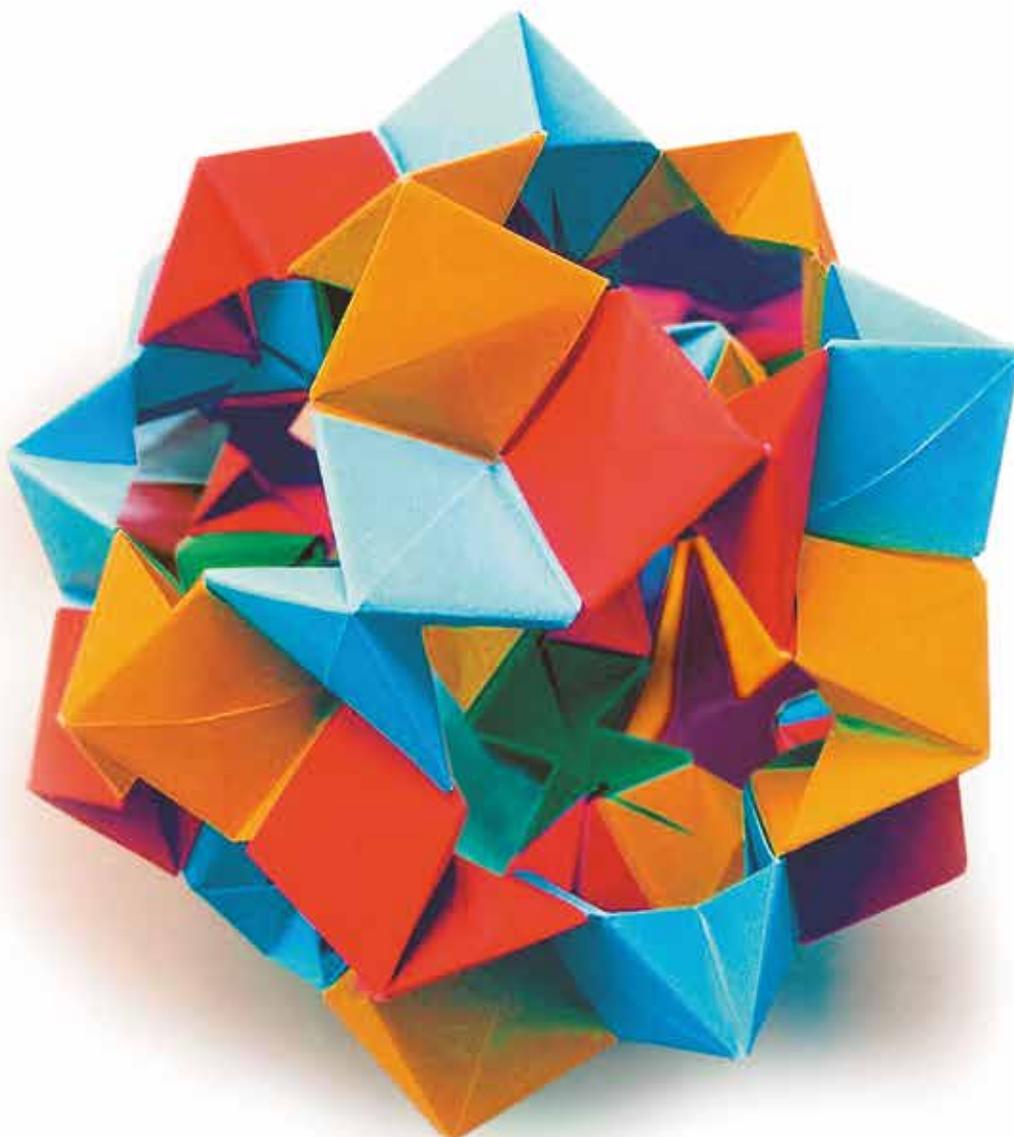


ANNUAL REPORT
2013



CHEMICAL COMPANY
OF MALAYSIA BERHAD
(5136-T)

RESILIENCE &
TRANSFORMATION



RESILIENCE & TRANSFORMATION

Origami is a traditional Japanese art of paper folding that has evolved into an innovative modern art form, transforming simple sheets of paper into beautiful sculptures. This origami sculpture is used here as a representation of the Chemical Company of Malaysia Berhad (“CCM”) – an intricate, multifaceted company constantly transforming our portfolio of products and improving our operational efficiency to ensure the resilience and sustainability of the Company. The different colours represent the core components of CCM – Pharmaceuticals, Chemicals, and Fertilizers Divisions – coalescing to form a structurally sound and integrated company dedicated to enhancing quality of life.

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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





FOUNDATION

CCM builds upon the strong foundation of the Group and leverages the strengths and capabilities of our subsidiaries to reach greater heights.

CORE Values



FINANCIAL Calendar

Financial year end	31 December 2013
Annual General Meeting	27 May 2014

ANNOUNCEMENT OF 2013 QUARTERLY RESULTS

Three months (1st Quarter)	31 May 2013
Six months (2nd Quarter)	29 August 2013
Nine months (3rd Quarter)	29 November 2013
Full year (4th Quarter)	27 February 2014

FINANCIAL Review

TURNOVER AND PROFITABILITY

(RM'mil)	Turnover		Profit/(Loss) before tax	
	2013	2012	2013	2012
Pharmaceuticals	295.9	284.8	34.1	25.5
Chemicals	299.5	352.2	16.6	39.0
Fertilizers	693.0	876.3	(12.9)	10.7
Intersegment Eliminations and others	0.2	0.7	(16.9)	(3.3)
Group	1,288.6	1,514.0	20.9	71.9

