The brand revitalising programme started with the refreshing of the *Champs* livery, the leading regional brand for children's health supplements. Visibility and conveyance of the brand's positioning were enhanced with several prominent billboards that were set-up along the North-South Highway, just before the 'Balik Kampung' rush for 2012 Aidilfitri.

Champs, the first Halal certified children's vitamin range globally, has helped in the development of strong and healthy children since its introduction, providing them with an array of multivitamins and Vitamin C in various flavours and tablet shapes, essential for their growing up years. *Champs* was also exclusively supplied to selected schools nationwide, providing the essential nutrients to some 500,000 school children under the Government's '*Vitamin For School*' programme in 2012 funded by 1MDB.

On the regional front, additional focus was placed in the Philippines, Indonesia and Vietnam with enlarged sales and marketing teams in line with growth of the businesses on the back of additional registrations in the respective jurisdictions.

The division also continued to leverage on its leadership in the Halal pharmaceutical segment to add value to its pharmaceutical manufacturing. Halal accreditation and the branded nature of its products will be a key differentiator especially in the Asean region, Middle East and North African countries. This leadership position was further augmented when all three facilities under the Pharmaceuticals Divisions; CCM Pharmaceuticals Sdn. Bhd., Upha Pharmaceutical Manufacturing (M) Sdn. Bhd. and Duopharma (M) Sdn. Bhd. were the first recipients of the Halal Pharmaceuticals certification based on the world's first Halal Pharmaceuticals Standard MS2424:2012 Halal Pharmaceuticals – General Guidelines.

The division's stellar year was also marked with the award of 2013 Frost & Sullivan Malaysia Pharmaceutical Company of the Year – Generic Drug Category.

In terms of operational excellence, the division has also completed a rationalisation in distribution that delivered savings of approximately RM800,000 in 2012 utilising the SAP Enterprise Resource Planning software implemented at the beginning of the year. A new depot was also completed in Kota Bharu that will serve the East Coast market. The new depot will augment the division's presence in terms of distribution channels for Peninsular Malaysia, apart from other existing depots in Johor, Penang and Ipoh and also improve 'On Time In Full' (OTIF) performance.

2013 will see the continuation of the division's strategic focus in niche therapeutics, revitalisation of its OTC range, regional expansion and Halal leadership in the pharmaceutical space.



Group Managing Director's OPERATIONS REVIEW cont'd

FERTILIZERS DIVISION

The Fertilizers Division reported a two-fold growth in profit before tax to RM10.7 million from a loss before tax of RM10.0 million in the same period last year. However, revenue slipped 6% to RM876.3 million for the period under review from RM934.2 million last year due to lower volume of compound fertilizers sold to the plantations and dealers sectors by approximately 18% when compared to the same period last year.

The division embarked on a comprehensive programme to turn around the operations. Efforts included a review of the division's management line-up and organisational structure, strengthening sales and business relationships, operational improvements centred around OTIF deliveries, consistent quality products, cost efficiencies, better planning and supply chain management processes, more focused attention on working capital management and foreign exchange risk. As a result of the turnaround efforts, the division improved its profit margins significantly despite recording lower revenue for the year.

Although the division recorded a two-fold improvement in profit, our operations in Medan and Lahad Datu remain challenging and combined, recorded loss before tax of RM8.5 million. The division will focus on stepping up our efforts to establish strategic partnerships with major plantations and establish platforms to facilitate continuous development of new and enhanced formulations to meet the specific requirements of large plantations and smallholder groups at different geographical and topographical applications. Apart from the natural focus in the dealers and plantations markets, the division will also reach out to the government sectors.

In February 2013, the division launched two new products, namely, Cock's Head Brand (CHB) Organic Compound's

Super 6 and *Max 7* aimed at fulfilling the growing demand for environmentally friendly organic fertilizers. This is part of the division's strategy to expand the existing range of products to capture emerging market demand. Both *Super 6* and *Max 7* are a combination of organic matters derived from oil palm by-products and fortified with mineral fertilizers. The content of the product conditions the soil, restores the natural microbial activities and growth, thereby enhancing the fertilizer efficiency uptake and plant growth. *Max 7* addresses the high demand of fertilizer for young and immature palms and *Super 6* addresses the nutrient needs of the high yielding mature palms.

A key strategy for the division is to get closer to the end users, namely the farmers and plantations positioning ourselves not just as a manufacturer of fertilizers but also as solution providers to their agricultural requirements. During the period under review, the division expended significant effort on branding and promoting our products by focusing on direct marketing with end users through technical and training forums and road tours. Farmers were given training on Good Agricultural Practices (GAP) and were provided agronomic services to assist them to achieve higher yields.

Going forward, the division will continue its turnaround efforts focusing on strengthening its market position, managing tightly its supply chain, using Lean Six Sigma as a methodology to gain production efficiencies and cost savings, and managing commodity and foreign exchange risk.

WHERE WE ARE ON OUR TRANSFORMATION JOURNEY

With the launch of the *Change Starts With Me* transformation programme in 2011, a number of initiatives were implemented in 2012 centred under the four main thrusts; Strategy, Operations, People and Financial.



Objectives

- Sustainable profitable growth
- Focused emphasis on know-how

OWNERSHIP

- Getting a fair return from our investments*
- Knowing what can go wrong and how to prepare ourselves**

EXCELLENCE

- Instill drive for continuous improvement
- A sense of pride in everything that we do

CULTURE

- Instill core values in our minds

PROCESS

- Strong foundation for a motivated workforce

- Strengthen internal controls
- Efficient reporting processes with robust analytics
- Efficient tax and funding

Initiatives

CLEAR DIRECTION

OWNERSHIP &
EXCELLENCE

BE FAIR

CONTROLS & COST
MANAGEMENT



Group Managing Director's OPERATIONS REVIEW cont'd

Strategy

The strategic progress of each of the divisions is discussed under the specific divisional reports. In summary, the Chemicals Division is focused on improving and expanding its portfolio with higher margin products through innovation and collaboration. The Pharmaceuticals Division is laying the foundations to become a regional champion by strengthening its product portfolio and capitalising on investments in niche therapeutic areas for ethical products. For its over-the-counter products, the division is being more selective in reinvigorating our well known brands to have a greater impact on the market. And finally, our Fertilizers Division is spending efforts to increase the market share for our products by emphasising on consistency in quality, OTIF, competitive pricing and advisory services.

Operations - Ownership

An important component of our transformation programme is to instill a sense of ownership and responsibility in all our employees. As we strive for growth and profitability, it is important for us to be responsible and manage our business risks appropriately such that we are always prepared should events do not come in our favour. To facilitate our risk management process, the Group enhanced its risk management function with the implementation of an automated Enterprise Risk Management (ERM) system, referred to internally as *RiSmart*. Risk owners have access to the system 24 hours a day thereby increasing the ownership, transparency and efficiency of risk reporting. The system also enables real-time online review enabling discussion and collaboration among relevant staff regardless of where they are physically located. Designed based on the international guideline for managing risks ISO 31000, *RiSmart* also provides dashboards for senior management and the Board of Directors to have a clear idea of top strategic, operational and emerging risks, and monitor progress of implementing controls to reduce risks.

To ensure that risks of new investments are appropriately captured, our expenditure proposal framework was enhanced with a clear requirement for risk analysis of projects to be independently reviewed by the Risk Department. All risk analysis, controls and commentary for new capital expenditures are documented appropriately in *RiSmart*.

Operations - Excellence

As a global industry average, the Cost of Poor Quality (COPQ) is about 20-25% of total revenue for manufacturing industries, and about 35% for service industries. However, 'world class' companies strive for efficiencies and achieve COPQ of around 5-8%. Given our revenue, the potential savings for CCM in striving to achieve world class COPQ levels is very significant. To achieve our goal of reducing COPQ, CCM implemented a Lean Six Sigma programme across the Group, to be implemented over a 3-year period from its official launch on 31 May 2012. Lean Six Sigma is a fusion of two business process improvement methodologies: 'Lean', aimed at addressing the business' internal needs of reducing waste and improving business processes and 'Six Sigma', aimed at addressing customer needs of reducing variation and thus possibility of defects. The fusion of Lean and Six Sigma results in a methodology that is driven by the need to change and continuously improve to meet the goals of the business and stakeholders.

As of 31 March 2013, the Group has undertaken 82 projects over a wide range of functions including sales and marketing, procurement and supply chain, warehousing and transportation, plant operations, SHE, Human Resource, finance, information technology and support services across all our divisions and at headquarters. Although in its early stage, we have approximately 53 high performing staff that have undergone the Lean Six Sigma training who are on course to completing their Green Belt certification which typically takes one year to complete. Our aim is to certify as many as 160 staff with either Black Belt or Green Belt certification within 3 years of the programme implementation such that the proliferation of Lean Six Sigma qualified staff will result in a cultural change throughout the organisation to continuously improve.

To further demonstrate our commitment towards operational excellence at the corporate level, our head office embarked on a journey to improve our processes for shared services covering the financial, administration and human resources functions for the Group in 2012. The effort was rewarded at the end of the year with the award of a triple certification: ISO9001:2008 Quality Management System, ISO14001:2004 Environmental Management System and OHSAS18001:2007 Health & Safety Management System simultaneously from the international certification body, Bureau Veritas Certification.

On the IT front, the Group successfully implemented Enterprise Resource Planning (ERP) solution namely the SAP system, to its Pharmaceuticals Division entities, regional entities and Head Office in February 2012. This is part of the Group's initiative to establish best practices across key business functions promoting greater visibility, transparency and efficiency. The Group will continue to implement productivity and efficiency enhancing IT solutions across the Group.

People

Our people are the most important resource in this organisation. We have at the start of our transformation focused on two broad areas, namely to instill our core values in the hearts and minds of each employee and to improve our processes to lay the foundations necessary for a motivated workforce.

As a measure of people engagement, we embarked on an Employee Engagement survey with the year 2012 being the first year of our Employee Engagement Action Planning rollout. We achieved an Employee Engagement Index score of 74, which is below the average norm of Malaysian companies of 78. As we progress through our transformation, the Group will endeavour to improve on its engagement score. We already see some progress in the form of a clear trend of lower staff attrition rates from a high of 20% in 2009 to 10% in 2012. The average attrition rate for Malaysian companies is at 11%.

In our efforts to embed core values in individuals, our employee performance management system was enhanced to recognise core values and behavioural traits in the employees annual performance review in 2012. A certain percentage of the total employee performance score will be based on his or her behavioural competencies against our core values. In addition, we also introduced a rewards and recognition programme referred to as the Small Miracle Award, or more known as the 'SMILE Award' to promote and reinforce positive behavior. The award is presented to employees who have demonstrated exemplary behaviors that are in line with our core values. In 2012, a total of 84 employees received the SMILE Award with actions such as providing assistance to BOMBA in putting out the fire which broke out at the Tanjung Langsat Sanitary Landfill which is under Majlis Perbandaran Pasir Gudang (MPPG). Another successful winner of the SMILE Award was to recognise CCM Duopharma's achievement in exceeding the production target which contributed significantly to the bottom line of its Sterile Powder sales. Last but not least, various charity initiatives driven by our employees using their personal time were also recognised under this award.

During the year, we emphasised our efforts on nurturing and expanding our high performing staff by embarking on a number of initiatives based on our Talent Management and Learning and Development frameworks. In terms of managing our talent, we have identified key high potential and high performing staff through a comprehensive selection process which includes a review of the individual's performance appraisals ratings, as well as external assessments covering psychometric assessments and StrengthsFinder to form our pool of talents. Each of the identified talent will have a Talent Individual Development Plan which will provide them with an outline of all the necessary talent development programmes and modules that they will undergo. These programmes and modules have been carefully selected to groom them for future leadership roles in CCM. These talents will play a key role in CCM to achieve our business goals and objectives in 2013 and beyond.



Group Managing Director's OPERATIONS REVIEW cont'd

During the year, we also initiated a Graduate Trainee Program (GTP) to attract and retain young talents to ensure long-term successors for CCM. Recruitment for the GTP includes attracting young graduates from international universities as well as from the top universities locally. In 2012, we welcomed the first batch of young talents recruited from the best universities in United Kingdom for our GTP which was launched on 1 October 2012. The GTP participants are undergoing a comprehensive one-year programme that has been carefully designed to challenge them to deliver their best as well as commit and contribute to the delivery of our Vision and Mission. Mentors were carefully selected from our senior management team to impart their experience and knowledge to the participants in their one-year journey. Our recruitment for GTP candidates involve participating in international career fairs in the United Kingdom, Australia and Malaysia and allows us to strengthen our 'Employer of Choice' branding beyond our shores.

The Group also took a conscious effort in strengthening the learning and development framework. The new framework advocates a higher focus on on-the-job training and knowledge-sharing amongst employees. Formal knowledge-sharing sessions involving lectures and seminars from senior management have been underway in 2013. The framework benefits the Group by ensuring that the experience and knowledge of senior management are retained while simultaneously minimising training costs.

Financial

In 2012, the Group embarked on various cost improvement initiatives amongst others, portfolio rationalisation on chemicals trading businesses, reducing contract labour costs, improving plant fixed costs and improving productivity and efficiency via our Lean Six Sigma programme. These cost improvement initiatives have notably improved the Group's gross profit margin to 18.3% from 16.1% in 2011.

The Group has successfully refinanced its short term loans due in 2012 to more cost attractive term loans, while spreading their maturities to 2014 and 2015. This effort reduced the Group's finance costs for 2012 by RM3.8 million to RM35.3 million from RM39.1 million in 2011.

Whilst we strive for greater success, corporate governance and compliance matters remain a high priority to complement our growth initiatives. We view governance and compliance as a check-and-balance tool that allows us to step back from all our endeavours and ensure that our quest for higher performance does not stray from ethics, risk management and governance standards. Much has been learnt about lessons from fallen organisations from the recent global financial crisis.

In 2012, we changed our internal audit methodology from compliance auditing towards risk-based auditing. Consequently, this method pre-empts issues that could impact the operations and profitability of the Group to ensure that corrective actions are taken. Following the change in methodology, Management were found to be more receptive towards the Internal Audit Department based on internal feedback and also based on the number of requests by Management for special audits. Apart from the routine scheduled audits, audit investigations were also carried out to strengthen the processes that were involved at the operations level.

With encouragement from the Securities Commission on public-listed companies, the Group has adopted most of the principles and recommendations from the Malaysian Code on Corporate Governance 2012 (MCCG), in order to promote a strong governance foundation. Amongst others, the Group adopted principles such as upholding integrity in financial reporting, recognise and manage risks, and ensuring timely and high quality disclosure.

CCM'S CONTINUING COMMITMENT TO HALAL

CCM's name is also synonymous with being a key player in the Halal industry. We continue to stamp our leadership mark in this growing industry which not only fulfills the needs of Muslims but also everyone worldwide as 'Halalan Thoyyiban' manifests the high safety, efficacy, quality and hygiene aspects of a Halal certified product in addition to being permissible for use and consumption by Muslims.

During the year under review, we had expanded our pool of strategic partners by establishing the network with Institute of Islamic Understanding Malaysia or more well known as IKIM (Institut Kefahaman Islam Malaysia) which was established by

the Government of Malaysia to promote the understanding of Islam on a global scale. We had collaborated with them to organise the 4th Edition of our annual CCM Halal Awareness Seminar, of which our session which was opened to the public, received good response through the publicity made by IKIM.fm, a popular radio channel which can also be tuned in online worldwide.

Our efforts in promoting our Halal leadership to increase the market share through various participation in seminars and road shows bore fruit as we had successfully captured the interest of the Health Services Division of the Malaysian Armed Forces, Ministry of Defence Malaysia (MinDef) and University Malaya Medical Centre (UMMC), organising several activities and initiatives together in line with our common aspiration to meet the needs of the Muslims and upholding the universal values for the benefit of everyone, Muslims and non-Muslims alike.

We also continued to be invited as speakers/panelists for the topic on Halal Pharmaceuticals at both national and international levels, such as the 1st Technical Meeting on the Development and Harmonisation of Standards on Pharmaceuticals and Vaccines among OIC Member States, Training on the Halal Standards & Conformance Infrastructure for OIC Member States, Global Islamic Finance Forum 2012, World Halal Forum 2012 and several local Halal Pharmaceutical Awareness Seminars organised, amongst others, by the State Health Services Department, Kelantan, Universiti Sains Islam Malaysia (USIM), Universiti Teknologi MARA (UiTM) and most importantly as a presenter and case study for JAKIM's '*Kursus Pemahaman Produk Farmaseutikal*' which its Halal Hub Division had organised for the Halal certification and enforcement officers in JAKIM and also the religious state authorities.

CCM Pharmaceuticals Division was given due recognition for being the forefront in developing the Halal Pharmaceuticals industry and infrastructure when it won the MS User Award 2012 awarded by the Department of Standards Malaysia, Ministry of Science, Technology and Innovation.

The pinnacle of our achievement in spearheading the Halal industry is the carving of another milestone by being the first to receive the Halal Pharmaceuticals certification based on the world's first Halal Pharmaceuticals Standard MS2424: 2012 Halal Pharmaceuticals – General Guidelines, awarded by JAKIM in 2013.

50 YEARS, LIVING AHEAD

CCM turns 50 this year, celebrating five decades of commitment to enhancing the quality of life for all Malaysians. Since the birth of our company where we became Malaysia's first compound fertilizer manufacturer, the first Chlor-Alkali plant operator and later, one of the largest pharmaceuticals manufacturer, we can proudly say that we have contributed to the nation's growth through our products and services. 50 years later, our three main businesses; Chemicals, Pharmaceuticals and Fertilizers remain at the forefront of their industries commanding leadership positions in terms of market share, manufacturing capacity or technology. This 50th anniversary is a tribute to the dedication and commitment that has been demonstrated by all our stakeholders that have supported us all these years in making us to what we are today.

A number of events are being planned for CCM to celebrate its golden jubilee in 2013. The anniversary will be celebrated throughout 2013 and will involve various stakeholders including shareholders, customers, regulators, media and employees. Among the activities lined up include mini carnivals that will be organised at several intervals throughout the year, culminating in a Mega Carnival at the end of 2013 and also the Anniversary Gala Dinner to primarily mark the golden jubilee.

ACKNOWLEDGEMENT

The better performance in the year 2012 compared to last year is a testament that our efforts to improve each of the businesses have borne fruit, albeit gradually. We remain optimistic that good progress can be continued in future years for CCM to achieve its strategic objectives. On behalf of the senior management of CCM, we would like to acknowledge and give a special appreciation to the Board of Directors for their guidance and unwavering commitment to see CCM grow to greater heights. We would also like to thank all our employees for their dedication and support throughout the year.

Amirul Feisal bin Wan Zahir

Group Managing Director



Sustainability & CORPORATE RESPONSIBILITY



CCM's Corporate Responsibility is embedded within the Company's culture as we recognise the importance of integrating our business values and operations to meet the expectations of our shareholders. We strive to make a difference in the community that we operate in and continuously seek to enhance our corporate values and adopt ethical business practices with the ultimate aim of enhancing the quality of life.

As required under the Malaysian Code on Corporate Governance 2012, the Group has adopted the guidelines under the Securities Commission CSR Framework 2006 to achieve its sustainability objectives in the areas of Stakeholders and Marketplace expectations, Environment, Workplace Sustainability and Community Needs. The Corporate Sustainability Policy can be accessed from the Company's official website at www.ccMBERHAD.com.



ENVIRONMENT

Rakan Alam Sekitar

During the year in review, CCM once again collaborated with the Ministry of Natural Resources & Environment to promote awareness and educate the young on the importance of preserving the environment, particularly in conserving our rivers, through the *Program Rakan Alam Sekitar*. This was the first time the programme was held in Peninsular Malaysia after the inaugural programme in Pensiangan, Sabah in 2010.

In September 2012, we worked with the Parliamentary Constituent of Bukit Katil, Melaka to conserve the river at Taman Persisiran Sungai Tasik Utama, Ayer Keroh. Six schools in Melaka were chosen to participate in the programme, whereby students actively carried out activities such as monitoring water quality and testing the pH level of the river.

Sekolah Lestari

Sekolah Lestari is a joint collaboration project between the Department of Environment (DOE), Johor and CCM with SK Taman Pasir Putih chosen as the pioneer school under this programme. This programme inculcates environmental education through the incorporation of positive environmental values in school management, curriculum, co-curriculum and greening activities in a continuous manner towards the development as a way of life that is in line with the concept of sustainable development.

The programme involves the school community as a whole, with participation from local communities, government, private sector and non-governmental organisations. It also serves as a centre of learning and education that can assist both the school community and society towards a way of life that is sustainable through current and planned environmental activities.

Through this programme, SK Taman Pasir Putih has been nominated as one of the finalist representing the Johor state for the primary school category at the national level competition.

COMMUNITY

CCM PINTAR Programme

4 of CCM PINTAR Schools completed their 3-year term under the programme in mid 2012. SK Padang Jawa, Shah Alam, SK Padang Garong 2, Kota Bharu, SK Sungai Ramal Dalam, Bangi, and SK Sungai Tisang, Bintulu were each awarded a plaque from CCM to mark the end of their journey with us. As part of their final task, the schools were required to come up with ideas to upgrade their schools and executing them. Winning suggestions put forth include having their own 'Herb Land', building a new court, a covered assembly area and a walkway. The four schools were awarded RM20,000 each by CCM to execute their ideas.

A group of students from the CCM PINTAR programme also had the opportunity to visit CCM Pharmaceuticals in Bangi to learn about the manufacturing of pharmaceutical products and the processes involved. The students, aged 10-12, were able to view the packing machines at the viewing gallery and participated in indoor games focusing on teamwork.

Sahabat Korporat Tabung Haji Programme

The Group contributed 40,000 personal health kits to the pilgrims performing the Haj through the *Sahabat Korporat Tabung Haji* programme. These health kits are used to treat minor ailments that could arise during the course of their pilgrimage, and comprised our Halal-certified products such as *Flavettes Vitamin C*, *O-Fresh*, *Uphamol 650*, *Sloans Analgesic Rub*, *Eye Glo* and *Donna Glucosamine*.

13th MSAM, Sabah

Sabah was the location of the 13th Minggu Saham Amanah Malaysia (MSAM) where CCM set up a booth at the event. We took the opportunity to provide *Sahabat Sihat* and *Chat Diet* – free health checks and diet consultancy services for the visitors. It was also an ideal platform to promote our new online portal for buying CCM Pharmaceuticals' products. Overall our booth received an overwhelming response where all our pharmaceutical and fertilizers products were almost sold out by the end of the week.

PGM Tour

CCM extended its support for the growing PGM (Professional Golf of Malaysia) Tour with a sponsorship of RM200,000 to the PGM-CCM Impian Masters 2012. This was our second year supporting the fledgling PGM Tour, and our sponsorship was an expression of confidence in the growing success and prominence of PGM's 19-leg championship.

MARKETPLACE

CCM JATI Programme

In heeding the government's call to the industry to engage with local universities, CCM kicked-off the CCM JATI (Jalinan Universiti dan Industry) programme, with the aim of building and moulding entrepreneurial capacity among local pharmacy graduates. Our aim is to pioneer 500 new entrepreneurs in community pharmacy retail by 2020. 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 various aspects of marketing, business management, retail and Halal pharmaceuticals, through their interaction with CCM's experienced professionals and industry members.

In October 2012, we expanded our CCM JATI initiative, by successfully collaborating with Universiti Teknologi Mara (UiTM) following our strategic tie-ups with Universiti Sains Malaysia (USM) and Universiti Malaysia Sabah (UMS) previously. Through this, UiTM will identify 50 students annually from their Faculty of Pharmacy, to take part in the CCM JATI programme to prepare them for a future as community pharmacists.

MAHA International Show 2012

CCM was once again one of the exhibitors at the Malaysia Agriculture, Horticulture & Agrotourism (MAHA) International Show 2012, held at the Malaysia Agro Exposition Park, Serdang (MAEPS) from November 23-December 2. The 10-day event themed 'Agriculture Transformation through Innovation' featured product showcase achieved in the agriculture and agro based sector, through local and foreign technology and innovation. Both our Pharmaceuticals and Fertilizers Divisions took the opportunity to interact and promote their products to the visitors.

WORKPLACE

Employee Team Building

The Group's HR division organised several skills improvement workshops for our staff throughout the year, such as the *Microsoft Excel 2007 (Intermediate & Advanced)*, *Finance for Non-Finance Managers Workshop*, *Write It Right* – for employees to learn business writing skills, *Enhancing Your Professional Image for Success*, and many more. These were part of our efforts to develop the capabilities of our staff in various areas outside of their immediate job scopes. We view these additional skills as a necessary competitive advantage in today's business environment.

62 of our colleagues attended a 2-day workshop entitled, *Take Charge*, to learn how to build a mindset of improving quality of life. The activities focused on strengthening communication skills, effective listening and building positive relationships with people around us.



Sustainability & CORPORATE RESPONSIBILITY cont'd

The Pharmaceuticals Division's Committee Members (DCM) initiated team-building programmes for the employees to foster closer working relationships. Due to the size of the workforce, events will be staggered over the next two years covering smaller sized teams. The first Off-Site Team Building Programme for the Pharmaceuticals Division was held between 14-16 September 2012 with a total of 206 staff from Bangi, Klang and Innovax.

The Healthy Living Programme (HLP) Committee of CCM Pharmaceuticals in Bangi also held their annual 'Healthy Week 2012' in September 2012. The event featured talks, quizzes, games and activities by several organisations promoting healthy living. The event helped create awareness on healthy living and shed light on important issues through the talks.

New Year, New You

New Year New You (NY2) is a joint effort by Group Internal Audit, Group SHE and Group HR, to encourage all CCM employees to lead a healthier and more enriching lifestyle, in line with our motto 'Enhancing Quality of Life'. The 6-month programme, which kicked off in June 2012, saw 25 participants registered to embrace a healthier lifestyle.

An integral part of the programme is the personalised training session once a week for 25 weeks. The first Personal Training (PT) session included a weigh-in of the participants and readings by a Body Analysis & Weight Management Expert. Participants were also briefed on the food they should take and consequences of skipping meals. Other activities organised throughout the programme included aerobics, badminton and health talks.

Career & Education Fairs

On the career and education front, CCM took part in several career fairs and expos, including the second round of the *Graduan Career Fair*, *The Graduan Australia Recruitment Drive 2012* and the *Carnival Nusajaya – Career Expo*. The Graduan recruitment drive expanded our scope of recruiting young graduates from abroad, this time in Australia, and bringing the CCM brand to overseas students. CCM also lent its support to the celebration launch in Nusajaya by setting up a booth and introducing the visitors to various ways to help them enhance their quality of life.

Festive Celebrations

In celebrating the month of Ramadhan, CCM organised its 'Majlis Berbuka Puasa' with its employees. The occasion was also blessed with the presence of orphans aged from 5 to 10 years from Rumah Penyayang Hembusan Kasturi, Klang. Amidst the fun and feasting, the children were also given 'duit raya' from our Chairman, YBhg. Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman.

Our Fertilizers and Chemicals Divisions also joined forces to organise their own 'Majlis Berbuka Puasa'. It was attended by employees and their families from both divisions, and students from SK Padang Jawa and Sek Amal Asnaf Al-Barakh, Banting. They also contributed to Masjid Al Solihin and Pusat Jagaan Lembaian Kasih (Tahfiz) from Sg. Penchala. All the Fertilizers' sites including Medan, Jakarta, Lahad Datu and Bintulu organised their own 'Majlis Berbuka Puasa' at their respective sites too.

Sports

10 November 2012 marked the grand finale of our 2012 KSCCM Sports Carnival. Showcasing the finest team spirit and sportsmanship, the various divisions worked hand-in-hand to vie for the Champion title. At the end, the victory went to CCM Duopharma for a second consecutive year.

Meanwhile, CCMC PGW Sports Club organised a badminton tournament as part of their sports carnival, along with other games such as futsal, table tennis, darts and carrom. We would also like to applaud our employees from CCM Agriculture (Sabah) Sdn. Bhd. who succeeded in scaling Mount Kinabalu, Sabah. We hope that this spirit of determination and sportsmanship will continue to permeate the CCM Group.



Safety, Health and ENVIRONMENT



The Group has always been dedicated to promoting stringent Safety, Health and Environment (SHE) standards and regulations across its Chemicals, Pharmaceuticals and Fertilizers Divisions. Our commitment to SHE is reflected through our compliance with industrial best practice, international safety operating standards and statutory & regulatory requirements, as well as our continuous efforts to ensure the best working environment for all our employees and the communities that we operate in.



In 2011, the Group started 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. We have established targets and KPIs for all levels of the respective divisions and benchmarked them against industry standards. This is to ensure that we consistently meet all critical parameters and maintain our leadership position in SHE management, which is a key strategic thrust for the Group.

Overall, the Group recorded better performance in 2012 compared to 2011 in terms of our key sustainability indicators. In terms of safety and health, the Group's systematic and structured approach towards hazard management contributed to the significant reduction in Lost Time Injury Frequency (LTIF). By identifying and controlling hazards, we successfully reduced the average to 1.37 last year, compared to 2.95 recorded in 2011. We recorded an average of 3.93 for our Total Recordable Case Frequency (TRCF) compared to 4.92 in the previous year, and we did not encounter any major safety or health incidents.

As a result of optimising our production processes and reducing electricity consumption i.e. through the adoption of Lean Six Sigma and the implementation of environmental aspects and impact assessments, we effectively brought down the level of CO₂ emissions to 0.036 (million tCO₂e) compared to 0.038 in 2011.

During the year in review, the Group was recognised for our commitment and leadership in SHE through a string of accolades and awards. CCM Berhad was certified with ISO9001 for Quality, ISO 14001 for Environment and OHSAS18001 for Health and Safety by Bureau Veritas Certification last October. At the CICM Responsible Care Awards 2012, our Chemicals Division garnered 6 awards including the Gold Awards in Product Stewardship Code, Process Safety Code and Employee Health & Safety Code; Silver Awards in Distribution Code and Community Awareness & Emergency Response Code; and a Merit Award for Pollution Prevention Code.

Winning these prestigious awards only solidifies our endeavour as a Group to firmly ingrain SHE best practices into our business operations and organisation culture. We are deeply committed to uphold these standards in striving for SHE excellence as we move forward to create a positive impact on the industry and community.



SUPPORT

CCM supports the Group through setting clear, strategic directions for future growth.





Calendar of EVENTS



11 Feb 2012
Program Vitamin 1Malaysia, Pekan, Pahang



1 Mar 2012
MINDEF visit to CCMP Bangi plant



8-11 Mar 2012
PGM CCM Impian Masters



27 Mar 2012
CCMC at Asiawater Exhibition



20-28 Apr 2012
Minggu Saham Amanah Malaysia (MSAM),
Kota Kinabalu, Sabah



30 Apr 2012
CCM Agriculture (Sabah) Plant Opening,
Lahad Datu, Sabah



24 May 12
CCM Duopharma Biotech Berhad
Annual General Meeting



25 May 2012
Program Rakan Alam Sekitar, Pensiangan,
Sabah



Calendar of EVENTS cont'd



13-14 Jun 2012
Halal Awareness Seminar



27 Jun 2012
Chemical Company of Malaysia Berhad
Annual General Meeting



4 Sep 2012
Program Sahabat Korporat Tabung Haji



10 Sep 2012
Program Rakan Alam Sekitar, Melaka



22 Sep 2012
Launch of *Champs* New Packaging Livery



10 Oct 2012
Launch of CCM JATI Programme in UiTM



23 Nov-2 Dec 2012
CCMF at MAHA Exhibition



14 Dec 2012
Exchange of documents with Biocon Ltd.



Corporate INFORMATION

COMPANY SECRETARIES

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Ibrahim Hussin Salleh (LS 0009121)

REGISTERED OFFICE

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Fax : 03-2612 3999

WORKS

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

SHARE REGISTRAR

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Fax : 03-7721 3399

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OCBC Bank (Malaysia) Berhad
Menara OCBC
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50050 Kuala Lumpur

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

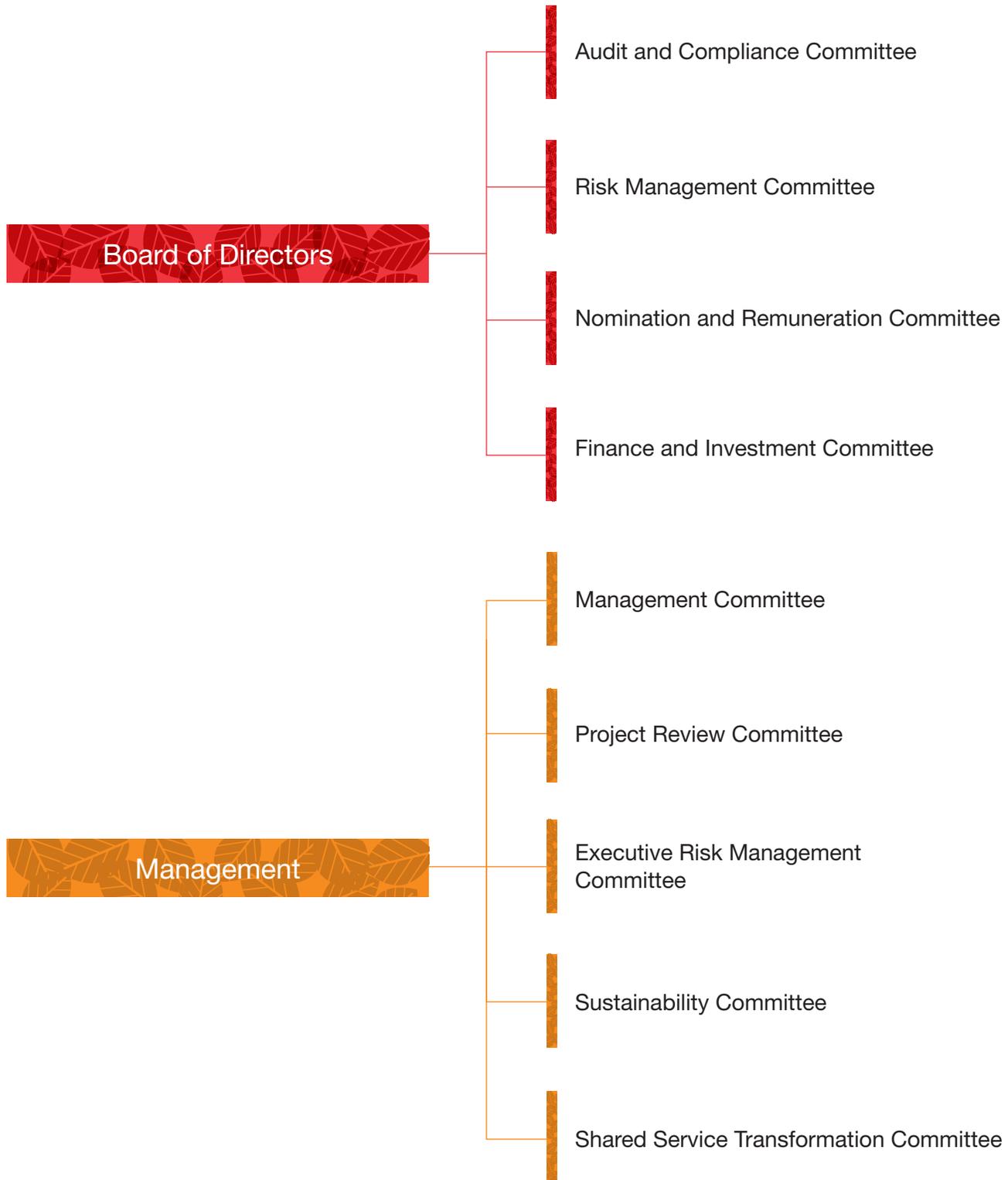
AmBank (M) Berhad
Level 1, Menara Dion
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Fax : 03-2693 3823

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No. 1, Jalan Dutamas 1
50480 Kuala Lumpur
Tel : 03-6205 5560
Fax : 03-6205 5561

 **Board and Management**
STRUCTURE

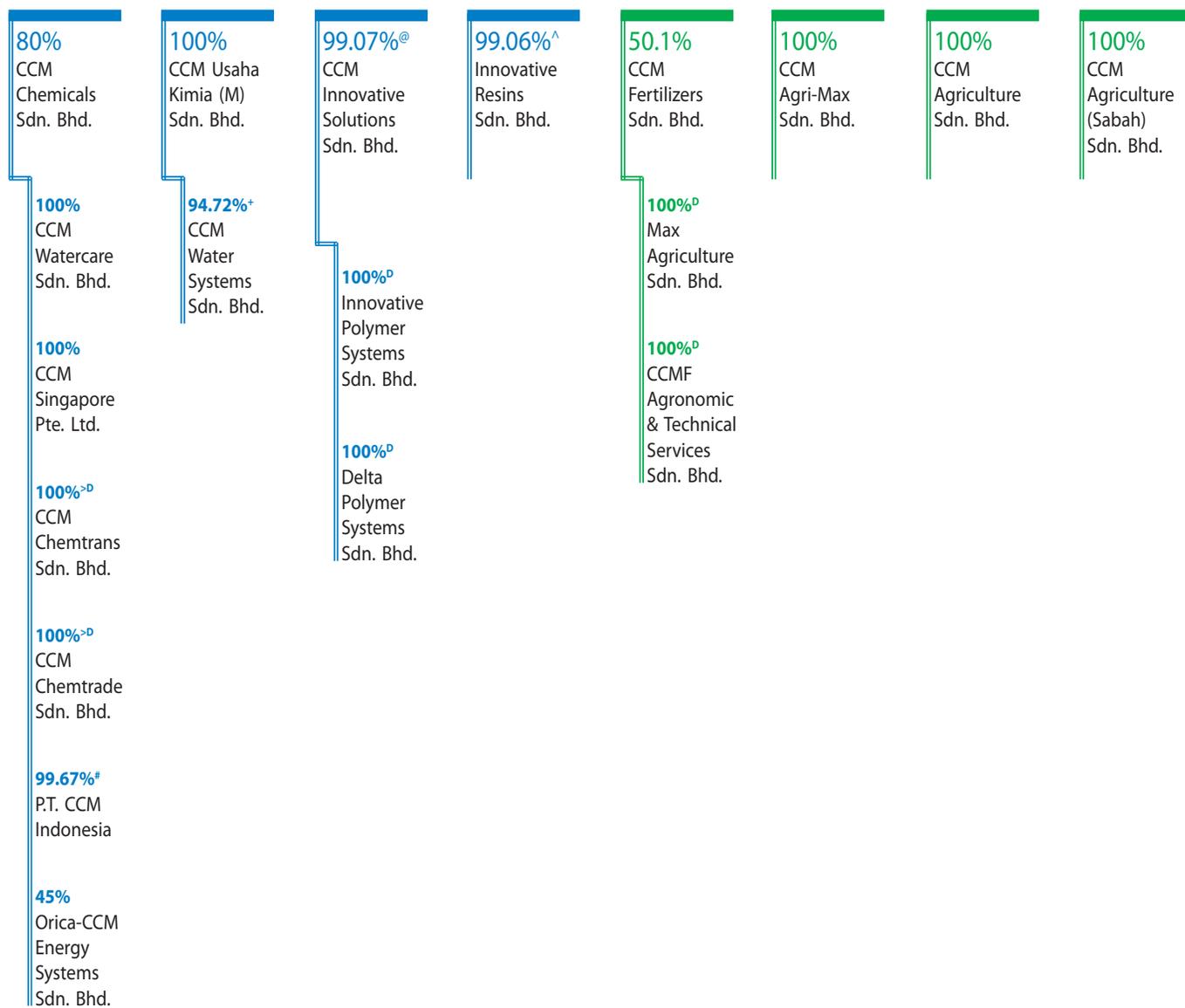


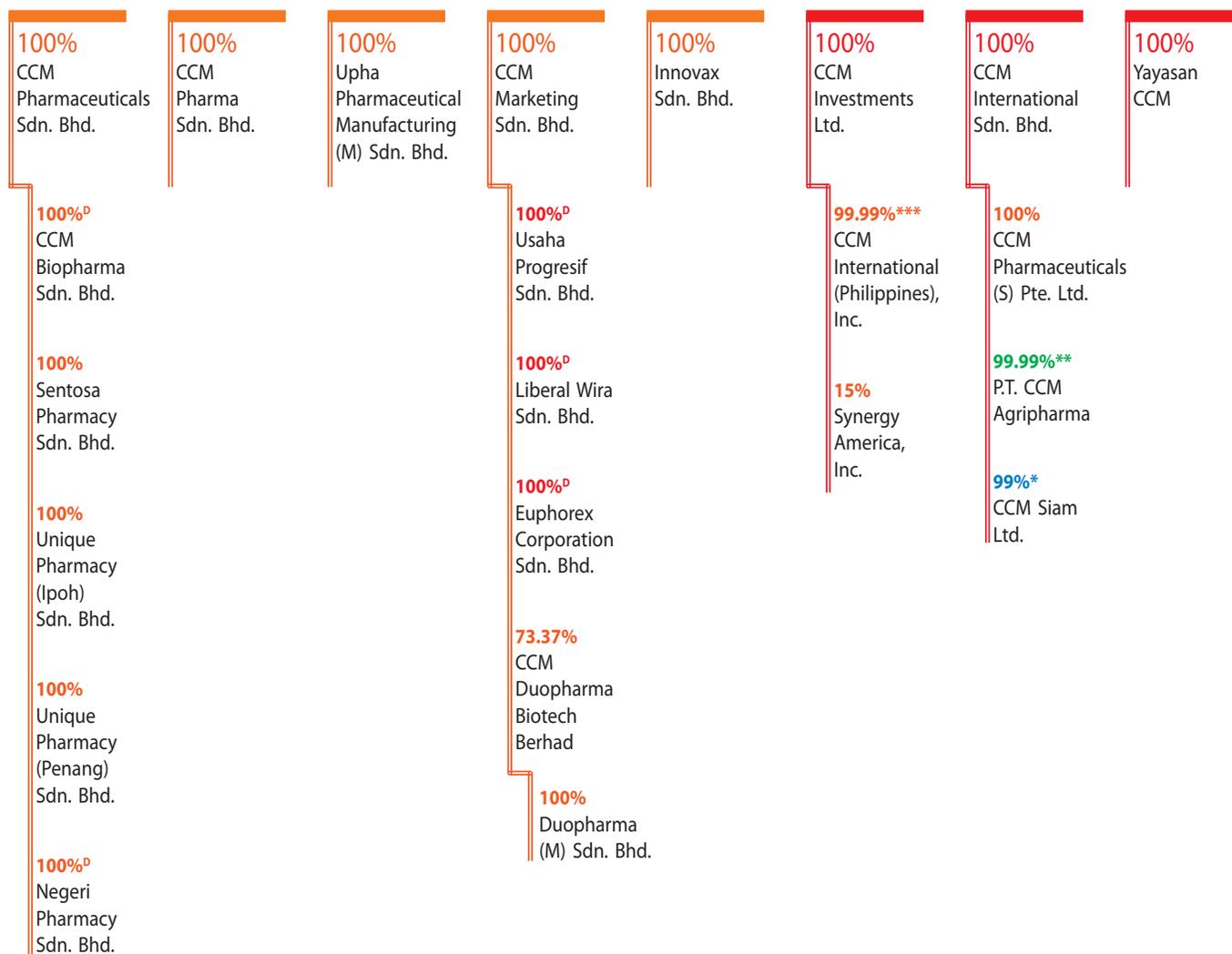


Group
STRUCTURE
as at 7 May 2013



**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.

+ 5.28% held by CCM

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

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

^D Dormant Companies

> in Liquidation

— Chemicals Division

— Fertilizers Division

— Pharmaceuticals Division

— Others



Board of DIRECTORS

TAN SRI DATO' SRI HAMAD KAMA PIAH BIN CHE OTHMAN

Age: 61 years

Nationality: Malaysian



Position on the Board

Non-Independent Non-Executive Chairman

Date Appointed to the Board

30 November 2010

Membership of Board Committees

None

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 7 May 2013)

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, Swansea University, 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 investment and unit trust management. Prior to taking the helm at PNB on 1 February 1998, he undertook various responsibilities in various facets of investment management and corporate finance in PNB.

AMIRUL FEISAL BIN WAN ZAHIR

Age: 43 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 7 May 2013)

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 renamed Citigroup Global Markets) until 2004. During that period, he worked in various departments within the Investment Banking Division including Project Finance and Privatisations, Corporate Finance, Mergers & Acquisitions 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 (MJIT), Universiti Teknologi Malaysia, International Campus.



Board of DIRECTORS cont'd

DATO' AZMI BIN MOHD. ALI

Age: 52 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

- Pernec Corporation Berhad
- Sime Darby Berhad
- Perbadanan Nasional Berhad
- Cliq Energy Berhad

Securities Holdings in the Company and its Subsidiaries

None (as at 7 May 2013)

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

- LL.B (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 29 years of experience, is the Senior Partner of Azmi & Associates, a leading corporate and commercial law firm in Malaysia with close to 60 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 Petroliam 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 had also served as an Adjunct Professor of Law at the International Islamic University of Malaysia's Law Faculty for 2 years.

KHALID BIN SUFAT

Age: 57 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
- Chairman, 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 7 May 2013)

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.



Board of DIRECTORS cont'd

DR. LEONG CHIK WENG

Age: 50 years

Nationality: Malaysian



Position

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

Securities Holdings in the Company and its Subsidiaries

None (as at 7 May 2013)

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'
SERI IR. DR. ZAINI
BIN UJANG**

Age: 48 years

Nationality: Malaysian



Position

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 7 May 2013)

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' Seri 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. He is presently leading the oldest technical university in Malaysia and South East Asia, Universiti Teknologi Malaysia. For his remarkable contribution to the nation, he became the first recipient of the prestigious Malaysia Merdeka Award 2009 for the category of Outstanding Scholastic Achievement. He has been conferred the Darjah Seri Setia Tuanku Muhriz Yang Amat Terbilang (SSTM) award by His Royal Highness Yang Dipertuan Besar Negeri Sembilan Darul Khusus on 14 January 2013. He was also conferred the Panglima Jasa Negara (PJN) award by His Majesty Yang Di-Pertuan Agong on 2 June 2012. He is the 'Tokoh Maal Hijrah 1433H' of Negeri Sembilan 2011, a Fellow of the Academy of Science Malaysia, Senior Advisor to the Prince Khalid bin Sultan Chair on Water Research, King Saud University, Chairman of the Environmental Quality Council, Malaysia and Fellow of the Institute of Chemical Engineers, United Kingdom. He has registered more than 20 intellectual property rights and published more than 250 technical papers and 27 books.



Board of DIRECTORS cont'd

DATUK KAROWNAKARAN @ KARUNAKARAN A/L RAMASAMY

Age: 62 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
- Etiqa Insurance Berhad
- IOI Corporation Berhad
- Bursa Malaysia Berhad

Securities Holdings in the Company and its Subsidiaries

None (as at 7 May 2013)

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 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: 51 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, Audit and Compliance Committee
- Member, Risk Management Committee
- Member, Nomination and Remuneration Committee

Directorships of Other Public Companies

- Sen Sen Chemical Berhad

Securities Holdings in the Company and its Subsidiaries

None (as at 7 May 2013)

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 with Permodalan Nasional Berhad (PNB) in March 1983 and is presently the Chief Strategy Officer of PNB. In her career of over 30 years at PNB, she has served in various capacities and has been involved in various aspects of investment management and corporate finance, including mergers and acquisitions, corporate restructuring, portfolio management, property investment as well as business development.



Senior MANAGEMENT



ABD RAHMAN BIN ABDULLAH THANI

Director, Corporate Office

Age: 48 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 Indonesia 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.



NIK FAZILA BINTI NIK MOHAMED SHIHABUDDIN

Director, Finance & ICT

Age: 46 years

Nationality: Malaysian

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 Officer. During her tenure at those public listed companies, apart from accounting and finance, she was involved in various corporation transactions, namely merger and acquisitions, corporate restructuring, creditors' scheme of arrangement and capital repayment exercises. The listed companies that she had worked for were Sapura Telecommunication Berhad, KUB Malaysia Berhad and UDA Holdings Berhad.

Her last employment prior to joining CCM was as Chief Financial Officer of Biotropics Malaysia Berhad, a subsidiary of Khazanah Nasional Berhad.



KASSIM ALI BIN MYDIN

Director, Group Human Resources

Age: 46 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 Resource 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.



LEONARD ARIFF BIN ABDUL SHATAR

Director, Pharmaceuticals Division

Age: 48 years

Nationality: Malaysian

Qualifications

- LL.B, 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 and 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 and business management 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, International Medical University, committee member of Good Governance for Medicines in the Ministry of Health, Malaysia and is a member of the National Biotech Advisory Board. He is currently the President of the Malaysian Organisation of Pharmaceutical Industries (MOPPI).



Senior MANAGEMENT cont'd



MOHAMED NAZMI BIN SALLEHHUDIN

Director, Chemicals Division

Age: 47 years

Nationality: Malaysian

Qualifications

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

Working Experience and Occupation

Mohamed Nazmi 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. He further managed the South East Asia Chemicals markets as the Director Chemicals Division in December 2009 till today.

His experience ranges from Oil and Gas and Telecommunication, 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).



MOHD. RAFLEE BIN ABDULLAH

Director, Fertilizers Division / Engineering and Technology

Age: 47 years

Nationality: Malaysian

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 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.

**NOOR AZWAH BINTI SAMSUDIN**

Company Secretary
Age: 42 years
Nationality: Malaysian

Qualifications

- LL.B, University of Sheffield, United Kingdom
- Certificate in Legal Practice, Legal Qualifying Board, Malaysia

Working Experience and Occupation

Noor Azwah joined the CCM Group as Company Secretary in 2006. Prior to her appointment, Noor Azwah has served in the legal and corporate secretarial capacity in the automotive and insurance industries. She is also an affiliate member of the Malaysian Institute of Chartered Secretaries and Administrators.

**IBRAHIM HUSSIN SALLEH**

General Manager, Legal / Company Secretary
Age: 45 years
Nationality: Permanent Resident of Malaysia

Qualifications

- LL.B (Hons.), International Islamic University Malaysia
- LL.M, University of Malaya
- Advocate & Solicitor of the High Court of Malaya

Working Experience and Occupation

Ibrahim was admitted to the Roll of Advocates and Solicitors of the High Court of Malaya in 1993 and thereafter practised as an Advocate & Solicitor, gaining experience in banking, conveyancing, corporate and litigation matters. He joined a public listed property development company in 2002 as Head of the Legal & Secretarial Department. He subsequently joined the Company in April 2006 as Legal Manager and was appointed as the Joint Company Secretary in September 2006. He was promoted to General Manager, Legal in 2008.



Senior MANAGEMENT cont'd



HAFSAH AHMAD ZAINUDIN

Senior Manager Group Risk

Age: 53 years

Nationality: Malaysian

Qualifications

- Associate, Chartered Insurance Institute, United Kingdom

Working Experience and Occupation

Hafsa commenced her career in a Malaysian insurance company as Underwriter for Large and Special risks. She then joined a telecommunications company as Group Risk and Insurance Manager. She left that position to set up her own business in risk management consultancy. Her other work experiences include similar risk management and insurance positions in corporations, insurance and insurance broking companies. Prior to joining CCM, she worked in an international Reinsurance company involved primarily in the power and energy sector.



Statement on CORPORATE GOVERNANCE

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

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

The Board is pleased to report to the shareholders on the manner the Company has applied the principles of good corporate governance and the extent of compliance with the recommendations as set out in the Code throughout the financial year ended 31 December 2012.

PRINCIPLE 1

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Recommendation 1.1

Clear Functions between the Board and Management

The Board retains full and effective control of the Group. This includes responsibilities for determining the Group's overall strategic directions as well as development and control of the Group. To ensure effective discharge of its function and responsibilities, the Board has delegated specific responsibilities to Board Committees, namely the Audit and Compliance Committee, Risk Management Committee, Nomination and Remuneration Committee and Finance and Investment Committee. The Board has also established Board Task Force for each of the Group's businesses to review the Group's strategy.

The Board has established clear functions which are reserved for the Board and those delegated to Board Committees and Management. Key matters, such as approval of annual and quarterly results, acquisitions and disposals, as well as material agreements, major capital expenditure, short-term and long-term plans and strategies and succession planning for top management are reserved for the Board. Meanwhile, all Board Committees have their terms of reference approved by the Board. These Committees have the authority to examine particular issues and submit reports of their deliberations and major findings to the Board. At each Board meeting, the

Chairman of the respective Committees presents minutes to keep the Board informed and report to the Board the key issues deliberated by the Board Committees at their respective meetings. The terms of reference, composition and activities of the respective committees are stated in their respective reports.

The Board maintains a close and transparent relationship with the management. A clear limit of authority for Management to manage the business of the Group has been established. Many of the responsibilities of the Board are delegated to Management through the Group Managing Director. The Group Managing Director is accountable to the Board for the achievement of the Group's corporate objectives which include performance targets and long-term goals of the business.

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

Recommendation 1.2

Clear Roles and Responsibilities

The Board assumes, among others, the following responsibilities:

- i. Review and adopt strategic plan of the Group

The Board plays an active role in the development of the Group's strategy. The Board is presented with the short and long term strategy of the Group annually together with its proposed business plans for the ensuing year. The Board has adopted a two-stage approach in formulation of the Group's strategy. The Board has assembled a team comprising two board members with specific knowledge of the relevant industries and representatives from Management to form a Task Force for each of the Group's businesses to challenge and deliberate the Group's strategy before it is presented to the Board.



Statement on CORPORATE GOVERNANCE cont'd

This process allows the respective Task Force members to provide valuable feedback and input as well as assurance that all appropriate considerations have been taken into account. The outcome of the deliberation is then tabled to the Board at a special meeting whereby the full Board will then deliberate both the Management's

views and assumptions, to ensure the best outcome. In relation to this, the Board also reviews and approves the annual budget for the ensuing year and sets the Key Performance Indicators (KPIs) which supports the Group strategy and business plan.

The Board members who have been appointed to lead the respective Division Task Force are listed in the table below. The Group Managing Director is also involved in all the three Task Forces.

Pharmaceuticals Task Force

1. Datuk Karownikaran @ Karunakaran A/L Ramasamy (Chairman)
2. Dato' Azmi bin Mohd. Ali

Chemicals Task Force

1. Dr. Leong Chik Weng (Chairman)
2. Khalid bin Sufat

Fertilizers Task Force

1. Professor Dato' Seri Ir. Dr. Zaini bin Ujang (Chairman)
2. Datin Paduka Kartini binti Hj. Abdul Manaf
3. Khalid bin Sufat (by invitation)

ii. Oversee the Conduct of the Group's Business

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

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

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

To ensure independence, the Group Risk Department provides the Board with a separate status report on a regular basis in respect of the enterprise risk. The Group Internal Auditor also provides the Audit and Compliance Committee with audit reports as and when audit assignments are completed.

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

The Board, through the Risk Management Committee determines the Group's level of risk tolerance and actively identify, assess and monitor key business risks to safeguard the Group. In managing risks, the Board has developed an Enterprise Risk Management (ERM) Framework for the Group in compliance with the universally accepted standard ISO 31000 for Risk Management. A Risk Management Policy has been established to ensure that an effective risk management programme and control system and thereby facilitating the Group in meeting all its business objectives.

The internal control mechanism established by the Board is embedded within the organisation structure in all its processes. The internal control system is independently reviewed by the Group Internal Auditor to ensure its adequacy and integrity.

Details on the Report of the Risk Management Committee and Statement on Risk Management and Internal Control are set out in this Annual Report on pages 65 to 68 and 74 to 75.

iv. Succession Planning

The Board has entrusted the Nomination and Remuneration Committee with the responsibility to review and recommend to the Board, candidates for top management positions. The candidates go through a rigorous assessment prior to being recruited to ensure that they have the sufficient experience and are the right fit for the Company.

The Group has, in place, a talent management programme to ensure the Group has talents to meet its future needs besides having a pipeline of successors for mission critical positions.

- v. Oversee the development and implementation of a shareholder communication policy

The Board values the dialogue with shareholders and appreciates the keen interest of shareholders on the Group's performance. In this regard, the Board has established a Shareholder and Investor Communication Policy to meet or otherwise communicate with the shareholders of the Group.

- vi. Review the adequacy and integrity of the management information and internal control systems

The Board is fully aware of the responsibilities to maintain a sound internal control system. The Board's responsibilities for the Group's system of internal controls cover not only financial aspects of the business but also operational, regulatory compliance as well as risk management matters. Details pertaining to the Company's internal control system and the review of its effectiveness are set out in the Statement on Risk Management and Internal Control in the Annual Report on pages 74 to 75.

Recommendation 1.3 **Formalise ethical standards through a code of conduct and ensure its compliance**

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

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

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 danger 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.

Recommendation 1.4 **Strategies promoting sustainability**

The Board understands the importance of sustainability in operating its businesses and is committed towards achieving sustainability that shall benefit stakeholders, environment, our people and the community. In achieving this, the Board has approved a Corporate Sustainability policy focusing on stakeholder and marketplace expectation, environment, workplace sustainability and community needs.

Among the activities that have been conducted to achieve the four focus areas above include E3R programme (Eliminate, Reuse, Reduce, Recycle) and SET3 Programme. E3R focuses on the Group's effort to reduce natural resources dependence by 10% while the SET3 Programme encourages staff to take a few minutes to observe safety hazards within his/her boundaries. Detailed reports on Sustainability & Corporate Responsibility and Safety, Health and Environment are included in the Annual Report on pages 22 to 25.

Recommendation 1.5 **Access to Information and Advice**

The Chairman is primarily responsible for ensuring that sufficient information is provided to the Board members to assist them in their deliberation. 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 Board meeting agenda. In doing so, the Chairman will liaise with the Group Managing Director and the Company Secretary on the agenda for Board meetings. Board meetings are scheduled a year ahead in order to 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, nine (9) 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	9/9
Amirul Feisal bin Wan Zahir Group Managing Director	9/9
Dato' Azmi bin Mohd. Ali Non-Independent Non-Executive Director	9/9
Khalid bin Sufat Senior Independent Non-Executive Director	9/9
Dr. Leong Chik Weng Independent Non-Executive Director	9/9
Professor Dato' Seri Ir. Dr. Zaini bin Ujang Non-Independent Non-Executive Director	7/9
Datuk Karownikaran @ Karunakaran A/L Ramasamy Independent Non-Executive Director	9/9
Datin Paduka Kartini binti Hj. Abdul Manaf Non-Independent Non-Executive Director	9/9

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 Top Management 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.

Recommendation 1.6 **Qualified and Competent Company Secretary**

The appointment or removal of the Company Secretary or Secretaries of the Board shall be the prerogative of the Board as a whole. The Board is currently assisted by two qualified and competent Company Secretaries in ensuring that Board procedures are followed and the applicable rules and regulations for the conduct of the affairs of the Board are complied with. The Company Secretary also plays an important role as a gatekeeper of corporate governance. All Board Members, particularly the Chairman, have unrestricted access to the advice and services of the Company Secretary for the purposes of the Board's affairs and the business.

Recommendation 1.7 **Board Charter**

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

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

PRINCIPLE 2

STRENGTHEN COMPOSITION

The Company's Articles of Association stipulates that the minimum and maximum number of directors on the Board shall not be less than three (3) and more than twelve (12). An alternate director shall not be counted in the determination of minimum or maximum number of directors on the Board.

The Group considers 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).

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 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 issue 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. Khalid bin Sufat has been appointed the Senior Independent Non-Executive Director.

The Board currently has eight (8) Directors of whom three (3) are Independent Directors. The composition of the Board was maintained so that at any one time, at least two (2) or one-third (1/3) of the Board, whichever is the higher, shall be independent. A brief profile of each Director is presented on pages 36 to 43 of the Annual Report.

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

Recommendation 2.1 **Nomination and Remuneration Committee**

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

Details pertaining to the Nomination and Remuneration Committee and its terms of reference are set out in the Annual Report on pages 69 to 71.



Statement on CORPORATE GOVERNANCE cont'd

Recommendation 2.2

Develop, maintain and review criteria to be used in recruitment process and annual assessment of directors

i. Recruitment/Appointment of Directors

One of the terms of reference of NRC is to recommend to the Board candidates to fill all directorships and Board Committees within the Company and the Group, be it a new appointment or re-election/reappointment. In executing this role, the NRC is guided by the Group's Board Nomination and Selection process which has been approved by the Board. The Board Nomination and Selection Process outlines the skill sets, knowledge/experience, mindset and the intrinsic values required of the concerned director vis-a-vis the need of the Company. The process also provides the relevant point of reference in identifying the most suitable candidates to sit on the Board.

The NRC is responsible for reviewing, on an annual basis, the appropriate skills, experience and characteristics required for Board Members. The Chairman of the Board is required to actively participate in the selection of Board Members. A formal invitation to join the Company as a Board Member would be extended by the Chairman after approval from the Board.

The proposed appointment of a new member to the Board as well as the proposed reappointment and re-election of Directors seeking re-election at the Annual General Meeting are recommended by the NRC to the Board for their approval. The Company's Articles of Association provide that at least one third (1/3) of the Board are subject to retirement by rotation at each 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 reappointment. 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.

Director who is over seventy years of age shall retire at every AGM and may offer himself for reappointment to hold office until the Company's next AGM in accordance with Sections 129 (2) and 129 (6) of the Companies Act, 1965.

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

For the current year, the Board has approved the NRC's recommendation for three directors, Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman, Amirul Feisal bin Wan Zahir and Dr. Leong Chik Weng to retire and be re-elected at the forthcoming AGM.

ii. Induction Programme

As part of the familiarisation process of newly appointed Board members, newly appointed Board members are required to undergo an Induction Programme specially designed to familiarise the directors with the businesses within the Group. This familiarisation process includes briefing session on the range of products and services, business structure and visits to the respective operating facilities. The visits will include briefings from the Division's management to provide in-depth knowledge of the latest progress of the Division and appreciation of the key drivers behind the Group's core businesses. The Board has, on 18 – 20 March 2012, conducted a site visit to Medan to familiarise themselves on the Group's operations in Indonesia.

iii. Board Evaluation Assessment (BEA)

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

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

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

iv. Gender Diversity

The Board currently comprise of seven (7) male directors and one (1) female director. The Board recognises the value of having gender diversity in the Board. As an initial step, the Board will endeavour to ensure that gender diversity is taken into account in nominating and selecting new directors of the Company and will actively seek to identify suitable female candidates to be invited to sit on the Board.

v. Remuneration Policy

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

The component parts of remuneration are structured so as to link rewards to corporate and individual performance, in the case of the Group Managing Director. In the case of Non-Executive Directors, the Board has established a formal and transparent remuneration policy to attract and retain Directors, motivate Directors to achieve company's objective and align interest of Directors with long-term interest of shareholders. The level of remuneration for non-executive directors is based on their responsibilities in Committees and the Board, their attendance and/or special skills and expertise they bring to the Board.

a. Directors' Remuneration

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

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

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

The aggregate remuneration of Directors categorised into appropriate components for the financial year ended 31 December 2012 is as follows:

	Category of Director	
	Group Managing Director (RM)	Non-Executive Directors (RM)
Fees	-	654,876.00
Allowance	177,600.00	175,100.00
Salaries and Bonus	1,008,000.00	-
Other Emoluments	190,315.80	-
Benefits-in-Kind	7,200.00	-
Total	1,383,115.80	829,976.00



Statement on CORPORATE GOVERNANCE cont'd

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

b. Directors and Officers Liability Insurance

In addition to the above directors remuneration, the directors are provided with a Directors and Officers Liability Insurance in respect of any liabilities arising in the course of discharging their duties as directors provided always that such wrongful acts occur in good faith and not as a result of dishonesty, fraud, insider trading, malicious conduct, fines, penalties, liabilities arising from intentional breach of contract and liquidated, punitive or exemplary damages.

by the independent directors and their ability to act in the best interest of the Group.

Recommendations 3.2 and 3.3 Tenure of Independent Director

One of the recommendations under the Code is to limit the tenure of independent directors to not more than nine (9) years, cumulatively. The recommendation is based on the view that the independence of an independent director may be affected if his tenure exceeds a cumulative term of nine years either in a consecutive service of nine years or cumulative service of nine years interval. The Board may, upon the completion of the nine years, re-designate the independent directors to a non-independent director if it is so determined that the expertise and experience of the independent director is still relevant to the Group (Recommendation 3.2). Currently, the tenure of all Directors on the Board has not exceeded nine (9) years (Recommendation 3.3).

PRINCIPLE 3

REINFORCE INDEPENDENCE

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

Recommendation 3.1 Annual Assessment of Independent Directors

The Board consists of eight (8) Directors, three (3) of which are independent. In ensuring that independent judgments are not compromised, the Board has adopted a policy on assessment of independence on its independent directors which is conducted on an annual basis or as and when a disclosure is made by any Director in respect of any new interest or relationship. The policy makes reference to Chapter 1 and Practice Note 13 of Bursa Malaysia's Main Market Listing Requirements.

Based on the assessment conducted recently, the Board is generally satisfied with the level of independence demonstrated

Recommendations 3.4 and 3.5 Position of Chairman and CEO and Board Balance

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

general meetings of the Group, the Chairman will ensure that the shareholders are given the opportunity to enquire on the Group's affairs. The Group Managing Director focuses on the business and the day-to-day management of the Company and Group. He is the conduit between the Board and Management in ensuring the success of the Group's governance and management functions. The Group Managing Director implements the policies, strategies and decisions adopted by the Board (Recommendation 3.4).

The Board is chaired by a Non-Independent Non-Executive Chairman. Whilst the Company supports the recommendations made under the Code, the Company maintains that the Chairmanship of the Board shall continue to be held by a Non-Executive Non-Independent Director. At the moment, the Board is of the view that the Chairman will remain objective in expressing his views and will allow all Board members the opportunity to participate and express their views in deliberations and decision making in the Board without fear or favour. In addition, any decisions arrived at the Board are made on consensus. Despite this, the Board will endeavour that the composition of the independent directors comprise of more than one third (1/3) of the Board to ensure balance of power and authority on the Board (Recommendation 3.5).

PRINCIPLE 4

FOSTER COMMITMENT

Recommendation 4.1 Time Commitment

The Board has established a formal and transparent policy on the appointment of directors. In recommending or nominating a candidate to fill the position of Director on the Company, the Board will consider the candidate's ability to devote sufficient time to effectively discharge the duties as a director of the Company. This includes attendance of at least 50% of all board of directors and Board committee meetings, or as determined from time to time by the Board. Appointed directors are also expected to devote their time to other matters involving the Company's affairs. In addition to the policy above, the time commitment required of the Directors are also incorporated as one of the terms in their appointment letter to the Board.

Any Board Member, while holding office, is at liberty to accept other Board appointments (outside the Group) so long as the appointment is not in conflict with the business of the Company and Group or does not detrimentally affect the director's performance as a Board member. All such appointments must

first be discussed with the Chairman or the Board before being accepted.

In line with the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad, Directors are also required to comply with the requirements of five (5) directorships in listed companies. This allows them to devote their time and discharge their duties effectively with the companies in which they are directors. Board meetings are scheduled a year ahead in order to enable full attendance at Board meetings.

Recommendation 4.2 Continuing Education Programme

The Board acknowledges the importance of continuous education and training to enable effective discharge of its responsibility.

All Board members have attended the Mandatory Accreditation Programme (MAP) as prescribed by MMLR and the costs are borne by the Company.

The Continuous Education Programme focuses on business specific issues relating to the Group and the latest development within the related industries and is conducted in-house at least two times per year. The programme is extended to all Directors and Senior Management of the Group. The Directors can also on their own initiatives, request to attend ad-hoc trainings, seminars or conferences conducted by third party to enhance their knowledge or skills in specific areas. The costs of attending such training or forum are borne by the Group. Some of the training/seminars/conferences attended by Directors cover the areas of law, corporate governance, finance, investment, IT automation and disaster recovery, business continuity and crisis management and capital market.

During the year, the Group has organised seminars on 'Lean Six Sigma - Executive Awareness' and 'Highlights of Key Provisions in the Proposed Companies Bill' for the Directors of the Group which was facilitated by industry experts as part of the Continuing Education Programme.

The 'Lean Six Sigma - Executive Awareness' training was held with the objective to provide the Board with an overview of the Lean Six Sigma concepts, methodology and practical applications.

In respect of the training on 'Highlights of Key Provisions in the Proposed Companies Bill' which was held on 19 October 2012, the Board was appraised on the new Companies Bill which is expected to replace the existing Companies Act, 1965.



Statement on CORPORATE GOVERNANCE cont'd

PRINCIPLE 5

UPHOLD INTEGRITY IN FINANCIAL REPORTING

Recommendation 5.1

Compliance with applicable reporting standards

The Board is aware of its responsibilities to shareholders and the requirement to present a balanced and comprehensive assessment of the Group's financial position and prospects. In this regard, the Board has delegated to the Audit and Compliance Committee to ensure that the preparation of financial statements comply with Companies Act, 1965 and approved Malaysia Financial Reporting Standards and that the accounts give a true and fair view of the state of affairs of the Group at the end of the financial year.

The Audit and Compliance Committee meets on a quarterly basis to review the integrity and reliability of the financial statements in the presence of the Chief Financial Controller and Group Internal Auditor prior to recommending them for Board approval.

The Audit and Compliance Committee, with the assistance and assurance of the Group Internal Auditor also reviews the internal control within the organisation in ensuring the custody and effective and efficient utilisation of Group assets.

Recommendation 5.2

Suitability and Independence of External Auditors

The Audit and Compliance Committee will review the performance of the External Auditor on an annual basis after completion of the year-end audit on the suitability and independence of the External Auditors. In evaluating the suitability and effectiveness of external audit, the Audit and Compliance Committee will review the overall comprehensive external audit plan, the timeliness and quality of deliverables and the competency/adequacy of the resources to achieve the scope outlined in the audit plan.

The Board has also approved a policy on External Auditors' Independence whereby the Audit and Compliance Committee is given the task to review and assess the independence of the External Auditor annually at the time the External Auditor presents its annual audit plan. It is expected that the External Auditor will rigorously comply with its own internal policies on independence and all relevant professional guidance on independence. The Audit and Compliance Committee will further ensure that the policies governing the provision of non-audit fees are observed.

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

PRINCIPLE 6

RECOGNISE AND MANAGE RISKS

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

Recommendation 6.1

Establish sound framework to manage risks

The Board, through the Board Risk Management Committee (RMC), determines the Group's level of risk tolerance and actively identify, assess and monitor key business risks to safeguard shareholders' investment and the Company's assets.

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

The Company's current ERM Framework which is currently automated is aligned with the methodologies of ISO31000 guidelines on managing risks which includes quantification of risks, review of CCM Risk Universe and adopting a KPI linked risk reporting.

Recommendation 6.2

Internal Audit Function

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 performed with impartiality, proficiency and due professional care.

The internal audit function is well resourced and critically reviews all aspects of the Company's activities and internal control. Comprehensive audits of the practices, procedures, expenditure and internal control of all business and support units and subsidiaries are undertaken on a regular basis.

The Group Internal Auditor has direct access to the Board through the Chairman of the Audit and Compliance Committee.

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.

Details of the Company's internal control system and framework are set out in the Report of the Audit and Compliance Committee, Report of the Risk Management Committee and Statement on Risk Management and Internal Control of this Annual Report on pages 62 to 68 and 74 to 75.

PRINCIPLE 7

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Recommendation 7.1 Corporate Disclosure Policy

The Group has long observed the continuing disclosure obligation imposed upon a listed issuer 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

19 July 2012	Issuance of Musyarakah Commercial Papers (MCP) and Musyarakah Medium Term Notes (MMTN) pursuant to a MCP Programme of up to RM250.0 million in Nominal Value (MCP Programme) and a MMTN Programme of up to RM500.0 million in Nominal Value (MMTN Programme), respectively to be established under the Shariah Principle of Musyarakah (Programmes) with a combined master limit of RM500.0 million in Nominal Value - Cancellation of Sukuk Issuance Programme
16 August 2012	Proposed Internal Restructuring
27 August 2012	Johor Bahru High Court Writ Summons No. 23NCVG-119-08/2012 served on CCM Chemicals Sdn. Bhd. (the Defendant) by Prostar Edge (Johor) Sdn. Bhd. (the Plaintiff)

The Group has put in place a Corporate Disclosure Policy and Procedures for the following purposes:

- provide shareholders, investors, analysts, media representatives and other stakeholders with comprehensive, accurate and quality information issued by the Group on a timely and even basis;
- raise awareness and provide guidance to the Board, management, officers and employees on the Group's disclosure requirements and practices;
- ensure that the Group meets its disclosure obligations in accordance with the securities laws and regulations governing corporate disclosure and confidentiality in relation to securities listed on Bursa Malaysia;
- ensure that the Group observes best practices in relation to disclosure as illustrated in the Corporate Disclosure Guide by Bursa Malaysia; and
- promote investor confidence in the integrity of the Company.

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



Statement on CORPORATE GOVERNANCE cont'd

Recommendation 7.2 **Leverage on Information Technology for Effective Dissemination**

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

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

PRINCIPLE 8

STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Recommendation 8.1 **Encourage Shareholder Participation at General Meetings**

Notices of general meetings and the accompanying explanatory materials are provided within the prescribed time or earlier than the minimum notice period prior to the general meetings on the Bursa Malaysia website and by post to shareholders. This allows shareholders to make the necessary arrangements to attend and participate either in person, by corporate representative, by proxy or by attorney.

To encourage participation at general meetings, the Company has in 2012, removed the limit on the number of proxies to be appointed by an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account. The Company has also included a new provision in its Articles of Association in respect of the qualification and the right of a proxy to speak at general meetings. Under the new provision, any person could be appointed by the shareholders as a proxy. The proxy shall have the same rights as the shareholder to speak at the general meeting.

Recommendation 8.2 **Encourage poll voting**

Shareholders also have the right to demand poll vote for substantive resolutions and the detailed results showing the

number of votes cast for and against each resolution will be announced through Bursa Malaysia.

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

Recommendation 8.3 **Effective communication and proactive engagement**

The Company encourages shareholders to ask questions and provide constructive feedback on the performance of the Company. Members of the Board, the Group's Senior Management, as well as the Group's auditors will be present to answer questions about the Group's affairs. In addition to the normal agenda at the AGM, the Board also presents the progress and performance of the business as contained in the Annual Report.

The Board believes that management speaks for the Group. In this instance, the Group has adopted a Communication Policy to provide sufficient information to shareholders to allow them to effectively evaluate the performance of the Company. The Company has adopted the following communication channels with shareholders:

a. Annual General Meeting

The Annual General Meeting (AGM) provides a forum for dialogue with shareholders and aims to ensure that the AGM provides an important opportunity for effective communication with and constructive feedback from the Company's shareholders. Members of the Board, the Group's Senior Management, as well as the Group's auditors will be present to answer questions about the Group's affairs. At the AGM, shareholders are given the opportunity to raise questions pertaining to the business activities of the Group. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. Where necessary, the Chairman or the Group Managing Director will undertake to provide written answers to any significant questions that cannot be readily answered at the meeting.

The turnout of shareholders at the Company's AGM has always been large. A total of 364 shareholders and 511 proxies attended the AGM in 2012.

b. Extraordinary General Meetings

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

Notices of general meetings and the accompanying explanatory materials are provided within the prescribed time or earlier than the minimum notice period prior to the meetings on the Bursa Malaysia website and by post to shareholders. Shareholders also have the right to demand poll vote for substantive resolutions and the detailed results showing the number of votes cast for and against each resolution will be announced through Bursa Malaysia.

c. Annual Report

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

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

d. Company's Website

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

e. Announcement of Quarterly Results for the Financial Year Ended 31 December 2012

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 2012

Date of Announcement

1st Quarter	21 May 2012
2nd Quarter	17 August 2012
3rd Quarter	23 November 2012
4th Quarter	27 February 2013

STATEMENT OF COMPLIANCE WITH THE RECOMMENDATIONS OF THE CODE

The Group has in all material respect complied with the principles and recommendations of the Malaysian Code on Corporate Governance 2012 (the Code) throughout the financial year ended 31 December 2012, save for

Recommendation 2.2 on Gender Diversity target (Principle 2) and Recommendation 3.5 on Non-Independent Chairman (Principle 3) which are explained earlier.

This statement is made in accordance with a resolution of the Board of Directors dated 25 March 2013.



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 2012.

COMPOSITION OF AUDIT AND COMPLIANCE COMMITTEE AND MEETINGS

The Audit and Compliance Committee comprises of three

(3) members, all of whom are Non-Executive Directors. The current composition of the Committee stands at three (3) members.

A total of eight (8) 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 are as follows:

Members of Audit and Compliance Committee

No. of Meetings Attended

Khalid bin Sufat Chairman, Senior Independent Non-Executive Director	8/8
Datuk Karownikaran @ Karunakaran A/L Ramasamy Member, Independent Non-Executive Director	8/8
Datin Paduka Kartini binti Hj. Abdul Manaf Member, Non-Independent Non-Executive Director	8/8

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 Association 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 no 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 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, in the absence 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 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. to engage the necessary resources required to carry out its duties and to obtain independent professional advice it considers necessary;
- iii. to have 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 coordination 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.
- 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 and endorse the audit charter which outlines the purpose, authority and responsibility of the Group Internal Audit;
 - 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 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 cognisance of resignations of staff/members of the Group Internal Audit functions 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.



Report of the AUDIT AND COMPLIANCE COMMITTEE cont'd

ACTIVITIES DURING THE FINANCIAL YEAR

- i. Reviewed and approved the internal and external audit plans 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 External Auditors' management letters, reports and fees;
- v. Evaluated the performance of the External Auditors and made recommendations to the Board on their reappointment 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;
- ix. Reviewed the revised Internal Audit Charter, Management Control Policy and Whistle Blowing Policy of the Group;
- x. Reviewed and recommended to the Board the revision to the Limit of Authority for the Group in relation to capital expenditure;
- xi. Reviewed and approved the appointment of a new Tax Agent for the Group's Malaysian Entities;
- xii. Reviewed and provided guidance to Management in respect of the Letter of Demand against CCM Chemicals Sdn. Bhd. from Prostar Edge (Johor) Sdn. Bhd.

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. Group Internal Audit 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 by the 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 RM1.53 million.



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 2012.

COMPOSITION OF RISK MANAGEMENT COMMITTEE AND MEETINGS

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 Company Secretary.

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

Members of Risk Management Committee	No. of Meetings Attended
Dato' Azmi bin Mohd. Ali Chairman, Non-Independent Non-Executive Director	4/4
Professor Dato' Seri Ir. Dr. Zaini bin Ujang Member, Non-Independent Non-Executive Director	4/4
Datin Paduka Kartini binti Hj. Abdul Manaf Member, Non-Independent Non-Executive Director	4/4

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 the 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 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.



Report of the RISK MANAGEMENT COMMITTEE cont'd

Duties

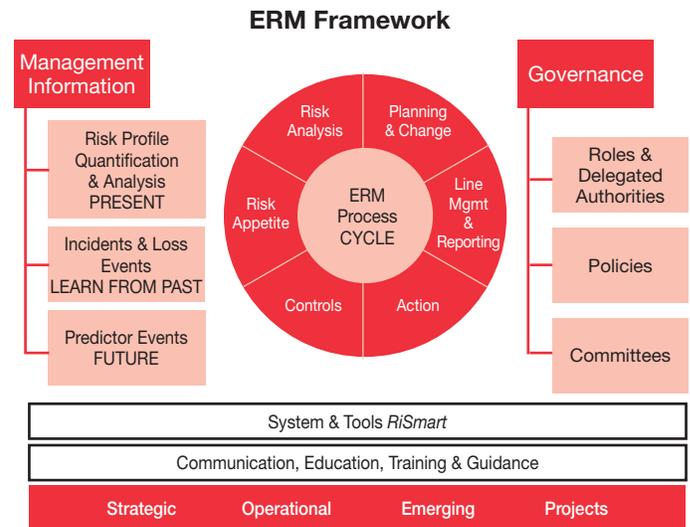
Subject to any resolution of the Board, the duties of the Committee are to:

- 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 Department (GRD) 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.

RISK MANAGEMENT FUNCTION

The Group's Board Risk Management Committee is supported by an in-house risk management function, i.e. GRD. GRD provides risk advisory and supports various risk committees in the Group in all matters of Enterprise Risk Management (ERM).

The ERM provides a framework for risk management, which involves defining policy and objectives, lines of responsibilities and accountabilities, identifying particular risk events relevant to the Group's objectives, assessing them in terms of likelihood and magnitude of impact, evaluating them, determining response strategy, and monitoring progress of key risks faced by the Group. The ERM framework is outlined in the diagram below:



The Group has an ERM which is chaired by the Group Managing Director and comprises Senior Management of the Group. The ERM is assisted by the Divisional Risk Committee whose role is to identify, mitigate and manage risks within their businesses. The ERM retains the overall risk governance responsibility and risk oversight of the Group and its subsidiaries. The ERM structure is summarised below:



The Group's risk management process establishes the context of risk in relation to the Group and its various businesses. The process includes risk identification, analysis, evaluation and treatment with continuous monitoring, review, communication and consultation. Analysis of risks based on likelihood of occurrence and significance of their consequences is consistent with the Risk Ranking of an approved Risk Matrix.



GRD drives the implementation of the Business Continuity plan for the Group. Risk Coordinators are appointed at each business division to act as risk liaison.

ACTIVITIES DURING THE YEAR

Risk Reporting

Quarterly reports to Board Risk Management Committee (BRMC) highlight the Group's Risk Profile to enable Board and Management to focus on key risks affecting the Group's businesses and operations and the system of internal control necessary to manage such risks. The BRMC reviewed significant risks comprising of Strategic, Operational and Emerging risk categories. The review included movements from Gross to Residual Risk Levels which monitors Management's progress in implementing controls and assessing the effectiveness of measures addressing the sources of risk.

In summary, the range of risk issues deliberated for the Group during 2012 included strategic growth, market and price volatility, operational performances, competition and compliance.

The BRMC reviewed significant risks of the Group's businesses particularly in respect of the following areas:

- i. Fertilizers Division
Improvements to plant efficiency, financial performance, cost management and supply chain, concentration of market and competitors.
- ii. Chemicals Division
The market dynamics and volatility of the manufacturing sector, talent gap, and growth opportunities within the chemicals industry.
- iii. Pharmaceuticals Division
The competition faced by the business and initiatives to address the strategic and regulatory issues of the business, with emphasis on the division's goal to be a leader in the region within mid to long term range.



Report of the RISK MANAGEMENT COMMITTEE cont'd

ERM System

In Quarters 1 and 2, the BRMC reviewed the developments of the *RiSmart* implementation ensuring that the system conforms to the Group's risk management framework. In Quarter 2 2012, an ERM system (*RiSmart*) was introduced within the Group. After a period of training and awareness, the third and fourth quarter of 2012 risk reporting was carried out via *RiSmart* online. Risks are identified by risk owners across various entities, geographical locations, functions and by strategic objectives. Risk information is made available to risk owners and senior management with online accessibility and improves the efficiency, consistency and accuracy of reporting. The reporting captures updates of risk decisions and risk acceptances made based on defined risk appetite, controls and treatment measures undertaken by risk owners. Audit trail report monitors risk reporting frequency of risk owners and senior management uses the Risk Review function to review any aspects of risks identified. Risk Quantification and Key Risk Indicators (KRIs) are areas being pursued by Management towards an integrated Enterprise Risk Management.

Business Continuity

The Group consolidated its various crisis management and business continuity programmes operating at each of its business operations to a Group Business Continuity Management framework, policy and guidelines which was launched in August 2012. A high level Business Impact Analysis (BIA) to determine key issues and exposures for each business division was done in the period and the process of assessing the magnitude of the impact for business continuity is in progress. In addition, a more regular and coordinated Group-wide testing of the Business Continuity Plan is planned in the future.

Code on Corporate Governance

The BRMC reviewed the relevant recommendations of the revised Malaysian Code on Corporate Governance (MCCG 2012) in particular Principle 6.1 : 'Recognise and Manage Risk' ensuring the current Group's ERM meets the objective of the said Code. The Group's ERM framework built within the *RiSmart* system is based on ISO 31000, premised on international guideline for managing risk. With a view to ensure risk management process is well structured, further enhancements were incorporated into the framework in November 2012. The enhancement made to *RiSmart* was primarily in re-defining the strategy of managing risks and to emphasise *RiSmart* information system as the driver of the Group's ERM framework, methodology and processes.



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 2012.

COMPOSITION OF NOMINATION AND REMUNERATION COMMITTEE

- i. The Nomination and Remuneration Committee shall have at least three (3) members, all of whom shall be 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;
- ii. The Chairman of the Committee shall be the Senior Independent Director. In the absence of the Chairman of the Committee, the members present shall elect one of their number to chair the meeting;
- iii. In the event of equality of votes, the Chairman of the Committee shall have a casting vote (except where two (2) directors form the quorum);
- iv. The appointment of a Committee member terminates when the member ceases to be a director, or as determined by the Board.
- iii. The Secretary of the Committee shall be the Company Secretary. Committee meeting agendas shall be the responsibility of the Committee Chairman with input from Committee members. The Chairman may also request management to participate in this process. The agenda for each meeting including supporting information shall be circulated at least seven days before each meeting to the Committee members and all those who are required to attend the meeting;
- iv. The Committee shall cause minutes to be duly entered in the books provided for the purpose of all resolutions and proceedings of all meetings of the Committee. Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting and if so signed, shall be conclusive evidence without any further proof of the facts thereon stated. The minutes of the Committee meeting shall be available to all Board Members;
- v. The Committee, through its Chairman, shall report to the Board at the next Board of Directors' meeting after each Committee meeting. When presenting any recommendation to the Board, the Committee will provide such background and supporting information as may be necessary for the Board to make an informed decision. The Committee shall provide such information to the Board as necessary to assist the Board in making a disclosure in the Annual Report in accordance with the Best Practices and the Principles of the Malaysian Code on Corporate Governance and the Bursa Malaysia Listing Requirements;

MEETINGS

- i. The Committee shall meet at least once a year. Additional meetings shall be scheduled as considered necessary by the Committee or Chairman. The Committee may establish any procedures from time to time to govern its meetings, keeping of minutes and its administration;
- ii. The Committee shall have access to such information and advice, both from within the Group and externally, as it deems necessary or appropriate in accordance with the procedures determined by the Board and at the cost of the Group. The Committee may request other directors, members of management, counsels, consultants as applicable to participate in Committee meetings, as necessary, to carry out the Committee's responsibilities. Non-Committee directors and members of management in attendance may be required by the Chairman to leave the meetings of the Committee when the Chairman so request;
- vi. The Chairman of the Committee shall be available to answer questions about the Committee's work at the Annual General Meeting of the Company.

During the financial year, Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman, resigned as the Chairman of the Committee on 7 December 2012. Khalid bin Sufat was appointed as the Chairman of the Committee while Datin Paduka Kartini binti Hj. Abdul Manaf was appointed as a Committee Member on the same date. The current composition of the Committee now stands at three (3) members.



Report of the NOMINATION AND REMUNERATION COMMITTEE cont'd

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

Members of Nomination and Remuneration Committee

No. of Meetings Attended

Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman Chairman, Non-Independent Non-Executive Director <i>(resigned from the Committee w.e.f. 7 December 2012)</i>	7/7
Khalid bin Sufat Chairman, Senior Independent Non-Executive Director <i>(appointed as Chairman of the Committee w.e.f. 7 December 2012)</i>	7/7
Dr. Leong Chik Weng Member, Independent Non-Executive Director	7/7
Datin Paduka Kartini binti Hj. Abdul Manaf Member, Non-Independent Non-Executive Director <i>(appointed as Member of the Committee w.e.f. 7 December 2012)</i>	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 or CEO 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 establish the Key Performance Indicators (KPIs) of the Group Managing Director and review his performance against the KPIs set;
- vi. 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;
- vii. 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;
- viii. To recommend to the Board whether Directors retiring by rotation should be put forward for re-election;
- ix. To ensure an appropriate framework and plan for Board and Management succession in 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, the appointment, promotion or termination of the Group Managing Director and his direct reports;

- xii. To review the Group Managing Director's recommendation on the KPIs of his direct reports and their performance against the KPIs set;
 - xiii. To review and recommend to the Board the policies on the remuneration package including increment and bonus of the Group Managing Director and his direct reports;
 - xiv. To review and recommend to the Board the global increment, bonus and incentive package for employees of the CCM Group of Companies;
 - xv. To review and recommend to the Board any new incentive package and/or amendments to any existing incentive package for employees in the CCM Group of Companies;
 - xvi. To consider other matters as referred to the Committee by the Board.
- iii. Recommended for approval of the Board the remuneration package of the Division Directors and Chief Executive Officer of the CCM Group of Companies;
 - iv. Reviewed and recommended to the Board the remuneration package for the Board of Directors of the Company;
 - v. Reviewed the Management's recommendation on appointments 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 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.

ACTIVITIES DURING THE FINANCIAL YEAR

During the year, the Committee:

- i. Recommended for approval of the Board the appointment of new Directors to the subsidiaries of the Group;
- ii. Recommended for approval of the Board the appointment of Directors to the Board Committees;



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 2012.

COMPOSITION OF FINANCE AND INVESTMENT COMMITTEE

- i. The Committee shall have at least three (3) members, all of whom shall be Non-Executive Directors. The quorum for the Committee shall be two (2) members;
- ii. In the event of equality of votes, the Chairman of the Committee shall have a casting vote (except where two (2) directors form the quorum). In the absence of the Chairman of the Committee, the members present shall elect one of their number to chair the meeting;
- iii. The appointment of a Committee member terminates when the member ceases to be a director, or as determined by the Board.

The current composition of the Committee stands at three (3) members.

MEETINGS

- i. The Committee shall meet at least once in every quarter. Additional meetings shall be scheduled as considered necessary by the Committee or Chairman. The Committee may establish any procedures from time to time to govern its meetings, keeping of minutes and its administration;
- ii. The Committee shall have access to such information and advice, both from within the Group and externally, as it deems necessary or appropriate in accordance with the procedures determined by the Board and at the cost of the Group. The Committee may request other directors, members of management, counsels, consultants as applicable to participate in Committee meetings, as necessary, to carry out the Committee's responsibilities. Non-committee directors and members of management

in attendance may be required by the Chairman to leave the meetings of the Committee when the Chairman so request;

- iii. The Secretary of the Committee shall be the Company Secretary. Committee meeting agendas shall be the responsibility of management. The agenda for each meeting including supporting information shall be circulated at least seven days before each meeting to the Committee members and all those who are required to attend the meeting;
- iv. All submission to the Finance and Investment Committee shall be approved by the Project Review Committee before it is escalated to the Committee;
- v. The Committee shall cause minutes to be duly entered in the books provided for the purpose of all resolutions and proceedings of all meetings of the Committee. Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting and if so signed, shall be conclusive evidence without any further proof of the facts thereon stated. The minutes of the Committee meeting shall be available to all Board members;
- vi. The Committee, through its Chairman, shall report to the Board at the next Board of Directors' meeting after each Committee meeting. When presenting any recommendation to the Board, the Committee will provide such background and supporting information as may be necessary for the Board to make an informed decision. The Committee shall provide such information to the Board as necessary to assist the Board in making a disclosure in the Annual Report in accordance with the Principles of the Malaysian Code on Corporate Governance;
- vii. The Chairman of the Committee shall be available to answer questions about the Committee's work at the Annual General Meeting of the Company.

A total of nine (9) meetings were held during the year. The status of directorship and attendance record of each of the members during the financial year were as follows:

Members of Finance and Investment Committee

No. of Meetings Attended

Datuk Karownikaran @ Karunikaran A/L Ramasamy Chairman, Independent Non-Executive Director	9/9
Professor Dato' Seri Ir. Dr Zaini bin Ujang Member, Non-Independent Non-Executive Director	7/9
Dato' Azmi bin Mohd. Ali Member, Non-Independent Non-Executive Director	9/9

TERMS OF REFERENCE

Purpose

The Finance and Investment Committee, a Committee of the Board of Directors (Board), is established primarily to:

- i. Review, recommend and approve to the Board, capital expenditure as proposed by companies within the Group;
- ii. Review and recommend to the Board all acquisitions and divestment of companies and setting up of companies;
- iii. Advise Management on suitable plans in respect of future investments.

Scope of Activities

The duties of the Finance and Investment Committee shall include the following:

- 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 unbudgeted capital expenditure item of up to RM5 million if no budget was originally allocated or the lower of 10% of original budget and RM5 million for potential expenditure exceeding original budget;
- v. To review and approve any unbudgeted operating expenditure item exceeding the Group Managing Director's limits of authority up to a maximum of RM1 million;
- vi. 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;
- vii. 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;

- viii. 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;
- ix. To consider other matters as referred to the Committee by the Board.

In respect of items vi and vii, the Group Managing Director is given the authority to approve any disposal of Company's assets and properties of RM1 million and below, in line with the Group's Limits of Authority. All assets and properties approved by the Group Managing Director shall be tabled to the Finance and Investment Committee for information at the Finance and Investment Committee Meeting.

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 capital expenditure, mergers and acquisitions and international business expansion;
- vii. 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 RISK MANAGEMENT AND INTERNAL CONTROL

RESPONSIBILITY

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

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

RISK MANAGEMENT

The Board confirms that as an integral part of the system of internal control, there is an ongoing Group-wide risk management process for identifying, evaluating and managing the significant risks faced by the Group. Risk management is practised within the Group on an iterative basis. All new and major investments have to observe a process approval that includes an assessment of the associated risks. During the year under review, the Group has implemented an improved Enterprise Risk Management Framework (named *RiSmart*) which is based on ISO 31000, premised on international guideline for managing risk. *RiSmart* defines, highlights, reports on and manages the key business and operational risks anticipated by business divisions of the Group.

The Group-wide risk management 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 department 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 Department which is dedicated to the role.

The Group Risk Department 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.

KEY ELEMENTS OF THE GROUP'S SYSTEM OF INTERNAL CONTROL

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

Board Committees

The delegation of responsibilities to the various committees of the Board of Directors is clearly defined. At present, the committees which are established are the Audit and Compliance Committee, Risk Management Committee, Nomination and Remuneration Committee and Finance and Investment Committee.

Assignment of Authority and Responsibility

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

Planning, Monitoring & Reporting

The Group undertakes a strategic and budgeting planning process annually, to establish plans and targets against which performance is monitored. These business plan and budgets are subjected to evaluation and assessment by the Senior Management Group and the Finance and Investment Committee before it is recommended to the Board for approval.

Monthly review is carried out by the Management to ensure that the businesses are operating according to the plans, as well as to monitor adherence to the internal control procedures established. Management reports are presented to the Board each quarter providing financial information including key performance and risk indicators. The information is reviewed by the Audit and Compliance Committee before it is presented to the Board for consideration and approval.

Policies & Procedures

There are policies and procedures in place to ensure compliance with controls, and relevant law and regulations. These policies and procedures are periodically reviewed and updated to reflect changes in business structure and processes. In various instances, these documents form an integral part of the Integrated Quality Management Systems (IQMS). Chemical Company of Malaysia Berhad (CCM Berhad), on 30 October 2012 was accorded triple certifications namely ISO 9001, 14001 and OHSAS 18001 by Bureau Veritas. These certifications demonstrate our ongoing commitment to drive for excellence and continuous quality improvement.

During the year under review, the Group has implemented SAP across its key business activities namely its Pharmaceuticals Division, the regional entities (covering 3 countries) and the holding company, CCM Berhad. This is part of the Group's initiative to establish best practices across key business functions promoting greater visibility, transparency and efficiency.

Annual assurance is provided by the Group Managing Director and Chief Financial Officer to the Board on the adequacy and effectiveness of controls in the business processes.

Business Continuity Management (BCM)

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

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

Human Resource Management

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

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

Internal Audit

The Group Internal Audit Department (GIA) 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; follow-up audits are conducted by GIA to assess the status of implementation thereof by management. In carrying out its work, GIA focuses on areas of priority as directed and approved by the Audit and Compliance Committee of the Board.

The Board remains committed towards maintaining a sound system of internal 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.

Board Assessment

The Board is of the view that the Group's overall risk management and internal control systems are operating adequately and effectively, in all material aspects, and have received the same assurance from both the Group Managing Director and Chief Financial Officer of the Group.

The Board confirms that the risk management process in identifying, evaluating and managing significant risks faced by the Group has been in place throughout 2012 up to the date of approval of this statement.

For the financial year 2012, the Board is of the view that the system of internal control was adequate and effective and has not resulted in any material loss, contingency or uncertainty that would require disclosure in the Annual Report 2012.



**Other
DISCLOSURES**

**MATERIAL CONTRACTS AND COMMITMENTS FOR
CAPITAL EXPENDITURE**

There is no material contract entered into by the CCM Group during the two (2) years immediately preceding the Circular to Shareholders dated 3 June 2013, other than contracts entered into in the ordinary course of business:

- a. Issuance of Non-Rated Sukuk Musyarakah of RM120.0 million, in nominal value of 5 years fixed rate at 4.35% by Chemical Company of Malaysia Berhad on 8 August 2011.
- b. Issuance of Musyarakah Commercial Paper (MCP)/ Musyarakah Medium Term Notes (MMTN) pursuant to a MCP Programme of up to RM250.0 million in nominal value and a MMTN Programme of up to RM500.0 million in nominal value respectively, with a combined master limit of RM500.00 million in nominal value by Chemical Company of Malaysia Berhad (collectively referred to as Sukuk Issuance).

On 28 November 2008, the Company has issued RM150.0 million, in nominal value of 3 years fixed MMTN at 5.95% and the maturity date is 29 November 2011. The Company has fully redeemed the RM150.0 million MMTN on the maturity date. The Company has cancelled the Sukuk Issuance effective 18 July 2012.

As at 31 December 2012 (audited), the Group has material commitments for capital expenditure of RM16,772,000 (contracted but not provided for) and RM32,736,000 (authorised but not contracted for), amounting to a total of RM49,508,000.

MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at 7 May 2013, and save and except as disclosed below, neither CCM nor any of its subsidiaries are engaged in any material litigation, claims or arbitration proceedings, either as Plaintiff or Defendant, which will have a material effect on the financial position of the CCM Group and the Board is not aware of any proceedings pending or threatened against CCM

and/or its subsidiaries or any facts likely to give rise to any proceedings which might materially affect the financial position and business of the CCM Group:

Johor Bahru High Court Writ of Summons No :
23NCVC-119-08/2012

Plaintiff : Prostar Edge (Johor) Sdn. Bhd.

Defendant : CCM Chemicals Sdn. Bhd. (CCMC)

On 24 August 2012, the Plaintiff had served on CCMC a Writ of Summons and Statement of Claim dated 9 August 2012 together with an Amended Statement of Claim dated 13 August 2012 alleging, *inter alia*, that:

- a. the Plaintiff had allegedly been appointed by CCMC to be the sole repacking vendor and dealer for the Defendant's products pursuant to an alleged Offer Letter dated 6 December 2006; and
- b. the Defendant had allegedly breached the terms of the said Offer Letter, namely that the Defendant had allegedly failed to allot to the Plaintiff the alleged minimum export volume and that the Defendant had allegedly used the services of another contractor to provide similar services.

The Plaintiff had prayed for the following orders:-

- i. a declaration that CCMC had breached the terms of the alleged Offer Letter dated 6 December 2006;
- ii. the sum of RM3,361,359.00 as damages for breach of contract or in the alternative, loss and damages to be assessed due to CCMC's breach of its obligations;
- iii. exemplary damages to be assessed;
- iv. interest on the damages under items ii and iii at the rate of 5% per annum calculated from the date of judgment or assessment until the date of full settlement;
- v. costs on a solicitor and client basis; and
- vi. such other relief and/or further orders as the Court deems fit.

CCMC had on 5 October 2012 filed its defence to the Plaintiff's amended statement of claim. CCMC had also filed a counterclaim against the Plaintiff and one of its directors, namely Mohd. Khairi bin Mohd. Rajab. In the said counterclaim, CCMC sought the following orders:

- i. a declaration that the Plaintiff was never appointed as CCMC's 'sole' repacking vendor nor was a minimum quantity commitment ever agreed between the parties;
- ii. a declaration that the alleged letter of intent dated 18.4.2006 and the said Offer Letter relied upon by the Plaintiff in its claim against the Defendant was not binding and unenforceable;
- iii. general damages;
- iv. interest on the above sum at the rate of 5% per annum from the date of the counterclaim until the date of full realisation;
- v. costs; and
- vi. such further and/or other orders and/or relief as the Court deems fit and proper.

The trial commenced on 16 April 2013 and continued on 17 April 2013 and 10 May 2013. The court has fixed 17 May 2013 and 22 May 2013 for continuation of the trial.

RECURRENT RELATED PARTY TRANSACTION OF A REVENUE OR TRADING NATURE

At an Annual General Meeting (AGM) held on 27 June 2012, 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 2012 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 2012 is set out on pages 170 and 182 to 184 of the Annual Report.

The Group intends to seek a renewal of the said general mandate 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 3 June 2013.

SHARE BUY-BACK

There was no repurchase of the Company's issued and paid up shares since 2003. As at 31 December 2012, 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 2012, the Group has paid a sum of RM325,000 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 was no sanction and/or penalty 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.

WARRANTS EXERCISED DURING THE YEAR

	Warrants-B (‘000)
Balance as at 1/1/2012	55,314
Exercised	52,874
Lapsed	2,440
Balance as at 31/12/2012	0

During the financial year, the subscription period of the Warrants-B of 88,040,592 at an exercise price of RM1.36 has expired on 26 December 2012.



STRENGTH

CCM's progressive development as an organisation delivering excellent quality products and services to customers and steady profitability to shareholders.





DIRECTORS' REPORT for the year ended 31 December 2012

Amounts in RM'000 unless otherwise stated

The Directors of Chemical Company of Malaysia Berhad have pleasure in submitting their fifty-first annual report together with the audited financial statements of the Group and of the Company for the year ended 31 December 2012. This report and the financial statements will be presented to the shareholders at the Annual General Meeting to be held on 26 June 2013.

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 for the year attributable to:		
Owners of the Company	36,912	29,164
Non-controlling interests	17,107	-
	54,019	29,164

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:

- i) a final ordinary dividend of 0.44 sen per ordinary share less tax at 25% totalling RM1,325,911.73 (0.33 sen net per share) in respect of the financial year ended 31 December 2011 on 24 July 2012.
- ii) a final ordinary tax exempt dividend of 2.42 sen per ordinary share totalling RM9,723,352.70 in respect of the financial year ended 31 December 2011 on 24 July 2012.

The final ordinary dividends recommended by the Directors in respect of the financial year ended 31 December 2012 is a final single tier dividend of 5.75 sen per ordinary share which if approved, will be paid on 23 July 2013 to shareholders registered at the close of business on 2 July 2013.

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' Seri 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 2012 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 52,873,871 ordinary shares of RM1 each for cash arising from conversion of 52,873,871 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 2012

WARRANTS

On 27 December 2002, the Company issued RM200,000,000 nominal amount of 7-year 3% Fixed Rate Bonds ("the 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 2009 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 period, the subscription period of the Warrants-B of 88,040,592 at an exercise price of RM1.36 has expired on 26 December 2012. Accordingly, the outstanding Warrants-B as at 26 December 2012 of 2,440,566 has lapsed.

TREASURY SHARES

There were no changes in treasury shares during the year.

OTHER STATUTORY INFORMATION

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

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

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

OTHER STATUTORY INFORMATION (CONTINUED)

- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2012 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 reappointment.

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: 25 March 2013



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 87 to 176 are drawn up in accordance with the Malaysian Financial Reporting Standards, International 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 at 31 December 2012 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 177 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: 25 March 2013



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

I, Nik Fazila binti Nik Mohamed Shihabuddin, 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 87 to 177 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 25 March 2013.

Nik Fazila binti Nik Mohamed Shihabuddin

Before me:

Commission 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 2012 of the Group and of the Company, and the statements of profit or loss and other 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 87 to 176.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is 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 give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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 Investments 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 on page 177 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 Malaysian Financial Reporting Standards or International 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 MATTER

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: 2583/08/14(J)
Chartered Accountant

Petaling Jaya,
Date: 25 March 2013



STATEMENTS OF FINANCIAL POSITION as at 31 December 2012

Amounts in RM'000 unless otherwise stated

	Note	Group			Company		
		31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
Assets							
Property, plant and equipment	3	574,037	619,132	629,091	22,792	47,345	37,110
Intangible assets	4	302,341	303,713	303,245	63	63	63
Prepaid lease payments	5	6,131	6,553	6,921	-	-	-
Investment properties	6	85,760	50,793	42,682	164,250	130,174	127,600
Investment in subsidiaries	7	-	-	-	336,142	336,210	321,821
Investment in associate	8	12,875	10,538	8,004	-	-	-
Other investments	9	124	124	24,515	-	-	-
Deferred tax assets	10	12,243	10,001	3,269	-	-	-
Receivables	11	-	-	-	596,744	652,523	699,991
Total non-current assets		993,511	1,000,854	1,017,727	1,119,991	1,166,315	1,186,585
Trade and other receivables	11	370,239	354,515	409,204	84,244	31,167	12,145
Inventories	12	368,403	391,317	308,062	-	-	-
Current tax assets		26,071	66,270	61,035	7,719	52,861	43,759
Assets classified as held for sale	13	-	1,740	1,740	-	-	-
Cash and cash equivalents	14	293,958	180,541	212,159	160,921	46,800	87,738
Total current assets		1,058,671	994,383	992,200	252,884	130,828	143,642
Total assets		2,052,182	1,995,237	2,009,927	1,372,875	1,297,143	1,330,227
Equity							
Share capital		457,630	404,756	404,741	457,630	404,756	404,741
Reserves		31,273	16,860	34,785	36,183	15,147	15,142
Retained earnings		345,779	319,916	311,604	288,351	270,236	243,573
Total equity attributable to owners of the Company	15	834,682	741,532	751,130	782,164	690,139	663,456
Non-controlling interests		133,272	128,030	126,884	-	-	-
Total equity		967,954	869,562	878,014	782,164	690,139	663,456



STATEMENTS OF FINANCIAL POSITION cont'd as at 31 December 2012

Amounts in RM'000 unless otherwise stated

	Note	Group			Company		
		31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
Liabilities							
Loans and borrowings	16	550,000	122,438	311,254	550,000	120,000	300,000
Deferred tax liabilities	10	25,683	20,705	21,193	8,492	2,776	2,022
Total non-current liabilities		575,683	143,143	332,447	558,492	122,776	302,022
Provision	17	1,121	766	850	-	-	-
Trade and other payables	18	204,263	263,238	222,138	32,219	26,876	42,674
Current tax liabilities		9,518	53,458	46,522	-	47,352	42,075
Loans and borrowings	16	293,643	665,070	529,956	-	410,000	280,000
Total current liabilities		508,545	982,532	799,466	32,219	484,228	364,749
Total liabilities		1,084,228	1,125,675	1,131,913	590,711	607,004	666,771
Total equity and liabilities		2,052,182	1,995,237	2,009,927	1,372,875	1,297,143	1,330,227

The notes on pages 97 to 176 are an integral part of these financial statements.



STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2012

Amounts in RM'000 unless otherwise stated

	Note	Group		Company	
		2012	2011	2012	2011
Revenue	19	1,514,030	1,610,187	40,115	72,565
Cost of goods sold		(1,237,691)	(1,351,326)	(1,095)	(861)
Gross profit		276,339	258,861	39,020	71,704
Other income		11,950	15,929	7,232	2,586
Distribution expenses		(59,130)	(53,904)	-	-
Administrative expenses		(81,307)	(84,173)	(11,006)	(11,601)
Other expenses		(45,634)	(47,320)	(2,340)	(17,939)
Results from operating activities		102,218	89,393	32,906	44,750
Finance income		2,653	4,860	26,670	32,737
Finance costs		(35,326)	(39,111)	(24,160)	(28,732)
Operating profit	20	69,545	55,142	35,416	48,755
Share of profit of equity accounted investee, net of tax		2,337	2,534	-	-
Profit before tax		71,882	57,676	35,416	48,755
Income tax expense	22	(17,863)	(18,437)	(6,252)	(11,446)
Profit for the year		54,019	39,239	29,164	37,309
Other comprehensive income, net of tax					
Foreign currency translation difference for foreign operations		(6,127)	(1,292)	-	-
Fair value of available-for-sale financial assets		-	(16,638)	-	-
Revaluation of property, plant and equipment upon transfer of properties to investment properties		2,002	-	2,002	-
Other comprehensive income for the year, net of tax		(4,125)	(17,930)	2,002	-
Total comprehensive income for the year		49,894	21,309	31,166	37,309



STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME cont'd for the year ended 31 December 2012

Amounts in RM'000 unless otherwise stated

	Note	Group		Company	
		2012	2011	2012	2011
Profit attributable to:					
Owners of the Company		36,912	22,272	29,164	37,309
Non-controlling interests		17,107	16,967	-	-
Profit for the year		54,019	39,239	29,164	37,309
Total comprehensive income attributable to:					
Owners of the Company		32,291	4,342	31,166	37,309
Non-controlling interests		17,603	16,967	-	-
Total comprehensive income for the year		49,894	21,309	31,166	37,309
Basic earnings per ordinary share (sen)	23	9.11	5.50		
Diluted earnings per ordinary share (sen)	23	9.11	4.84		

The notes on pages 97 to 176 are an integral part of these financial statements.



STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2012

Amounts in RM'000 unless otherwise stated

Group	Note	Share capital	Share premium	Capital			Attributable to equity holders of the Company			Total equity			
				Share redemption reserve	Translation reserve	Fair value reserve	Non-distributable	Distributable	Non controlling interests				
				Share redemption 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	-	16,661	-	2,982	(5,836)	311,604	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	24	-	-	-	-	-	-	-	-	(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	(1,292)	23	-	2,982	(5,836)	319,916	741,532	128,030	869,562



STATEMENT OF CHANGES IN EQUITY cont'd for the year ended 31 December 2012

Amounts in RM'000 unless otherwise stated

Group	Note	Attributable to equity holders of the Company					Distributable			Non controlling interests	Total equity		
		Share capital	Share premium	Capital redemption reserve	Translation reserve	Fair value reserve	Revalua- tion reserve	Other capital reserve	Treasury shares			Retained earnings	Total
At 1 January 2012		404,756	20,910	73	(1,292)	23	-	2,982	(5,836)	319,916	741,532	128,030	869,562
Foreign exchange translation differences		-	-	-	(6,623)	-	-	-	-	-	(6,623)	496	(6,127)
Revaluation of property, plant and equipment upon transfer of properties to investment properties		-	-	-	-	-	2,002	-	-	-	2,002	-	2,002
Total other comprehensive income for the year		-	-	-	(6,623)	-	2,002	-	-	-	(4,621)	496	(4,125)
Profit for the year		-	-	-	-	-	-	-	-	36,912	36,912	17,107	54,019
Total comprehensive income for the year		-	-	-	(6,623)	-	2,002	-	-	36,912	32,291	17,603	49,894
Issue of shares:													
Conversion of warrants		52,874	19,034	-	-	-	-	-	-	-	71,908	-	71,908
Dividends to owners of the Company	24	-	-	-	-	-	-	-	-	(11,049)	(11,049)	-	(11,049)
Dividends to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(12,361)	(12,361)
At 31 December 2012		457,630	39,944	73	(7,915)	23	2,002	2,982	(5,836)	345,779	834,682	133,272	967,954

Note 15.1

Note 15.2

Note 15.3

Note 15.4

Note 15.5

Note 15.6

The notes on pages 97 to 176 are an integral part of these financial statements.

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 2011		404,741	20,905	73	-	(5,836)	243,573	663,456
Profit for the year		-	-	-	-	-	37,309	37,309
Profit 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	24	-	-	-	-	-	(10,646)	(10,646)
At 31 December 2011/ 1 January 2012		404,756	20,910	73	-	(5,836)	270,236	690,139
Revaluation of property, plant and equipment upon transfer of properties to investment properties		-	-	-	2,002	-	-	2,002
Total other comprehensive income for the year		-	-	-	2,002	-	-	2,002
Profit for the year		-	-	-	-	-	29,164	29,164
Total comprehensive income for the year		-	-	-	2,002	-	29,164	31,166
Issue of shares:								
Conversion of warrants		52,874	19,034	-	-	-	-	71,908
Dividends to owners of the Company	24	-	-	-	-	-	(11,049)	(11,049)
At 31 December 2012		457,630	39,944	73	2,002	(5,836)	288,351	782,164
		Note 15.1		Note 15.2	Note 15.5	Note 15.6	Note 15.7	

The notes on pages 97 to 176 are an integral part of these financial statements.



STATEMENTS OF CASH FLOWS for the year ended 31 December 2012

Amounts in RM'000 unless otherwise stated

	Note	Group		Company	
		2012	2011	2012	2011
Cash flows from operating activities					
Profit before tax		71,882	57,676	35,416	48,755
Adjustments for:					
Amortisation of prepaid lease payments	5	422	445	-	-
Change in fair value of investment properties	6	(7,326)	(2,391)	(6,435)	(2,574)
Depreciation of property, plant and equipment	3	49,315	43,117	2,956	1,042
Dividend income from subsidiaries		-	-	(35,235)	(67,500)
Net gain on disposal of property, plant and equipment		(1,039)	(206)	(628)	(12)
Gain on disposal of assets held for sale		(602)	-	-	-
Gain on disposal of other investment		-	(9,481)	-	-
Finance costs		35,326	39,111	24,160	28,732
Finance income		(2,653)	(4,860)	(26,670)	(32,737)
Impairment loss on intangible asset		800	-	-	-
Impairment loss on investment in subsidiaries		-	-	68	1,667
Impairment loss on amount due from a subsidiary		-	-	-	12,628
Impairment loss on property, plant and equipment		176	-	-	-
Share of profit of equity accounted investee, net of tax		(2,337)	(2,534)	-	-
Property, plant and equipment written off		168	156	-	-
Unrealised foreign exchange loss		286	713	-	-
Unrealised foreign exchange gain		(202)	(334)	-	-
Operating profit/(loss) before working capital		144,216	121,412	(6,368)	(9,999)
Change in inventories		22,914	(83,255)	-	-
Change in trade and other payables		(58,619)	41,016	5,343	(15,798)
Change in trade and other receivables		(15,808)	54,310	2,702	6,818
Cash generated from/(used in) operations		92,703	133,483	1,677	(18,979)
Interest paid		(35,326)	(39,111)	(24,160)	(28,732)
Interest received		2,653	4,860	26,670	32,737
Income taxes paid		(26,066)	(23,956)	(2,029)	(5,415)
Income taxes refunded		7,198	-	5,012	-
Net cash generated from/(used in) operating activities		41,162	75,276	7,170	(20,389)

Amounts in RM'000 unless otherwise stated

	Note	Group		Company	
		2012	2011	2012	2011
Cash flows from investing activities					
Acquisition of property, plant and equipment	3	(37,257)	(38,840)	(4,081)	(11,285)
Dividends received from subsidiaries		-	-	29,506	58,398
Increase in investment in subsidiaries		-	-	-	(7,056)
Proceeds from disposal of property, plant and equipment		1,714	430	667	20
Proceeds from disposal of asset held for sale		2,342	-	-	-
Proceeds from disposal of other investment		-	17,234	-	-
Net cash (used in)/generated from investing activities		(33,201)	(21,176)	26,092	40,077
Cash flows from financing activities					
Acquisition of non-controlling interests		-	(7,056)	-	-
Dividends paid to non-controlling interests		(12,361)	(12,079)	-	-
Dividends paid to owners of the Company	24	(11,049)	(10,646)	(11,049)	(10,646)
Decrease in deposits pledged with banks		516	-	-	-
Proceeds from loans and borrowings		525,000	120,000	430,000	120,000
Proceeds from exercise of warrants		71,908	20	71,908	20
Repayment of loans and borrowings		(468,865)	(173,702)	(410,000)	(170,000)
Net cash from/(used in) financing activities		105,149	(83,463)	80,859	(60,626)
Exchange differences on translation of the financial statements of foreign operations		823	(2,255)	-	-
Net increase/ (decrease) in cash and cash equivalents		113,933	(31,618)	114,121	(40,938)
Cash and cash equivalents at 1 January	(i)	179,994	211,612	46,800	87,738
Cash and cash equivalents at 31 December	(i)	293,927	179,994	160,921	46,800



STATEMENTS OF CASH FLOWS cont'd for the year ended 31 December 2012

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:

	Note	Group		Company	
		2012	2011	2012	2011
Cash and bank balances		190,433	110,544	78,166	1,367
Deposits with licensed banks (excluding deposits pledged)		103,494	69,450	82,755	45,433
		293,927	179,994	160,921	46,800



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 2012 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 2012 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 25 March 2013.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and the Companies Act, 1965 in Malaysia. These are the Group and the Company’s first financial statements prepared in accordance with MFRSs and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied.

In the previous financial years, the financial statements of the Group and the Company were prepared in accordance with Financial Reporting Standards (“FRSs”) in Malaysia. The financial impacts on transition to MFRSs are disclosed in note 31.

The Group and the Company have early adopted the amendments to MFRS 101, *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* which are effective for annual periods beginning on or after 1 July 2012. The early adoption of the amendments to MFRS 101 has no impact on the financial statements other than the presentation format of the statement of profit or loss and other comprehensive income.



Notes to the FINANCIAL STATEMENTS cont'd

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

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

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

- MFRS 10, *Consolidated Financial Statements*
- MFRS 11, *Joint Arrangements*
- MFRS 12, *Disclosure of Interests in Other Entities*
- MFRS 13, *Fair Value Measurement*
- MFRS 119, *Employee Benefits (2011)*
- MFRS 127, *Separate Financial Statements (2011)*
- MFRS 128, *Investments in Associates and Joint Ventures (2011)*
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards – Government Loans*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 101, *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 132, *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements: Transition Guidance*
- Amendments to MFRS 11, *Joint Arrangements: Transition Guidance*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Transition Guidance*

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

- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

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

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

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning on 1 January 2013 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2013, except for IC Interpretation 20 which is not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2014 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014.
- from the annual period beginning on 1 January 2015 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2015.

(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 MFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

There are no significant areas of estimation uncertainty and critical judgments 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(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 for warranties
- Note 2(p)(iii) and note 19 - revenue from construction contracts
- Note 2(r) and note 10 - deferred tax assets



Notes to the FINANCIAL STATEMENTS cont'd

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and in preparing the opening MFRS statements of financial position of the Group and of the Company at 1 January 2011 (the transition date to MFRS framework), unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. 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 measured in the Company's statement of financial position at cost less impairment losses, unless the investment is classified held for sale or distribution. The cost of investments includes transactions costs.

(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.

Acquisitions on or after 1 January 2011

For acquisitions on or after 1 January 2011, the Group measures the cost of goodwill at the acquisition date as:

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

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

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

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

Acquisitions before 1 January 2011

As part of its transition to MFRS, the Group elected not to restate those business combinations that occurred before the date of transition to MFRSs, i.e. 1 January 2011. Goodwill arising from acquisitions before 1 January 2011 has been carried forward from the previous FRS framework as at the date of transition.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(iii) 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.

(iv) Loss of control

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.

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

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



Notes to the FINANCIAL STATEMENTS cont'd

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(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 end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

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

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

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency (continued)

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

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

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.

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.



Notes to the FINANCIAL STATEMENTS cont'd

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

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

Financial assets (continued)

(b) Loans and receivables

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

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

(c) 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(iii) Financial guarantee contracts

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

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) 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.

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 less any accumulated depreciation and any accumulated impairment losses.

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

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



Notes to the FINANCIAL STATEMENTS cont'd

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

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

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

(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 asset, 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 are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

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

• Leasehold land	48 - 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 at the end of the reporting period and adjusted as appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company 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.

(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.



Notes to the FINANCIAL STATEMENTS cont'd

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible assets (continued)

(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.

(g) Investment properties

(i) Investment properties carried at fair value

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

Investment properties are measured initially at cost and subsequently at fair value with any 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investment properties (continued)

(ii) Reclassification to/from investment properties

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised in 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.

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.



Notes to the FINANCIAL STATEMENTS cont'd

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Inventories

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

The cost of inventories is measured based on weighted average 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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, if any.

(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. If any such objective evidence exists, then the financial asset's recoverable amount is estimated.

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

An impairment loss in respect of available-for-sale financial assets is recognised in 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.

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.



Notes to the FINANCIAL STATEMENTS cont'd

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of assets (continued)

(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 financial year in which the reversals are recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Equity instruments

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

(i) Issue expenses

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

(ii) Repurchase of share capital (treasury shares)

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

Where treasury shares are 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) Provisions

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

(i) Warranties

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



Notes to the FINANCIAL STATEMENTS cont'd

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Provisions (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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Revenue recognition (continued)

(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.

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.



Notes to the FINANCIAL STATEMENTS cont'd

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Income tax

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

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, 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								
At 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
Transfers	-	2,095	29,299	-	-	10,394	(41,788)	-
Transfer to investment property (Note 6)	-	(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 /1 January 2012	123,003	47,814	73,718	148,270	21,339	607,756	21,746	1,043,646
Additions	-	-	186	788	12	31,624	4,647	37,257
Transfers	(2,190)	3,895	-	(1,705)	-	23,748	(23,748)	-
Transfer to investment property	-	-	-	-	-	-	-	-
- Revaluation of property transferred	-	1,900	102	-	-	-	-	2,002
- Transfer of carrying amount (Note 6)	-	(27,000)	(641)	-	-	-	-	(27,641)
Disposals	-	-	-	(164)	-	(6,608)	-	(6,772)
Write-off	-	-	-	-	(92)	(301)	-	(393)
Effect of movements in exchange rates	-	-	-	-	(3,987)	(4,348)	-	(8,335)
At 31 December 2012	120,813	26,609	73,365	147,189	17,272	651,871	2,645	1,039,764



Notes to the FINANCIAL STATEMENTS cont'd

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 and impairment loss								
At 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								
/1 January 2012	6,628	-	5,532	8,034	4,473	399,847	-	424,514
Depreciation for the year	1,741	-	1,099	5,073	1,562	39,840	-	49,315
Disposals	-	-	-	(8)	-	(6,089)	-	(6,097)
Impairment loss	-	-	-	-	-	176	-	176
Write-off	-	-	-	-	-	(225)	-	(225)
Effect of movement in exchange rates	-	-	-	-	(933)	(1,023)	-	(1,956)
At 31 December 2012	8,369	-	6,631	13,099	5,102	432,526	-	465,727
Carrying amounts								
At 1 January 2011	118,264	51,439	38,822	143,344	18,215	210,060	48,947	629,091
At 31 December 2011								
/1 January 2012	116,375	47,814	68,186	140,236	16,866	207,909	21,746	619,132
At 31 December 2012	112,444	26,609	66,734	134,090	12,170	219,345	2,645	574,037

3. PROPERTY, PLANT AND EQUIPMENT

Company	Freehold land	Freehold buildings	Under construction	Plant, machinery and equipment	Total
Cost					
At 1 January 2011	25,100	539	8,437	9,615	43,691
Additions	-	-	10,856	429	11,285
Disposals	-	-	-	(103)	(103)
At 31 December 2011/1 January 2012	25,100	539	19,293	9,941	54,873
Additions	-	-	4,081	-	4,081
Transfers	-	-	(23,329)	23,329	-
Disposals	-	-	-	(1,687)	(1,687)
Transfer to investment property:					
- Revaluation of property transferred	1,900	102	-	-	2,002
- Transfer of carrying amount (Note 6)	(27,000)	(641)	-	-	(27,641)
At 31 December 2012	-	-	45	31,583	31,628
Depreciation					
At 1 January 2011	-	-	-	6,581	6,581
Depreciation for the year	-	-	-	1,042	1,042
Disposals	-	-	-	(95)	(95)
At 31 December 2011/ 1 January 2012	-	-	-	7,528	7,528
Depreciation for the year	-	-	-	2,956	2,956
Disposals	-	-	-	(1,648)	(1,648)
At 31 December 2012	-	-	-	8,836	8,836
Carrying amounts					
At 1 January 2011	25,100	539	8,437	3,034	37,110
At 31 December 2011/1 January 2012	25,100	539	19,293	2,413	47,345
At 31 December 2012	-	-	45	22,747	22,792



Notes to the FINANCIAL STATEMENTS cont'd

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.1 Impairment loss

During the year, the Group tested the plant and machineries for impairment and recognised an impairment loss of RM176,000 on a discontinued project.

3.2 Leasehold land

At 31 December 2012, the net carrying amount of the Group's leasehold land was RM112,623,000 (31 December 2011: RM116,375,000; 1 January 2011: RM118,264,000). Leasehold land of the Group has an unexpired lease period of 26 to 86 years.

3.3 Security

In previous financial year, the leasehold factory land and building of the Group with a net book value of RM25,722,000 (1 January 2011: RM26,700,000) was pledged as security for banking facilities extended to the Group. During the financial year, the properties pledged has been discharged as the banking facilities have been fully settled by the Group.

3.4 Property, plant and equipment under construction

During the year ended 31 December 2012, the Group and the Company incurred installation and implementation of a new software. The costs incurred up to the period end date by the Group and the Company totalled RM23,748,000 (31 December 2011: RM19,293,000; 1 January 2011: RM8,437,000) and RM23,329,000 (31 December 2011: RM19,293,000; 1 January 2011: RM8,437,000) respectively. The software installation and implementation was completed at year end and was subsequently transferred to plant, machinery and equipment.

The Group also incurred installation costs of new plant and machinery for manufacturing of a wide range of pharmaceutical products. The costs incurred up to the period end date totalled RM2,600,000 (31 December 2011: RM2,453,000; 1 January 2011 RM40,510,000).

4. INTANGIBLE ASSETS

Group	Goodwill	Marketing rights	Trade-mark	Brands	Total
Cost					
At 1 January 2011	306,745	15,417	63	4,000	326,225
Effect of movement in exchange rates	-	468	-	-	468
At 31 December 2011/1 January 2012	306,745	15,885	63	4,000	326,693
Effect of movement in exchange rates	-	(572)	-	-	(572)
At 31 December 2012	306,745	15,313	63	4,000	326,121

4. INTANGIBLE ASSETS (CONTINUED)

Group	Goodwill	Marketing rights	Trade-mark	Brands	Total
Accumulated impairment loss					
At 1 January 2011/31 December 2011/ 1 January 2012	22,980	-	-	-	22,980
Impairment loss	-	-	-	800	800
At 31 December 2012	22,980	-	-	800	23,780
Carrying amounts					
At 1 January 2011	283,765	15,417	63	4,000	303,245
At 31 December 2011/1 January 2012	283,765	15,885	63	4,000	303,713
At 31 December 2012	283,765	15,313	63	3,200	302,341
Company					
					Trademark
Cost/Carrying amount					
At 1 January 2011/At 31 December 2011/ 1 January 2012/At 31 December 2012					63

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 that 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 of brands for impairment during the year and an impairment loss of RM800,000 was recognised. It is reasonably anticipated that the brands will be recovered through future commercial activity.



Notes to the FINANCIAL STATEMENTS cont'd

4. INTANGIBLE ASSETS (CONTINUED)

4.2 Amortisation and impairment charge

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

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		
	31.12.2012	31.12.2011	1.1.2011
A subsidiary in pharmaceuticals division	193,850	193,850	193,850
Subsidiaries in chemicals division	89,915	89,915	89,915
	283,765	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.

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 (2011: 2 years) period were extrapolated using a growth rate of 3 percent to 5 percent (2011: 8 percent) for subsidiaries of pharmaceuticals division and 5 percent to 6 percent growth rate (2011: 5 percent) for subsidiaries of chemicals division. Management believes that these 5 years (2011: 5 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 8.00 percent (2011: 5.65 percent) for subsidiaries of pharmaceuticals division and 8.70 percent (2011: 5.65 percent) for subsidiaries of chemicals division was applied in determining the recoverable amount. The discount was estimated based on the respective subsidiaries' weighted average cost of capital ("WACC").

The key assumptions represent the Group's 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.

5. PREPAID LEASE PAYMENTS

Group	Unexpired leasehold land with period less than 50 years
Cost	
At 1 January 2011	8,772
Effect of movements in exchange rates	77
At 31 December 2011/1 January 2012/31 December 2012	8,849
Amortisation	
At 1 January 2011	1,851
Amortisation for the year	445
At 31 December 2011/1 January 2012	2,296
Amortisation for the year	422
At 31 December 2012	2,718
Carrying amounts	
At 1 January 2011	6,921
At 31 December 2011/1 January 2012	6,553
At 31 December 2012	6,131

6. INVESTMENT PROPERTIES

	Group			Company		
	31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
At 1 January	50,793	42,682	47,667	130,174	127,600	135,667
Additions	-	-	-	-	-	227
Disposals	-	-	(8,346)	-	-	(8,346)
Change in fair value recognised in profit or loss	7,326	2,391	3,361	6,435	2,574	52
Transfer from property, plant and equipment (Note 3)	27,641	5,720	-	27,641	-	-
At 31 December	85,760	50,793	42,682	164,250	130,174	127,600



Notes to the FINANCIAL STATEMENTS cont'd

6. INVESTMENT PROPERTIES (CONTINUED)

Included in the above are:

	Group			Company		
	31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
Freehold land	66,320	33,319	26,300	60,180	30,200	28,800
Leasehold land with unexpired lease period of less than 50 years	4,000	4,000	4,000	-	-	-
Leasehold land with unexpired lease period of more than 50 years	13,540	12,174	11,082	86,000	84,795	83,608
Buildings	1,900	1,300	1,300	18,070	15,179	15,192
At 31 December	85,760	50,793	42,682	164,250	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. Valuations are performed by accredited independent valuers with recent experience in the location and categories of properties being valued.

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

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

	Group		Company	
	2012	2011	2012	2011
Rental income	599	827	4,881	5,065
Direct operating expenses:				
- income generating investment properties	102	226	775	861
- non-income generating investment properties	1	6	-	-

7. INVESTMENT IN SUBSIDIARIES

	Company		
	31.12.2012	31.12.2011	1.1.2011
At cost:			
Unquoted shares	342,077	342,077	326,021
Less: Accumulated impairment loss	(5,935)	(5,867)	(4,200)
	336,142	336,210	321,821

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest		
			31.12.2012 %	31.12.2011 %	1.1.2011 %
CCM Fertilizers Sdn. Bhd. and its subsidiaries:	Malaysia	Manufacture and marketing of a wide range of fertilizers	50.1	50.1	50.1
Max Agriculture Sdn. Bhd.	Malaysia	Dormant	50.1	50.1	50.1
CCMF Agronomic and Technical Services Sdn. Bhd.*	Malaysia	Dormant	50.1	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	80.0
CCM Watercare Sdn. Bhd.	Malaysia	Marketing of water treatment products	80.0	80.0	80.0
CCM Singapore Pte. Ltd.*	Singapore	Marketing of chlor-alkali and coagulant products	80.0	80.0	80.0
CCM Chemtrans Sdn. Bhd. (in liquidation)	Malaysia	Dormant	80.0	80.0	80.0
CCM Chemtrade Sdn. Bhd. (in liquidation)	Malaysia	Dormant	80.0	80.0	80.0



Notes to the FINANCIAL STATEMENTS cont'd

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest		
			31.12.2012 %	31.12.2011 %	1.1.2011 %
P.T. CCM Indonesia*	Indonesia	Marketing of chlor-alkali and coagulant products and industrial chemicals	80.0	80.0	80.0
CCM Pharma Sdn. Bhd.	Malaysia	Investment holding	100.0	100.0	100.0
Innovax Sdn. Bhd.	Malaysia	Research and development of pharmaceutical products	100.0	100.0	100.0
CCM Innovative Solutions Sdn. Bhd. and its subsidiaries :	Malaysia	Manufacturing and trading of polymers and chemical products	100.0	100.0	100.0
Innovative Polymer Systems Sdn. Bhd.	Malaysia	Dormant	100.0	100.0	93.06
Delta Polymer Systems Sdn. Bhd.	Malaysia	Dormant	100.0	100.0	93.05
Innovative Resins Sdn. Bhd.	Malaysia	Investment holding	100.0	100.0	93.06
CCM Agriculture (Sabah) Sdn. Bhd.	Malaysia	Manufacturing and marketing of fertilizers	100.0	100.0	100.0
CCM Agriculture Sdn. Bhd.	Malaysia	Manufacturing and marketing of fertilizers	100.0	100.0	100.0
CCM International Sdn. Bhd. and its subsidiaries:	Malaysia	Investment holding	100.0	100.0	100.0
CCM Pharmaceuticals (S) Pte. Ltd.*	Singapore	Distribution, wholesaler of medicinal and pharmaceutical products	100.0	100.0	100.0
P.T. CCM AgriPharma*	Indonesia	Manufacturing and trading of fertilizers	100.0	100.0	100.0
CCM Siam Ltd.*	Thailand	Dormant	100.0	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		
			31.12.2012 %	31.12.2011 %	1.1.2011 %
CCM Marketing Sdn. Bhd. and its subsidiaries:	Malaysia	Investment holding	100.0	100.0	100.0
CCM Duopharma Biotech Berhad and its subsidiary:	Malaysia	Investment holding	73.4	73.4	73.4
Duopharma (M) Sdn. Bhd.	Malaysia	Manufacturing, distributing, importing and exporting of pharmaceutical products and medicines	73.4	73.4	73.4
Euphorex Corporation Sdn. Bhd.	Malaysia	Dormant	100.0	100.0	100.0
Liberal Wira Sdn. Bhd.	Malaysia	Dormant	100.0	100.0	100.0
Usaha Progresif Sdn. Bhd.	Malaysia	Dormant	100.0	100.0	100.0
Upha Pharmaceutical Manufacturing (M) Sdn. Bhd.	Malaysia	Manufacturing of pharmaceutical products and sales of medicines	100.0	100.0	100.0
CCM Pharmaceuticals Sdn. Bhd. and its subsidiaries:	Malaysia	Marketing and sales of medicine and pharmaceutical products	100.0	100.0	100.0
CCM Biopharma Sdn. Bhd.	Malaysia	Dormant	100.0	100.0	100.0
Sentosa Pharmacy Sdn. Bhd.	Malaysia	Marketing of pharmaceutical and healthcare products	100.0	100.0	100.0
Unique Pharmacy (Ipoh) Sdn. Bhd.	Malaysia	Marketing of pharmaceutical and healthcare products	100.0	100.0	100.0
Unique Pharmacy (Penang) Sdn. Bhd.	Malaysia	Marketing of pharmaceutical and healthcare products	100.0	100.0	100.0
Negeri Pharmacy Sdn. Bhd.	Malaysia	Dormant	100.0	100.0	100.0



Notes to the FINANCIAL STATEMENTS cont'd

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest		
			31.12.2012 %	31.12.2011 %	1.1.2011 %
CCM Agri-Max Sdn. Bhd.	Malaysia	Marketing of wide range of fertilizers	100.0	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	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	100.0	98.4
CCM Investments Limited** and its subsidiary:	British Virgin Islands	Investment holding	100.0	100.0	100.0
CCM International (Philippines), Inc.*	Republic of Philippines	Distribution, importing and exporting of pharmaceuticals and chemicals product	99.9	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	100.0

* Audited by external auditors other than KPMG

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

8. INVESTMENT IN ASSOCIATE

	Group			Company		
	31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
At cost:						
Unquoted shares	1,408	1,408	1,408	-	-	-
Share of post acquisition reserves	13,897	11,560	9,026	-	-	-
Dividend received from associate	(2,430)	(2,430)	(2,430)	-	-	-
	12,875	10,538	8,004	-	-	-

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

Group	Country of incorporation	Effective ownership interest	Revenue (100%)	Profit after tax (100%)	Total assets (100%)	Total liabilities (100%)
31 December 2012						
Orica-CCM Energy Systems Sdn. Bhd.	Malaysia	36.0%	40,773	5,193	35,761	7,199
31 December 2011						
Orica-CCM Energy Systems Sdn. Bhd.	Malaysia	36.0%	39,657	5,632	33,083	9,265
1 January 2011						
Orica-CCM Energy Systems Sdn. Bhd.	Malaysia	36.0%	30,406	4,607	25,650	7,464



Notes to the FINANCIAL STATEMENTS cont'd

9. OTHER INVESTMENTS

Group	Share Quoted in Malaysia	Share Quoted outside Malaysia	Total
31 December 2012			
Non-current			
Available-for-sale	124	-	124
Representing items:			
At fair value	124	-	124
Market value of quoted investments	124	-	124
31 December 2011			
Non-current			
Available-for-sale	124	-	124
Representing items:			
At fair value	124	-	124
Market value of quoted investments	124	-	124
1 January 2011			
Non-current			
Available-for-sale	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		
	31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
Property, plant and equipment	-	-	-	24,584	27,934	30,588	24,584	27,934	30,588
Provisions	(2,925)	(5,775)	(4,006)	-	-	-	(2,925)	(5,775)	(4,006)
Other temporary differences	(4,259)	(5,043)	(8,056)	1,794	77	56	(2,465)	(4,966)	(8,000)
Tax losses/ tax incentives carry-forwards	(4,343)	(6,489)	(658)	-	-	-	(4,343)	(6,489)	(658)
Other items	(1,411)	-	-	-	-	-	(1,411)	-	-
Tax (assets)/ liabilities	(12,938)	(17,307)	(12,720)	26,378	28,011	30,644	13,440	10,704	17,924
Set off of tax	695	7,306	9,451	(695)	(7,306)	(9,451)	-	-	-
Net tax (assets)/ liabilities	(12,243)	(10,001)	(3,269)	25,683	20,705	21,193	13,440	10,704	17,924
Company									
Property, plant and equipment	-	-	-	7,880	3,091	2,022	7,880	3,091	2,022
Other temporary differences	-	(315)	-	612	-	-	612	(315)	-
Tax (assets)/ liabilities	-	(315)	-	8,492	3,091	2,022	8,492	2,776	2,022
Set off of tax	-	315	-	-	(315)	-	-	-	-
Net tax (assets)/ liabilities	-	-	-	8,492	2,776	2,022	8,492	2,776	2,022



Notes to the FINANCIAL STATEMENTS cont'd

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		
	31.12.2012	31.12.2011	1.1.2011
Tax losses carry-forwards	(16,908)	(5,966)	(27,918)
Other temporary differences	882	1,406	1,080
	(16,026)	(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 1.1.2011	Recognised in profit or loss (Note 22)	At 31.12.2011/ 1.1.2012	Recognised in profit or loss (Note 22)	At 31.12.2012
Group					
Property, plant and equipment	30,588	(2,654)	27,934	(3,350)	24,584
Provisions	(4,006)	(1,769)	(5,775)	2,850	(2,925)
Other temporary differences	(8,000)	3,034	(4,966)	2,501	(2,465)
Tax losses carry-forwards	(658)	(5,831)	(6,489)	2,146	(4,343)
Other items	-	-	-	(1,411)	(1,411)
	17,924	(7,220)	10,704	2,736	13,440
Company					
Property, plant and equipment	2,022	1,069	3,091	4,789	7,880
Other items	-	(315)	(315)	927	612
	2,022	754	2,776	5,716	8,492

11. TRADE AND OTHER RECEIVABLES

	Note	Group			Company		
		31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
Current Trade							
Trade receivables		343,665	328,353	392,082	-	-	-
Amount due from contract customers	11.1	66	218	2,440	-	-	-
		343,731	328,571	394,522	-	-	-
Non-trade							
Amount due from subsidiaries	11.2	-	-	-	83,202	28,848	7,074
Amount due from associate	11.2	37	25	23	26	17	17
Deposits		4,532	3,140	2,916	327	383	255
Other receivables		7,139	6,504	4,916	30	42	390
Prepayments		14,800	16,275	6,827	659	1,877	4,409
		26,508	25,944	14,682	84,244	31,167	12,145
Total current		370,239	354,515	409,204	84,244	31,167	12,145
Non-current Non-trade							
Amount due from subsidiaries	11.3	-	-	-	596,744	652,523	699,991
Total non-current		-	-	-	596,744	652,523	699,991



Notes to the FINANCIAL STATEMENTS cont'd

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

11.1 Construction work in progress

	Note	Group			Company		
		31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
Aggregate costs incurred to date		4,974	22,261	20,187	-	-	-
Add: Attributable profits		1,650	5,822	4,868	-	-	-
		6,624	28,083	25,055	-	-	-
Less: Progress billings		(6,558)	(27,872)	(22,834)	-	-	-
		66	211	2,221	-	-	-
Amount due from contract customers		66	218	2,440	-	-	-
Amount due to contract customers	18	-	(7)	(219)	-	-	-
		66	211	2,221	-	-	-

11.2 The non-trade receivables due from subsidiaries and associate are unsecured, subject to interest ranging from 3.95% per annum to 4.03% per annum (31 December 2011: 4.05% per annum to 4.45% per annum; 1 January 2011: 4.19% per annum to 4.36% per annum) and repayable on demand.

11.3 The advances to subsidiary companies are unsecured, subject to interest ranging from 3.95% per annum to 4.03% per annum (31 December 2011: 4.05% per annum to 4.45% per annum; 1 January 2011: 4.19% per annum to 4.36% per annum) and are not repayable over the next 12 months.

12. INVENTORIES

	Group		
	31.12.2012	31.12.2011	1.1.2011
Raw materials	123,167	138,512	82,046
Work-in-progress	3,312	7,291	8,201
Finished goods	216,044	227,134	196,211
Spares and consumables	25,880	18,380	21,604
	368,403	391,317	308,062
Recognised in profit or loss:			
Inventories recognised as cost of sales	1,200,596	1,269,405	1,293,421
Write-down to net realisable value	3,014	1,044	3,046
Write-off of inventories	5,515	5,933	3,349

The write-down and write-off are included in cost of sales.

13. ASSETS CLASSIFIED AS HELD FOR SALE

	Group		
	31.12.2012	31.12.2011	1.1.2011
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 RM140,000 was recognised in financial year 2011 as other operating expense in the profit or loss of the Group to write down the assets to fair value less cost to sell.

In January 2012, the two units of one and half storey semi-detached factory and two pieces of freehold industrial lands were sold. The gains on disposal of the assets held for sale have been credited in the statements of profit or loss and other comprehensive income.



Notes to the FINANCIAL STATEMENTS cont'd

14. CASH AND CASH EQUIVALENTS

	Group			Company		
	31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
Cash and bank balances	190,433	110,544	73,478	78,166	1,367	4,180
Deposits placed with licensed banks	103,525	69,997	138,681	82,755	45,433	83,558
	293,958	180,541	212,159	160,921	46,800	87,738

Included in deposits placed with licensed banks of the Group, RM31,000 (31 December 2011: RM547,000; 1 January 2011: 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					
	31.12.2012		31.12.2011		1.1.2011	
	Amount	Number of shares '000	Amount	Number of shares '000	Amount	Number of shares '000
Authorised: Ordinary shares of RM1 each	800,000	800,000	800,000	800,000	800,000	800,000
Issued and fully paid: Ordinary shares of RM1 each						
At 1 January	404,756	404,756	404,741	404,741	402,946	402,946
Conversion of warrants	52,874	52,874	15	15	1,795	1,795
At 31 December	457,630	457,630	404,756	404,756	404,741	404,741

15.2 Capital redemption reserve

The capital redemption reserve represent portion its own shares purchased which was subsequently cancelled and an amount equivalent to their nominal value was transferred to the capital redemption reserves in accordance with the requirement of section 67A of the Companies Act, 1965.

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. CAPITAL AND RESERVES (CONTINUED)

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.

15.5 Revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment immediately prior to its reclassification as investment property.

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 renewal of the authority for purchase of its own shares lapsed in 2004 and no further renewal was sought.

At 31 December 2012, the Group held 2,998,000 (31 December 2011: 2,998,000; 1 January 2011: 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 2012 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.

The Company has moved into the single tier dividend system in 2009. As such, all its distributable reserves at 31 December 2012 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 ("the 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 2009 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 52,873,871 (2011: 15,000) ordinary shares of RM1 each for cash arising from conversion of 52,873,871 Warrants-B (2011: 15,000). The subscription period of the Warrants-B of 88,040,592 at an exercise price of RM1.36 has expired on 26 December 2012. Accordingly, the outstanding Warrants-B as at 26 December 2012 of 2,440,566 has lapsed.



Notes to the FINANCIAL STATEMENTS cont'd

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 26.

	Note	Group			Company		
		31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
Non-current							
Secured term loan	16.1	-	356	838	-	-	-
Unsecured Sukuk Musyarakah	16.2	120,000	120,000	-	120,000	120,000	-
Unsecured term loan	16.3	430,000	-	300,000	430,000	-	300,000
Unsecured non-revolving loan	16.4	-	2,082	10,416	-	-	-
		550,000	122,438	311,254	550,000	120,000	300,000
Current							
Secured term loan	16.1	-	483	451	-	-	-
Unsecured bank overdrafts		-	-	18,421	-	-	-
Unsecured bankers' acceptances		88,560	64,700	133,450	-	-	-
Unsecured term loan	16.3	-	300,000	-	-	300,000	-
Unsecured non-revolving loan	16.4	-	8,334	8,334	-	-	-
Unsecured revolving credit and trade facilities	16.5	124,130	208,334	204,832	-	110,000	130,000
Unsecured term loan and trade facilities	16.6	80,953	83,219	14,468	-	-	-
Unsecured Musyarakah medium term notes	16.7	-	-	150,000	-	-	150,000
		293,643	665,070	529,956	-	410,000	280,000

16. LOANS AND BORROWINGS (CONTINUED)

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.

During the year, the term loan has been fully settled in accordance to the term loan agreement.

16.2 Unsecured Sukuk Musyarakah

On 8 August 2011, the Company issued RM120,000,000 nominal amount of 5 year fixed rate Unsecured and Unrated Sukuk Musyarakah ("USM") at 4.35% per annum 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

Negative Covenants

The Company will not, without written consent from 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 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.



Notes to the FINANCIAL STATEMENTS cont'd

16. LOANS AND BORROWINGS (CONTINUED)

16.3 Unsecured term loan

- i) On 2 May 2012, the Company has entered into a RM110 million, 3 years unsecured term loan with Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad at the rate of 3.80% per annum to mature on 30 April 2015.
- (ii) On 24 May 2012, the Company has entered into a RM20 million, 3 years unsecured term loan with Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad at the rate of 3.60% per annum to mature on 30 April 2015.
- (iii) On 27 August 2012, the Company has entered into a RM100 million, 2 years unsecured term loan with Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad at the rate of 3.68% per annum to mature on 29 December 2014.
- (iv) On 21 December 2012, the Company has entered into a RM50 million, 2 years unsecured term loan with Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad at the rate of 3.68% per annum to mature on 29 December 2014.
- (v) On 21 December 2012, the Company has entered into a RM150 million, 3 years unsecured term loan with Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad at the rate of 3.70% per annum to mature on 21 December 2015.

The significant covenant for the unsecured term loan (i) to (v) above are as follows :

- (a) It is a condition that Permodalan Nasional Berhad shall at all time, directly or indirectly, owns at least 51% of the Company's issued and paid up share capital.
- (b) The Company hereby represents and warrants to and undertakes with the Bank that its payment obligations under the Security Documents constitute direct, unconditional and unsecured obligations and shall at all times rank at least pari passu with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.
- (c) the consolidated Total Indebtedness to Consolidated Net worth Ratio shall not be exceeding 1.5 times (31 December 2011: Nil; 1 January 2011: Nil). (Net worth consists of share capital, non controlling interest and retained earnings/losses).
- (d) the consolidated Net Worth shall not be less than RM750 million (31 December 2011: Nil; 1 January 2011 : Nil).
- (e) interest coverage ratio of not less than 2 times.

16. LOANS AND BORROWINGS (CONTINUED)

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.

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;
- ii) remain a subsidiary of Chemical Company of Malaysia Berhad;
- iii) cross default to other indebtedness of the Company and its subsidiaries;
- iv) the total liabilities to Tangible Net Worth Ratio of the subsidiary company does not exceed 1.75 times (31 December 2011: 1.75 times; 1 January : 1.75 times); and
- v) the Debt Service Cover Ratio of the subsidiary company is at least 2.0 times (31 December 2011: 2.0 times; 1 January 2011: 2.0 times).

During the year, the subsidiary has fully settled the unsecured non-revolving loan in accordance to the loan agreement.

16.5 Unsecured revolving credit and trade facilities

As at 31 December 2012, the subsidiaries of the Company has utilised the revolving credit and trade facilities from various banks.

The above is subject to fulfilment of the following covenants:

- i) Letter of Comfort from Chemical Company of Malaysia Berhad.
- ii) Letter of Comfort from CCM Duopharma Biotech Berhad with regards to Duopharma (M) Sdn Bhd.
- iii) the borrower shall maintain a Gearing Ratio of not more than 1.5 times.
- iv) the borrower shall maintain Debt Service Coverage Ratio at least 2.0 times Earnings Before Interest, Income Tax and Depreciation during the tenure of the facility.



Notes to the FINANCIAL STATEMENTS cont'd

16. LOANS AND BORROWINGS (CONTINUED)

16.6 Unsecured term loan and trade facilities

- (i) As at 31 December 2012, a subsidiary has received an unsecured term loan of up to USD4.7 million and trade facilities of up to USD15 million from The Bank International Indonesia (“BII”). During the year, the subsidiary has utilised both facilities amounting to USD6.7 million.

Significant covenants

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

- (a) Chemical Company of Malaysia Berhad is to remain as controlling/ultimate shareholder of P.T. CCM AgriPharma (directly/indirectly).
- (ii) As at 31 December 2012, a subsidiary has received Multi Option Trade Line of USD13 million from P.T. Bank Maybank Syariah Indonesia. During the year, the subsidiary has utilised the facility amounting to USD12.9 million.
- (iii) As at 31 December 2012, a subsidiary has received a revolving credit facility and trade facilities of USD5 million each from CIMB Bank (L) Ltd. During the year, the subsidiary has utilised both facilities amounting to USD4.1 million.

Significant covenants

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

- (a) 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% per annum (31 December 2011: 5.95% per annum; 1 January 2011: 5.95% per annum).

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 (31 December 2011: 1.5 times; 1 January 2011: 1.5 times).
- ii) the Profit/Interest Cover Ratio of at least 2 times (31 December 2011: 2 times; 1 January 2011: 2 times).

16. LOANS AND BORROWINGS (CONTINUED)

16.7 Unsecured Musyarakah medium term notes (continued)

Negative Covenants

The Company will not, without written consent from 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 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 inconsistent with the provisions and conditions of the Financing Document and Trust Deed.

In 2011, the subsidiary has fully settled the unsecured non-revolving loan in accordance to the loan agreement.

17. PROVISION

	Group		
	31.12.2012	31.12.2011	1.1.2011
Warranties			
At 1 January	766	850	667
Provision made during the year	780	406	574
Provision utilised during the year	(425)	(490)	(391)
At 31 December	1,121	766	850

The provision for warranties relates to pharmaceutical products sold and construction contracts for completed projects. 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 (31 December 2011: 2 years; 1 January 2011: 2 years).



Notes to the FINANCIAL STATEMENTS cont'd

18. TRADE AND OTHER PAYABLES

	Note	Group			Company		
		31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
Trade							
Trade payables		144,720	205,481	147,798	-	-	-
Amount due to contract customers	11.1	-	7	219	-	-	-
		144,720	205,488	148,017	-	-	-
Non-trade							
Accrued expenses		28,610	22,318	35,802	-	-	-
Amount due to subsidiaries	18.1	-	-	-	20,865	17,119	19,640
Other payables		30,933	35,432	38,260	11,354	9,757	23,034
Derivative financial liabilities		-	-	59	-	-	-
		59,543	57,750	74,121	32,219	26,876	42,674
		204,263	263,238	222,138	32,219	26,876	42,674

18.1 The non-trade payables due to subsidiaries are unsecured, interest bearing ranging from 3.95% per annum to 4.03% per annum (31 December 2011: 4.05% per annum to 4.45% per annum; 1 January 2011: 4.19% per annum to 4.36% per annum) and repayable on demand.

19. REVENUE

	Group		Company	
	2012	2011	2012	2011
Sales	1,511,335	1,603,290	-	-
Construction contracts	1,183	3,027	-	-
Services	913	3,043	-	-
Rental income from investment properties	599	827	4,880	5,065
Dividends	-	-	35,235	67,500
	1,514,030	1,610,187	40,115	72,565

20. OPERATING PROFIT

	Group		Company	
	2012	2011	2012	2011
Operating profit is arrived at after charging:				
Impairment loss:				
- Property, plant and equipment	176	-	-	-
- Trade receivables	603	2,984	-	-
- Other receivables	28	-	-	-
- Intangible asset	800	-	-	-
- Investment in subsidiary	-	-	68	1,667
- Amount due from subsidiary	-	-	-	12,628
Amortisation of prepaid lease payments	422	445	-	-
Auditors' remuneration				
- Statutory Audit				
Auditor of the Company				
- current year	525	525	75	60
- prior year	124	50	105	50
Other auditors	197	116	-	-
- Other services				
- Auditor of the Company	325	85	167	70
- Other auditors	22	-	-	-
Bad debts written off	160	-	-	-
Depreciation of property, plant and equipment	49,315	43,117	2,956	1,042
Interest expense:				
- Subsidiaries	-	-	1,371	724
- Bank overdraft	349	206	318	164
- Revolving credits	6,127	8,699	1,335	6,166
- Bankers' acceptances	3,122	579	-	-
- Term loans	4,064	4,999	-	-
- Unsecured term loan	15,536	12,366	15,536	12,366
- Other borrowings	6,128	12,262	5,600	9,312
Rental expense on property	340	1,145	-	-
Property, plant and equipment written off	168	156	-	-
Rental expenses on property leases	7,169	6,376	1,036	1,036
Rental expenses on equipment	38	310	-	-
Research and development costs expensed as incurred	7,238	7,050	-	-
Personnel expenses (including key management personnel)				
- Contribution to Employees Provident Fund	12,249	11,089	2,060	1,483
- Wages, salaries and others	96,960	92,749	12,938	10,214
Write-down of inventories	3,014	1,044	-	-
Write-off of inventories	5,515	5,933	-	-
Realised foreign exchange loss	1,584	2,020	-	-
Unrealised foreign exchange loss	286	713	-	-



Notes to the FINANCIAL STATEMENTS cont'd

20. OPERATING PROFIT (CONTINUED)

	Group		Company	
	2012	2011	2012	2011
and after crediting:				
Reversal of impairment loss on trade receivables	3,102	4,140	-	-
Change in fair value of investment properties	7,326	2,391	6,435	2,574
Net gain on disposal of property, plant and equipment	1,039	206	628	12
Gain on disposal of asset held for sale	602	-	-	-
Rental income from investment properties	599	827	4,881	5,065
Interest income:				
- Subsidiaries	-	-	25,251	29,154
- Associate	-	4	-	-
- Fixed deposits	2,243	4,285	1,419	3,583
- Others	410	571	-	-
Realised foreign exchange gain	1,450	1,183	-	-
Unrealised foreign exchange gain	202	334	-	-
Gain on disposal of other investment	-	9,481	-	-
Waiver of amount due to a creditor	908	-	-	-

21. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2012	2011	2012	2011
Directors				
- Fees	655	412	655	412
- Remuneration	1,360	747	1,360	747
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	198	167	198	167
	2,213	1,326	2,213	1,326
Other key management personnel:				
- Remuneration	5,611	4,438	1,962	1,530
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	539	603	158	198
	6,150	5,041	2,120	1,728

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	
		2012	2011	2012	2011
Income tax expense		17,863	18,437	6,252	11,446
Share of tax of equity accounted associate		847	845	-	-
Total income tax expense		18,710	19,282	6,252	11,446
Major components of income tax expense include:					
Current tax expense					
Malaysian - current year		17,764	26,455	1,024	10,941
- prior year		(2,371)	(861)	(488)	(249)
Overseas - current year		(214)	102	-	-
- prior year		(52)	(39)	-	-
Total current tax expense		15,127	25,657	536	10,692
Deferred tax expense					
Origination and reversal of temporary differences		1,603	(7,328)	6,245	729
Under/(Over) provision in prior years		1,133	108	(529)	25
Total deferred tax expense	10	2,736	(7,220)	5,716	754
		17,863	18,437	6,252	11,446
Share of tax of equity accounted associate		847	845	-	-
Total income tax expense		18,710	19,282	6,252	11,446



Notes to the FINANCIAL STATEMENTS cont'd

22. INCOME TAX EXPENSE (CONTINUED)

Reconciliation of effective tax rate

Note	Group		Company	
	2012 %	2011 %	2012 %	2011 %
Profit before tax	100	100	100	100
Income tax at Malaysian tax rate of 25%	25	25	25	25
Non-deductible expenses	13	32	4	14
Non-taxable income	-	(6)	(9)	(16)
Tax exempt income	(11)	(8)	-	-
Overprovision in prior years	(2)	(1)	(2)	-
Change in unrecognised temporary differences	1	(10)	-	-
	26	32	18	23

23. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2012 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2012	2011
Profit for the year attributable to ordinary shareholders	36,912	22,272

Weighted average number of ordinary shares

	Group	
	2012 '000	2011 '000
Issued ordinary shares at 1 January	404,756	404,741
Effect of ordinary shares issued	579	15
Weighted average number of ordinary shares at 31 December	405,335	404,756

23. EARNINGS PER ORDINARY SHARE (CONTINUED)

Basic earnings per ordinary share (continued)

	Group	
	2012 Sen	2011 Sen
Basic earnings per ordinary share	9.11	5.50

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2012 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	
	2012	2011
Profit for the year attributable to ordinary shareholders	36,912	22,272

Weighted average number of ordinary shares diluted

	Group	
	2012 '000	2011 '000
Weighted average number of ordinary shares at 31 December	405,335	404,756
Effect of conversion of warrants	-	55,314
Weighted average number of ordinary shares (diluted) at 31 December	405,335	460,070



Notes to the FINANCIAL STATEMENTS cont'd

23. EARNINGS PER ORDINARY SHARE (CONTINUED)

Diluted earnings per ordinary share (continued)

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.

	Group	
	2012 Sen	2011 Sen
Diluted earnings per ordinary share	9.11	4.84

During the year, the subscription period of the Warrants-B at an exercise price of RM1.36 has expired on 26 December 2012. Accordingly, the outstanding warrants as at 26 December 2012 of 2,440,566 has lapsed.

24. DIVIDENDS

Dividends recognised in the current year by the Company are:

	Sen per share (net of tax)	Total amount	Date of payment
2012			
Final 2011 ordinary (net of tax)	0.33	1,326	24 July 2012
Final 2011 ordinary (tax exempt)	2.42	9,723	24 July 2012
		11,049	
2011			
Final 2010 ordinary (tax exempt)	2.65	10,646	22 July 2011

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 2012 single tier	5.75

25. OPERATING SEGMENTS

Business segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Managing Director (the chief operating decision maker) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- 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.

25. OPERATING SEGMENTS (CONTINUED)

	Fertilizers		Chemicals		Pharmaceuticals		Others		Eliminations		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Segment profit/ (loss)	5,068	(11,309)	32,036	31,404	20,321	10,778	28,143	47,500	(31,549)	(39,134)	54,019	39,239
<i>Included in the measure of segment profit/(loss):</i>												
Total external revenue	876,332	934,205	352,199	413,225	284,825	262,364	674	393	-	-	1,514,030	1,610,187
Inter-segment revenue	-	-	-	-	-	-	39,516	67,500	(39,516)	(67,500)	-	-
Write-down of inventories	669	389	2,264	655	81	-	-	-	-	-	3,014	1,044
Write-off of inventories	-	93	(67)	2,833	5,582	3,007	-	-	-	-	5,515	5,933
Impairment of property, plant and equipment	176	-	-	-	-	-	-	-	-	-	176	-
Impairment of intangible assets	-	-	-	-	800	-	-	-	-	-	800	-
Share of profit of associate	-	-	2,337	2,534	-	-	-	-	-	-	2,337	2,534
<i>Not included in the measure of segment profit but provided to Group Managing Director:</i>												
Depreciation and amortisation	(15,396)	(14,049)	(12,599)	(12,654)	(16,600)	(14,431)	(2,956)	(2,428)	(2,186)	-	(49,737)	(43,562)
Finance costs	(17,692)	(14,728)	(3,775)	(5,552)	(16,259)	(17,859)	(25,097)	(31,046)	27,497	30,074	(35,326)	(39,111)
Finance income	595	627	1,180	994	682	376	26,888	33,580	(26,692)	(30,717)	2,653	4,860
Income tax expense	(5,633)	(1,328)	(6,987)	(12,127)	(5,140)	(8,694)	(6,300)	(11,740)	6,197	15,452	(17,863)	(18,437)
Segment assets	657,523	658,813	422,860	321,852	753,921	868,643	1,437,133	1,233,435	(1,219,255)	(1,087,506)	2,052,182	1,995,237
<i>Included in the measure of segment (loss)/profit:</i>												
Investment in associate	-	-	12,804	10,538	-	-	-	-	71	-	12,875	10,538
Additions to non-current assets other than financial instrument and deferred tax assets	3,508	4,762	12,057	11,061	17,635	11,715	4,081	11,302	(24)	-	37,257	38,840
Segment liabilities	483,607	526,800	154,590	198,903	463,428	490,660	617,369	681,895	(634,766)	(772,583)	1,084,228	1,125,675



Notes to the FINANCIAL STATEMENTS cont'd

25. OPERATING SEGMENTS (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.

	Malaysia		Indonesia		Other regions		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011
Geographical segments								
External revenue	1,241,060	1,262,232	218,388	263,276	54,582	84,679	1,514,030	1,610,187
Segment assets	1,811,450	1,734,914	205,670	226,519	35,062	33,804	2,052,182	1,995,237
Segment liabilities	956,822	957,826	104,182	151,186	23,224	16,663	1,084,228	1,125,675

26. FINANCIAL INSTRUMENTS

26.1 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).



Notes to the FINANCIAL STATEMENTS cont'd

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.1 Categories of financial instruments (continued)

31 December 2012	Carrying amount	L&R/ (OL)	FVTPL -Derivatives	AFS
Financial assets				
Group				
Other investments	124	-	-	124
Trade and other receivables	355,439	355,439	-	-
Cash and cash equivalents	293,958	293,958	-	-
	649,521	649,397	-	124
Company				
Trade and other receivables	680,329	680,329	-	-
Cash and cash equivalents	160,921	160,921	-	-
	841,250	841,250	-	-
Financial liabilities				
Group				
Loans and borrowings	(843,643)	(843,643)	-	-
Trade and other payables	(204,263)	(204,263)	-	-
	(1,047,906)	(1,047,906)	-	-
Company				
Loans and borrowings	(550,000)	(550,000)	-	-
Trade and other payables	(32,219)	(32,219)	-	-
	(582,219)	(582,219)	-	-

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.1 Categories of financial instruments (continued)

31 December 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	-	-
Financial liabilities				
Group				
Loans and borrowings	(787,508)	(787,508)	-	-
Trade and other payables	(263,238)	(263,238)	-	-
	(1,050,746)	(1,050,746)	-	-
Company				
Loans and borrowings	(530,000)	(530,000)	-	-
Trade and other payables	(26,876)	(26,876)	-	-
	(556,876)	(556,876)	-	-



Notes to the FINANCIAL STATEMENTS cont'd

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.1 Categories of financial instruments (continued)

1 January 2011	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	-	-
Financial liabilities				
Group				
Loans and borrowings	(841,210)	(841,210)	-	-
Trade and other payables	(222,138)	(222,079)	(59)	-
	(1,063,348)	(1,063,289)	(59)	-
Company				
Loans and borrowings	(580,000)	(580,000)	-	-
Trade and other payables	(42,674)	(42,674)	-	-
	(622,674)	(622,674)	-	-

26. FINANCIAL INSTRUMENTS (CONTINUED)**26.2 Net gains and losses arising from financial instruments**

	Group		Company	
	2012	2011	2012	2011
Net gains/(losses) on:				
Available-for-sale financial assets				
- recognised in other comprehensive income	-	(16,638)	-	-
- recognised in profit or loss	-	9,481	-	-
Loans and receivables	4,934	5,195	-	32,737
Financial liabilities measured at amortised cost	(35,326)	(39,541)	(24,160)	(41,360)
	(30,392)	(41,503)	(24,160)	(8,623)

26.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

26.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries.

(i) Receivables*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount.

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.



Notes to the FINANCIAL STATEMENTS cont'd

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.4 Credit risk (continued)

(i) Receivables (continued)

Exposure to credit risk, credit quality and collateral (continued)

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was:

	Group		
	31.12.2012	31.12.2011	1.1.2011
Malaysia	250,697	243,853	273,728
Indonesia	80,802	73,153	102,795
Others	12,166	11,347	15,559
	343,665	328,353	392,082

Impairment losses

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

Group	Gross	Individual impairment	Collective impairment	Net
31 December 2012				
Not past due	216,084	(15)	-	216,069
Past due 0-30 days	53,000	(14)	-	52,986
Past due 31-180 days	70,387	(108)	-	70,279
Past due more than 180 days	23,458	(15,144)	(3,983)	4,331
	362,929	(15,281)	(3,983)	343,665
31 December 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
1 January 2011				
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

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.4 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	
	2012	2011
At 1 January	23,117	26,742
Impairment loss recognised	603	2,984
Impairment loss reversed	(3,102)	(4,140)
Impairment loss written off	(1,294)	(2,504)
Foreign exchange differences	(60)	35
At 31 December	19,264	23,117

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.



Notes to the FINANCIAL STATEMENTS cont'd

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.4 Credit risk (continued)

(iii) Inter company balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Impairment losses

As at the end of the reporting period, the inter company balance that is assessed to be irrecoverable had been impaired 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.

26.5 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group and the Company 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 31 December 2012	Carrying amount	Contractual interest/ profit rate	Contractual cash flows	Under 1 year	1 - 2 years	2 - 5 years
<i>Non-derivative financial liabilities</i>						
Unsecured Sukuk Musyarakah	120,000	4.35%	139,064	5,220	5,220	128,624
Unsecured term loan	430,000	3.60% - 3.80%	468,911	15,955	165,925	287,031
Unsecured bankers' acceptances	88,560	3.1% - 3.65%	91,757	91,757	-	-
Unsecured revolving credit and trade facilities	124,130	3.42% - 4.22%	128,934	128,934	-	-
Unsecured term loan and trade facilities	80,953	1.7% - 7.5%	85,453	85,453	-	-
Trade and other payables	204,263	-	204,263	204,263	-	-
	1,047,906		1,118,382	531,582	171,145	415,655

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.5 Liquidity risk (continued)

Maturity analysis (continued)

Group 31 December 2011	Carrying amount	Contractual interest/ profit rate	Contractual cash flows	Under 1 year	1 - 2 years	2 - 5 years
<i>Non-derivative financial liabilities</i>						
Secured term loan	839	7.05%	894	528	366	-
Unsecured Sukuk Musyarakah	120,000	4.35%	143,925	5,220	5,220	133,485
Unsecured non-revolving loan	10,416	3.49% - 4.10%	10,665	8,576	2,089	-
Unsecured bankers' acceptances	64,700	3.21% - 3.97%	64,700	64,700	-	-
Unsecured term loan	300,000	3.92% - 3.95%	310,520	310,520	-	-
Unsecured revolving credit and trade facilities	208,334	3.61% - 6.00%	208,334	208,334	-	-
Unsecured term loan and trade facilities	83,219	1.54% - 7.00%	86,900	86,900	-	-
Trade and other payables	263,238	-	263,238	263,238	-	-
	1,050,746		1,089,176	948,016	7,675	133,485
1 January 2011						
<i>Non-derivative financial liabilities</i>						
Secured term loan	1,289	7.05%	1,422	528	894	-
Unsecured bank overdrafts	18,421	1.50% - 6.55%	18,421	18,421	-	-
Unsecured Sukuk Musyarakah	150,000	5.95%	150,000	150,000	-	-
Unsecured non-revolving loan	18,750	3.49% - 4.10%	19,583	8,918	10,665	-
Unsecured bankers' acceptances	133,450	3.05% - 3.55%	133,450	133,450	-	-
Unsecured term loan	300,000	3.92% - 3.95%	322,091	11,820	310,271	-
Unsecured revolving credit and trade facilities	204,832	2.95% - 3.85%	204,832	204,832	-	-
Unsecured term loan and trade facilities	14,468	1.03% - 2.45%	14,468	14,468	-	-
Trade and other payables	222,079	-	222,079	222,079	-	-
	1,063,289		1,086,346	764,516	321,830	-



Notes to the FINANCIAL STATEMENTS cont'd

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.5 Liquidity risk (continued)

Maturity analysis (continued)

Company 31 December 2012	Carrying amount	Contractual interest/ profit rate	Contractual cash flows	Under 1 year	1 - 2 years	2 - 5 years
<i>Non-derivative financial liabilities</i>						
Unsecured Sukuk						
Musyarakah	120,000	4.35%	139,064	5,220	5,220	128,624
Unsecured term loan	430,000	3.60% - 3.80%	468,911	15,955	165,925	287,031
Amount due to subsidiaries	20,865	3.95% - 4.03%	21,698	21,698	-	-
Trade and other payables	11,354	-	11,354	11,354	-	-
	582,219		641,027	54,227	171,145	415,655
31 December 2011						
<i>Non-derivative financial liabilities</i>						
Unsecured Sukuk						
Musyarakah	120,000	4.35%	143,925	5,220	5,220	133,485
Unsecured term loan	300,000	3.92% - 3.95%	310,520	310,520	-	-
Unsecured revolving credit and trade facilities	110,000	3.72% - 4.07%	110,000	110,000	-	-
Amount due to subsidiaries	17,119	4.05% - 4.45%	17,847	17,847	-	-
Trade and other payables	9,757	-	9,757	9,757	-	-
	556,876		592,049	453,344	5,220	133,485
1 January 2011						
<i>Non-derivative financial liabilities</i>						
Unsecured Sukuk						
Musyarakah	150,000	5.95%	150,000	150,000	-	-
Unsecured term loan	300,000	3.92% - 3.95%	322,091	11,820	310,271	-
Unsecured revolving credit and trade facilities	130,000	2.95% - 3.85%	130,000	130,000	-	-
Amount due to subsidiaries	19,640	4.19% - 4.36%	20,481	20,481	-	-
Trade and other payables	23,034	-	23,034	23,034	-	-
	622,674		645,606	335,335	310,271	-

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.6 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.

26.6.1 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.

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		
	31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
Fixed rate instruments						
Financial assets	103,562	70,022	138,704	762,727	726,821	790,640
Financial liabilities	(843,643)	(777,092)	(822,460)	(570,865)	(547,119)	(599,640)
	(740,081)	(707,070)	(683,756)	191,862	179,702	191,000
Floating rate instruments						
Financial liabilities	-	(10,416)	(18,750)	-	-	-



Notes to the FINANCIAL STATEMENTS cont'd

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.6 Market risk (continued)

26.6.1 Interest rate risk (continued)

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.

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

26.6.2 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, Thai Baht and Indonesian Rupiah.

Risk management objectives, policies and processes for managing the risk

The Group ensures that the net exposure on foreign currency risk arising from commercial transactions is kept to an acceptable level by buying and selling foreign currencies at spot rates where necessary to address short term imbalances.

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.6 Market risk (continued)

26.6.2 Currency risk (continued)

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 <i>(Amounts are stated in RM'000)</i>	USD	Denominated in		
		SGD	THB	IDR
31 December 2012				
Trade receivables	18,467	3,910	-	22,990
Trade payables	(44,255)	(634)	-	(3,943)
Borrowings	(884)	(551)	-	-
Net exposure in the statement of financial position	(26,672)	2,725	-	19,047
31 December 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	-
1 January 2011				
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	-



Notes to the FINANCIAL STATEMENTS cont'd

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.6 Market risk (continued)

26.6.2 Currency risk (continued)

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	Profit/(Loss)	
	2012	2011
<i>(Amounts are stated in RM'000)</i>		
USD	2,000	10,317
SGD	(205)	(231)
THB	-	(2)
IDR	(1,429)	-

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.

26.7 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:

Group	31.12.2012		31.12.2011		1.1.2011	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Quoted shares	124	124	124	124	24,515	24,515
Forward exchange contracts:						
- Liabilities	-	-	-	-	59	59
Unsecured Sukuk						
Musyarakah	120,000	145,165	120,000	130,714	-	-
Unsecured term loan	430,000	493,136	-	-	300,000	332,035
Secured term loan	-	-	356	368	838	867

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.7 Fair values of financial instruments (continued)

	31.12.2012		31.12.2011		1.1.2011	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Company						
Unsecured Sukuk						
Musyarakah	120,000	145,165	120,000	130,714	-	-
Unsecured term loan	430,000	493,136	-	-	300,000	332,035

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.

Interest rates used to determine fair value

The interest rates used to discount estimated cash flows, when applicable, are as follows:

	31.12.2012	31.12.2011	1.1.2011
Loans and borrowings	4.0% - 5.5%	5.0% - 5.5%	5.0% - 5.5%

26.8 Fair value hierarchy

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).



Notes to the FINANCIAL STATEMENTS cont'd

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.8 Fair value hierarchy (continued)

	Level 1	Level 2	Level 3	Total
Group				
31 December 2012				
Financial assets				
Quoted shares	124	-	-	124
31 December 2011				
Financial assets				
Quoted shares	124	-	-	124
1 January 2011				
Financial assets				
Quoted shares	24,515	-	-	24,515
Forward exchange contract	-	59	-	59

27. 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.

During 2012, the Group's strategy was to maintain the debt-to-equity ratio of not more than 1:1. The debt-to-equity ratio at 31 December 2012, 31 December 2011 and 1 January 2011 were as follows:

	Group		
	31.12.2012	31.12.2011	1.1.2011
Total loans and borrowings (note 16)	843,643	787,508	841,210
Total equity	967,954	869,562	878,014
Debt-to-equity ratios	0.87:1	0.91:1	0.96:1

There were no changes in the Group's approach to capital management during the financial year.

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.

28. OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

	Group			Company		
	31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
Less than one year	1,644	1,466	931	1,036	1,036	129
Between one and five years	522	1,240	550	129	1,165	-
	2,166	2,706	1,481	1,165	2,201	129

The Group leases a number of office premises and equipment under operating leases. The leases typically run for a period of 3 to 5 years with an option to renew the lease after that date. Lease payments are revised to reflect market rentals. None of the leases includes contingent rentals.

29. CAPITAL AND OTHER COMMITMENTS

	Group			Company		
	31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
Capital expenditure commitments						
Plant and equipment						
Authorised but not contracted for	32,785	30,454	31,027	3,929	-	-
Contracted but not provided for	16,772	35,406	53,909	-	16,247	42,558
	49,557	65,860	84,936	3,929	16,247	42,558



Notes to the FINANCIAL STATEMENTS cont'd

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:

	Transaction value year ended 31 December	
	2012	2011
Group		
Rental expenses to holding company	1,036	1,036
Sales of products to significant investors that has influence over a subsidiary	62,485	46,402
Company		
Rental expenses to holding company	1,036	1,036
Rental income from subsidiaries	4,280	4,238
Shared cost charged to subsidiaries	13,865	13,349

There is no impairment made in respect of these balances outstanding at year end other than as disclosed in note 20.

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.

31. EXPLANATION OF TRANSITION TO MFRSs

As stated in note 1(a), these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs.

The accounting policies set out in note 2 have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2012, the comparative information presented in these financial statements for the financial year ended 31 December 2011 and in the preparation of the opening MFRS statement of financial position at 1 January 2011 (the Group's date of transition to MFRSs).

In preparing the opening consolidated statement of financial position at 1 January 2011, the Group has adjusted amounts reported previously in financial statements prepared in accordance with previous FRSs. An explanation of how the transition from previous FRSs to MFRSs has affected the Group's financial position, financial performance and cash flows is set out as follows:

31.1 Reconciliation of financial position

Group	Note	1.1.2011		31.12.2011			
		FRSs	Effect of Transition to MFRSs	FRSs	Effect of transition to MFRSs	MFRSs	
Assets							
Property, plant and equipment	a	629,091	-	629,091	619,132	-	619,132
Intangible assets		303,245	-	303,245	303,713	-	303,713
Prepaid lease payments		6,921	-	6,921	6,553	-	6,553
Investment properties		42,682	-	42,682	50,793	-	50,793
Investments in associates		8,004	-	8,004	10,538	-	10,538
Other investments		24,515	-	24,515	124	-	124
Deferred tax assets		3,269	-	3,269	10,001	-	10,001
Total non-current assets		1,017,727	-	1,017,727	1,000,854	-	1,000,854
Trade and other receivables		409,204	-	409,204	354,515	-	354,515
Inventories		308,062	-	308,062	391,317	-	391,317
Current tax assets		61,035	-	61,035	66,270	-	66,270
Assets classified as held for sale		1,740	-	1,740	1,740	-	1,740
Cash and cash equivalents		212,159	-	212,159	180,541	-	180,541
Total current assets		992,200	-	992,200	994,383	-	994,383
Total assets		2,009,927	-	2,009,927	1,995,237	-	1,995,237



Notes to the FINANCIAL STATEMENTS cont'd

31. EXPLANATION OF TRANSITION TO MFRSs (CONTINUED)

31.1 Reconciliation of financial position (continued)

Group	Note	1.1.2011		31.12.2011			
		FRSs	Effect of Transition to MFRSs	MFRSs	FRSs	Effect of transition to MFRSs	MFRSs
Equity							
Share capital		404,741	-	404,741	404,756	-	404,756
Reserves	b	78,752	(43,967)	34,785	60,827	(43,967)	16,860
Retained earnings	c	267,637	43,967	311,604	275,949	43,967	319,916
Equity attributable to owners of the Company							
		751,130	-	751,130	741,532	-	741,532
Non-controlling interests							
		126,884	-	126,884	128,030	-	128,030
Total equity		878,014	-	878,014	869,562	-	869,562
Liabilities							
Loans and borrowings		311,254	-	311,254	122,438	-	122,438
Deferred tax liabilities	d	21,193	-	21,193	20,705	-	20,705
Total non-current liabilities		332,447	-	332,447	143,143	-	143,143
Provisions		850	-	850	766	-	766
Trade and other payables		222,138	-	222,138	263,238	-	263,238
Current tax liabilities		46,522	-	46,522	53,458	-	53,458
Loans and borrowings		529,956	-	529,956	665,070	-	665,070
Total current liabilities		799,466	-	799,466	982,532	-	982,532
Total liabilities		1,131,913	-	1,131,913	1,125,675	-	1,125,675
Total equity and liabilities		2,009,927	-	2,009,927	1,995,237	-	1,995,237

31. EXPLANATION OF TRANSITION TO MFRSs (CONTINUED)

31.1 Reconciliation of financial position (continued)

Company	Note	1.1.2011		31.12.2011			
		FRSs	Effect of Transition to MFRSs	FRSs	Effect of transition to MFRSs	MFRSs	
Assets							
Property, plant and equipment	a	37,110	-	37,110	47,345	-	47,345
Intangible assets		63	-	63	63	-	63
Investment properties		127,600	-	127,600	130,174	-	130,174
Investments in subsidiaries		321,821	-	321,821	336,210	-	336,210
Receivables		699,991	-	699,991	652,523	-	652,523
Total non-current assets		1,186,585	-	1,186,585	1,166,315	-	1,166,315
Trade and other receivables		12,145	-	12,145	31,167	-	31,167
Current tax assets		43,759	-	43,759	52,861	-	52,861
Cash and cash equivalents		87,738	-	87,738	46,800	-	46,800
Total current assets		143,642	-	143,642	130,828	-	130,828
Total assets		1,330,227	-	1,330,227	1,297,143	-	1,297,143
Equity							
Share capital		404,741	-	404,741	404,756	-	404,756
Reserves	b	27,594	(12,452)	15,142	27,599	(12,452)	15,147
Retained earnings	c	231,121	12,452	243,573	257,784	12,452	270,236
Total equity attributable to owners of the Company		663,456	-	663,456	690,139	-	690,139
Liabilities							
Loans and borrowings		300,000	-	300,000	120,000	-	120,000
Deferred tax liabilities	d	2,022	-	2,022	2,776	-	2,776
Total non-current liabilities		302,022	-	302,022	122,776	-	122,776



Notes to the FINANCIAL STATEMENTS cont'd

31. EXPLANATION OF TRANSITION TO MFRSs (CONTINUED)

31.1 Reconciliation of financial position (continued)

Company	Note	1.1.2011		31.12.2011			
		FRSs	Effect of Transition to MFRSs	MFRSs	FRSs	Effect of transition to MFRSs	MFRSs
Trade and other payables		42,674	-	42,674	26,876	-	26,876
Current tax liabilities		42,075	-	42,075	47,352	-	47,352
Loans and borrowings		280,000	-	280,000	410,000	-	410,000
Total current liabilities		364,749	-	364,749	484,228	-	484,228
Total liabilities		666,771	-	666,771	607,004	-	607,004
Total equity and liabilities		1,330,227	-	1,330,227	1,297,143	-	1,297,143

31.2 Reconciliation of profit or loss and other comprehensive income for the year ended 31 December 2011

There are no material differences between the Group's and the Company's statement of profit or loss and other comprehensive income presented under MFRSs, and statement of profit or loss and other comprehensive income presented under FRSs.

31.3 Material adjustments to the statements of cash flows for 2011

There are no material differences between the statement of cash flows presented under MFRSs and the statement of cash flows presented under FRSs.

31. EXPLANATION OF TRANSITION TO MFRSs (CONTINUED)

31.4 Notes to reconciliations

a) Property, plant and equipment – Deemed cost exemption – previous revaluation

Under FRSs, the Group measured its land and buildings at valuation. The last valuation was carried out on 31 December 2010.

Upon transition to MFRSs, the Group and the Company elected to apply the optional exemption to use that previous revaluation as deemed cost under MFRSs. The revaluation reserve of RM52,798,000 and RM12,452,000 for Group and for Company respectively at 1 January 2011 and 31 December 2011 was reclassified to retained earnings.

The impact arising from the change is summarised as follows:

	Group		Company	
	1.1.2011	31.12.2011	1.1.2011	31.12.2011
Consolidated statement of financial position				
Revaluation reserve	52,798	52,798	12,452	12,452
Adjustment to retained earnings	52,798	52,798	12,452	12,452

(b) Foreign currency translation differences

Under FRSs, the Group and the Company recognised foreign currency translation differences in other comprehensive income and accumulated the amount in the foreign currency translation reserve in equity.

Upon transition to MFRSs, the Group and the Company has elected to deem all foreign currency translation differences that arose prior to the date of transition in respect of all foreign operations to be nil at the date of transition.

	Group		Company	
	1.1.2011	31.12.2011	1.1.2011	31.12.2011
Consolidated statement of financial position				
Foreign currency translation reserve	(8,831)	(8,831)	-	-
Adjustment to retained earnings	(8,831)	(8,831)	-	-



Notes to the FINANCIAL STATEMENTS cont'd

31. EXPLANATION OF TRANSITION TO MFRSs (CONTINUED)

31.4 Notes to reconciliations (continued)

(c) Retained earnings

The changes that affected the retained earnings are as follows:

	Note	Group		Company	
		1.1.2011	31.12.2011	1.1.2011	31.12.2011
Property, plant and equipment	b	52,798	52,798	12,452	12,452
Foreign currency translation reserve	c	(8,831)	(8,831)	-	-
Increase in retained earnings		43,967	43,967	12,452	12,452

(d) Deferred tax on investment properties

Under FRSs, deferred tax on investment properties was measured based on the expected manner of realisation of the carrying amount of the investment properties using the tax rate expected to apply when the investment properties are recovered based on rates that are enacted or substantively enacted at the reporting date.

Upon transition to MFRSs, the Group and the Company measures deferred tax on investment properties carried at fair value using the tax rate that would apply on sale of those investment properties.

The investment properties held by the Group and the Company have been acquired for over 5 years from the transition date. Hence, there is no deferred tax asset/liability to be recognised from the fair value adjustments of the investment property.

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	
	2012	2011	2012	2011
Total retained earnings of the Company and its subsidiaries				
- realised	510,228	384,550	276,614	258,064
- unrealised	72,044	63,396	11,737	12,172
	582,272	447,946	288,351	270,236
Total share of retained earnings of associates				
- realised	12,575	10,539	-	-
- unrealised	278	179	-	-
	595,125	458,664	288,351	270,236
Less: Consolidation adjustments	(249,346)	(138,748)	-	-
Total retained earnings	345,779	319,916	288,351	270,236

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 2011.



Analysis of Shareholdings as at 7 May 2013

Authorised Share Capital	:	RM800,000,000.00
Issued and Paid-up Share Capital	:	RM457,629,856.00
Class of Shares	:	Ordinary Shares of RM1.00 each
Voting Rights	:	One vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Share Capital
1 - 99	492	8.50	7,184	0.00
100 - 1,000	846	14.61	604,240	0.13
1,001 - 10,000	3,105	53.64	15,015,093	3.28
10,001 - 100,000	1,210	20.90	37,797,924	8.26
100,001 - 22,881,491(*)	135	2.33	67,448,752	14.74
22,881,492 and above (**)	1	0.02	336,756,663	73.59
	5,789	100	457,629,856	100

* Less than 5% of issued holdings

** 5% and above of issued holdings

SUBSTANTIAL SHAREHOLDERS

Names	Direct Holdings		Indirect Holdings	
	No	%	No	%
1. Permodalan Nasional Berhad	336,756,663	73.59	-	-
2. Yayasan Pelaburan Bumiputra ^a			336,756,663	73.59

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

LIST OF TOP 30 SHAREHOLDERS

No.	Name	Holdings	Percentage (%)
1.	PERMODALAN NASIONAL BERHAD	336,756,663	73.59
2.	PUBLIC NOMINEES (ASING) SDN. BHD. - Pledged Securities Account for Billion Victory Sdn. Bhd. (KLC)	18,000,000	3.93
3.	LEMBAGA TABUNG HAJI	7,542,100	1.65
4.	CHEMICAL COMPANY OF MALAYSIA BERHAD - Share Buy Back Account	2,998,000	0.66
5.	HSBC NOMINEES (ASING) SDN. BHD. - EXEMPT AN for Credit Suisse (SG BR-TST-ASING)	2,769,600	0.61
6.	G.T.Y. HOLDINGS SDN. BHD.	2,500,000	0.55
7.	CHUA ENG HO WA' A @ CHUA ENG WAH	1,629,500	0.36
8.	UOB KAY HIAN NOMINEES (ASING) SDN. BHD. - EXEMPT AN for UOB Kay Hian Pte. Ltd. (A/C Clients)	870,332	0.19
9.	NG YONG SENG	778,400	0.17
10.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. - Chua Eng Ho Wa'a @ Chua Eng Wah	755,000	0.16
11.	MENG HIN HOLDINGS SDN. BHD.	692,896	0.15
12.	YAP MA TIT	686,000	0.15
13.	CIMSEC NOMINEES (ASING) SDN. BHD. - EXEMPT AN for CIMB Securities (Singapore) Pte. Ltd. (Retail Clients)	631,832	0.14
14.	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. - Pledged Securities Account for Nor Hayati Binti Malik (1181002)	630,000	0.14
15.	GOH ING SING	606,600	0.13
16.	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. - Pledged Securities Account for Noor Azman @ Noor Hizam B Mohd Nurdin (CEB)	598,200	0.13
17.	WIE HOCK KIONG	525,000	0.11



Analysis of Shareholdings cont'd as at 7 May 2013

LIST OF TOP 30 SHAREHOLDERS (CONTINUED)

No.	Name	Holdings	Percentage (%)
18.	FU AH GOH @ FOO SEK CHENG	520,300	0.11
19.	GOH GEOK LOO	501,000	0.11
20.	TEH KOK WEA	499,800	0.11
21.	CITIGROUP NOMINEES (ASING) SDN. BHD. - EXEMPT AN for Citibank NA, Singapore (Julius Baer)	462,000	0.10
22.	CHIN KHEE KONG & SONS SDN. BHD.	444,500	0.10
23.	LEE YEE CHONG	422,000	0.09
24.	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD - Lee Foundation, States of Malaya (00-00197-000)	420,000	0.09
25.	EQUITY HEIGHTS SDN. BHD.	400,000	0.09
26.	SIA BOON CHEE	400,000	0.09
27.	YEW CHIN WAH	400,000	0.09
28.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN. BHD. - Pledged Securities Account for V. Pasupathy A/L R. Veerappan (REM 118)	400,000	0.09
29.	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. - Pledged Securities Account for Liew Sun Yick (473717)	400,000	0.09
30.	CHONG HIONG LIM	400,000	0.09



LIST OF TOP TEN (10) PROPERTIES as at 31 December 2012

Location	Tenure	Lease Period	Area (square metre)	Description	Approximate Age of Building	Net Book Value (RM million)	Date of Valuation
Chemical Company of Malaysia Berhad Shah Alam Works Padang Jawa, Klang Selangor Darul Ehsan	Leasehold	99 years (1973 - 2072)	286,992	Industrial land, factory and offices	14 - 43 years	75.50	December 2012
CCM Duopharma Biotech Berhad GM1391 & GM2239 Lot No. 2599 & 2600 Mukim and District of Klang Selangor Darul Ehsan	Freehold	-	23,270	Industrial land, factory, warehouse and offices	18 years	64.16	December 2011
UPHA Factory Lot 11454, 11458, 11459 Mukim of Kajang, Selangor Darul Ehsan	Leasehold	99 years (1987 - 2086)	22,099	Industrial land, factory and office	23 - 64 years	61.79	December 2011
Lahad Datu CCMA Fertilizers Plant CCM Agriculture (Sabah) Sdn. Bhd. Lot No. 33A, Phase 2, POIC Complex Jalan Kastam, Lahad Datu, Sabah	Leasehold	98 years (2006 - 2104)	67,421	Industrial land, factory and offices	3 years	41.71	December 2011
Chemical Company of Malaysia Berhad No. 18 & 18A Jalan Tun Ismail, Kuala Lumpur	Freehold	-	8,878	Residential land and buildings	45 years	31.88	December 2012
Chemical Company of Malaysia Berhad Kemena Land Bintulu Lot 3121 & Lot 3122, Block 26 Kemena Land District, Bintulu, Sarawak	Leasehold	60 years (1998 - 2058)	78,752	Industrial land and factory	4 years	30.89	December 2012
Chemical Company of Malaysia Berhad No 16A, Jalan Tun Ismail Kuala Lumpur	Freehold	-	8,498	Residential land and buildings	45 years	29.87	December 2012
CCM Chemicals Sdn. Bhd. Pasir Gudang Works Pasir Gudang, Johor Darul Takzim	Leasehold	60 years (1991 - 2051)	104,599	Industrial land, factory and offices	21 years	24.87	December 2011
CCM Pharma Sdn. Bhd. 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	16 years	22.25	December 2012
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	18 years	12.61	December 2011



Recurrent Related Party

TRANSACTIONS OF A REVENUE OR TRADING NATURE

At the Annual General Meeting held on 27 June 2012, 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's Main Market Listing Requirements, details of the Recurrent Related Party Transactions audited during the financial year ended 31 December 2012, 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.	16,340	<i>Interested Director/ Interested Person Connected: Amirul Feisal bin Wan Zahir¹</i>
Sale of fertilizers	P.T. CCM Agripharma (PTCCMA)	P.T. TH Indo Plantations	65,287	<i>Interested Major Shareholder: Lembaga Tabung Haji²</i>
Sale of chemicals	CCMC	Innovative Group	1,554	<i>Interested Director/ Interested Person Connected: Amirul Feisal bin Wan Zahir¹</i>
Sale of fertilizers	CCM Fertilizers Sdn. Bhd. (CCMF)	CCM Agriculture Sdn. Bhd. (CCMA)	21,666	<i>Interested Director/ Interested Person Connected: Amirul Feisal bin Wan Zahir¹</i>
Sale of fertilizers	CCMF	CCM Agri-Max Sdn. Bhd. (CCMAM)	5,044	<i>Interested Director/ Interested Person Connected: Amirul Feisal bin Wan Zahir¹</i>
Sale of fertilizers	CCMF	PTCCMA	8,559	<i>Interested Director/ Interested Person Connected: Amirul Feisal bin Wan Zahir¹</i>
Sale of fertilizers	CCMF	TH Plantations Berhad	62,573	<i>Interested Major Shareholder: Lembaga Tabung Haji²</i>
Sale of fertilizers	CCMAM	CCMF	566	<i>Interested Director/ Interested Person Connected: Amirul Feisal bin Wan Zahir¹</i>
Sale of fertilizers	CCMF	CCM Siam Limited	Nil	<i>Interested Director/ Interested Person Connected: Amirul Feisal bin Wan Zahir¹</i>

Transaction	Vendor/ Provider	Purchaser/ Recipient	Aggregate Value (RM'000)	Related Parties
Rental of warehouse cum office at Lot PT 200 Persiaran Selangor 40000 Shah Alam Selangor Darul Ehsan	CCMF	CCMAM	Nil	<i>Interested Director/ Interested Person Connected:</i> Amirul Feisal bin Wan Zahir ¹
Provision of Shared/ Management Services ³	Chemical Company of Malaysia Berhad (CCM)	Max Agriculture Sdn. Bhd.	Nil	<i>Interested Director/ Interested Person Connected:</i> Amirul Feisal bin Wan Zahir ¹
Provision of Shared/ Management Services ³	CCM	CCMF	1,597	<i>Interested Director/ Interested Person Connected:</i> Amirul Feisal bin Wan Zahir ¹
Provision of Shared/ Management Services ³	CCM	CCMC	2,074	<i>Interested Director/ Interested Person Connected:</i> Amirul Feisal bin Wan Zahir ¹
Provision of Shared/ Management Services ³	CCM	CCM Watercare Sdn. Bhd.	1	<i>Interested Director/ Interested Person Connected:</i> Amirul Feisal bin Wan Zahir ¹
Provision of Shared/ Management Services ³	CCM	CCM Chemtrans Sdn. Bhd.	Nil	<i>Interested Director/ Interested Person Connected:</i> Amirul Feisal bin Wan Zahir ¹
Provision of Shared/ Management Services ³	CCM	CCM Chemtrade Sdn. Bhd.	Nil	<i>Interested Director/ Interested Person Connected:</i> Amirul Feisal bin Wan Zahir ¹
Provision of Shared/ Management Services ³	CCM	P.T. CCM Indonesia	292	<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.	325	<i>Interested Director/ Interested Person Connected:</i> Amirul Feisal bin Wan Zahir ¹
Provision of Shared/ Management Services ³	CCM	CCM International (Philippines), Inc	304	<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	CCM Duopharma Biotech Berhad	1,270	<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.	2,225	<i>Interested Director/ Interested Person Connected:</i> Amirul Feisal bin Wan Zahir ¹
Provision of Shared/ Management Services ³	CCM	Duopharma (M) Sdn. Bhd.	1,398	<i>Interested Director/ Interested Person Connected:</i> Amirul Feisal bin Wan Zahir ¹
Sale of fertilizers	CCMAM	PTCCMA	Nil	<i>Interested Director/ Interested Person Connected:</i> Amirul Feisal bin Wan Zahir ¹
Sale of fertilizers	CCMF	CCM Agriculture (Sabah) Sdn. Bhd. (CCMA(S))	7,113	<i>Interested Director/ Interested Person Connected:</i> Amirul Feisal bin Wan Zahir ¹
Sale of fertilizers	CCMA	PTCCMA	Nil	<i>Interested Director/ Interested Person Connected:</i> Amirul Feisal bin Wan Zahir ¹
Sale of fertilizers	CCMA(S)	PTCCMA	Nil	<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.	Nil	<i>Interested Director/ Interested Person Connected:</i> Amirul Feisal bin Wan Zahir ¹

Notes:-

- 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 3 June 2013, and is deemed interested in the Proposed Shareholders Mandate by virtue of him being a director and person connected to CCM.
- Lembaga Tabung Haji holds direct interest of 49.9% in the issued share capital of CCM Fertilizers Sdn. Bhd. and 1.65% 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.
- Provision of Shared/Management Services refers to support services covering areas of accounting, treasury, procurement, security, company secretarial, corporate affairs, legal, internal audit, human resource, information technology services, etc.



Notice Of ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifty-First Annual General Meeting of the Company will be held at **Ballroom 3, Hotel InterContinental Kuala Lumpur, 165 Jalan Ampang, 50450 Kuala Lumpur** on **Wednesday, 26 June 2013** at **10.00 a.m.** for the following purposes:-

AGENDA

As Ordinary Business

- | | |
|---|--|
| 1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2012 together with the Reports of the Directors and Auditors thereon. | Ordinary Resolution 1 |
| 2. To approve a Final Single Tier Dividend of 5.75 sen per ordinary share for the financial year ended 31 December 2012. | Ordinary Resolution 2 |
| 3. To re-elect the following Directors retiring under Article 91 of the Articles of Association of the Company. | |
| <ul style="list-style-type: none"> a. Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman b. Amirul Feisal bin Wan Zahir c. Dr. Leong Chik Weng | Ordinary Resolution 3
Ordinary Resolution 4
Ordinary Resolution 5 |
| 4. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. | Ordinary Resolution 6 |
| 5. 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 Resolution:-

- | | |
|--|------------------------------|
| 6. Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (Proposed Shareholders' Mandate) | Ordinary Resolution 7 |
|--|------------------------------|

'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 Section 2.2.1 of the Circular to Shareholders dated 3 June 2013 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:-



Notice Of ANNUAL GENERAL MEETING cont'd

- 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.'

NOTICE OF BOOK CLOSURE

NOTICE IS HEREBY GIVEN that subject to the approval of the Shareholders at the forthcoming AGM, a Final Single Tier Dividend of 5.75 sen per ordinary share in respect of the Company's financial year ended 31 December 2012 will be paid on 23 July 2013 to shareholders whose names appear in the Record of Depositors on 2 July 2013.

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 2 July 2013 in respect of ordinary transfer;
- b. Shares deposited into the Depositor's Securities Account before 12.30 p.m. on 28 June 2013 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 the 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: 3 June 2013

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. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 (SICDA) which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
5. 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.
6. 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.
7. Only depositors whose names appear in the Record of Depositors as at 18 June 2013 shall be regarded as members and entitled to attend and vote at the meeting.

EXPLANATORY NOTES ON SPECIAL BUSINESS

Ordinary Resolution 7 – Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (Proposed Shareholders' Mandate).

The explanatory notes on Ordinary Resolution 7 are set out in the Circular to Shareholders dated 3 June 2013.



Statement Accompanying

THE NOTICE OF THE FIFTY-FIRST 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 three (3) 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 36, 37 and 40 of this Annual Report.

Proxy Form

Chemical Company Of Malaysia Berhad (5136-T)
(Incorporated in Malaysia)

I/We _____
(FULL NAME IN CAPITAL LETTERS)

of _____
(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 Fifty-First Annual General Meeting of the Company to be held at **Ballroom 3, Hotel InterContinental Kuala Lumpur, 165 Jalan Ampang, 50450 Kuala Lumpur** on **Wednesday, 26 June 2013** at **10.00 a.m.** and at any adjournment thereof.

(Please indicate with an 'X' on how you wish to cast your vote)

My/Our Proxy is to vote as indicated below

NO.	ORDINARY BUSINESS	RESOLUTION NO.	FOR	AGAINST
1.	To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2012 together with the Reports of the Directors and Auditors thereon.	Ordinary Resolution 1	<input type="checkbox"/>	<input type="checkbox"/>
2.	To approve a Final Single Tier Dividend of 5.75 sen per ordinary share for the financial year ended 31 December 2012.	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. Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman	Ordinary Resolution 3	<input type="checkbox"/>	<input type="checkbox"/>
	b. Amirul Feisal bin Wan Zahir	Ordinary Resolution 4	<input type="checkbox"/>	<input type="checkbox"/>
	c. Dr. Leong Chik Weng	Ordinary Resolution 5	<input type="checkbox"/>	<input type="checkbox"/>
4.	To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration.	Ordinary Resolution 6	<input type="checkbox"/>	<input type="checkbox"/>
5.	SPECIAL BUSINESS Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (Proposed Shareholders' Mandate).	Ordinary Resolution 7	<input type="checkbox"/>	<input type="checkbox"/>

Notes:

- 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.
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- Where a member of the Company is an exempt authorised nominee, which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
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- The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
- The instrument appointing a proxy must be deposited at the Company's Registrar, Symphony Share Registrars Sdn. Bhd., Level 6, Symphony House, 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.
- Only depositors whose names appear in the Record of Depositors as at 18 June 2013 shall be regarded as members and entitled to attend and vote at the meeting.

Signature/Seal

No. of shares

Signed this _____ day of _____ 2013

Fold here

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

Selangor Darul Ehsan

Malaysia

Fold here

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

Tel : + 603 2612 3888
Fax : + 603 2612 3999

 www.ccmberhad.com