LIQUIDITY

(RM'000)	2013	2012
Net cash from operating activities	150,600	41,384
Net cash used in investing activities	(39,273)	(33,423)
Net cash from/(used in) financing activities	(152,036)	104,633
Exchange difference on translation of the financial statements of foreign operations	2,088	823
Net increase/(decrease) in cash and cash equivalents	(38,621)	113,417
Cash and cash equivalents at 1 January	293,958	180,541
Cash and cash equivalents at 31 December	255,337	293,958

FINANCIAL Highlights as at 31 December

STATEMENT OF FINANCIAL POSITION

(RM'000)	2013	2012
Total non-current assets	926,712	1,009,096
Total current assets	927,191	1,043,086
Total assets	1,853,903	2,052,182
Financed by:		
Share Capital	457,630	457,630
Reserves	36,442	31,273
Retained profits	310,510	345,779
Total equity attributable to owners of the Company	804,582	834,682
Non-controlling interests	122,671	133,272
Total equity	927,253	967,954
Total non-current liabilities	399,897	575,683
Total current liabilities	526,753	508,545
Total liabilities	926,650	1,084,228
Total equity and liabilities	1,853,903	2,052,182

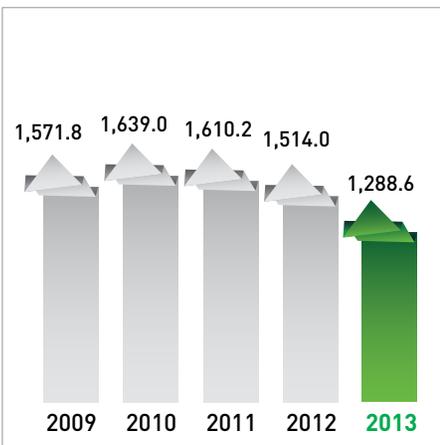
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(RM'000)	2013	2012
Revenue	1,288,566	1,514,030
Profit before tax	20,850	71,882
Taxation	(9,313)	(17,863)
Profit for the year	11,537	54,019
Profit attributable to:		
Owners of the Company	647	36,912
Non-controlling interests	10,890	17,107
Profit for the year	11,537	54,019

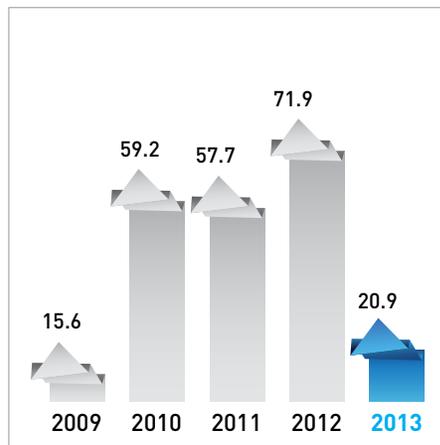
GROUP Financial Ratios

	2013	2012		2013	2012
Profitability (%)			Market Ratios		
Turnover growth rate	(14.89)	(5.97)	Net Assets per share (RM)	1.77	1.84
Profit after taxation as a % of turnover	0.90	3.57	Earning per share (sen)	0.14	9.11
Return on Equity	1.24	6.02	Dividend per share (sen)	2.15	5.75
Liquidity			Productivity		
Current Ratio (x)	1.76	2.05	Turnover per employee (RM'000)	653	766
Acid test ratio (x)	1.21	1.36	Total Assets per employee (RM'000)	940	1,038
			Number of employees	1,972	1,977

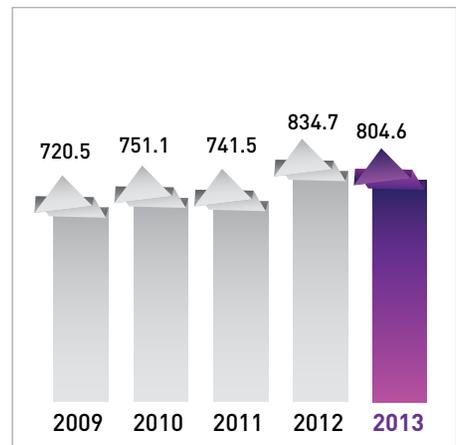
Turnover (RM mil)



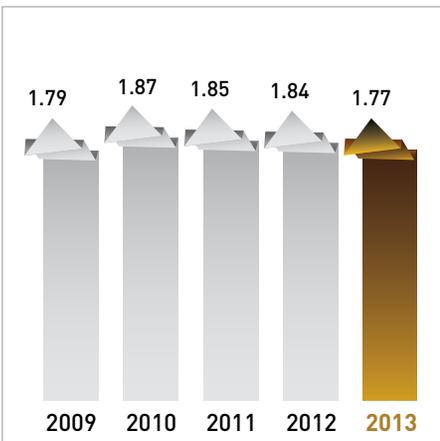
Profit Before Tax (RM mil)



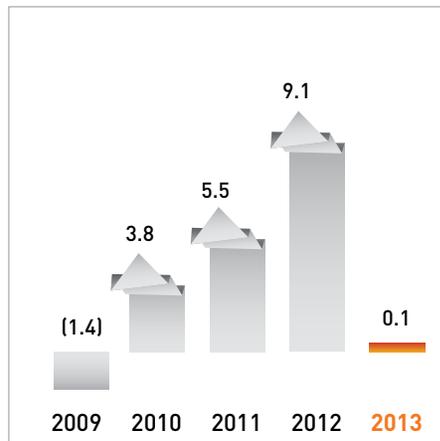
Total Equity Attributable to Owners of the Company (RM mil)



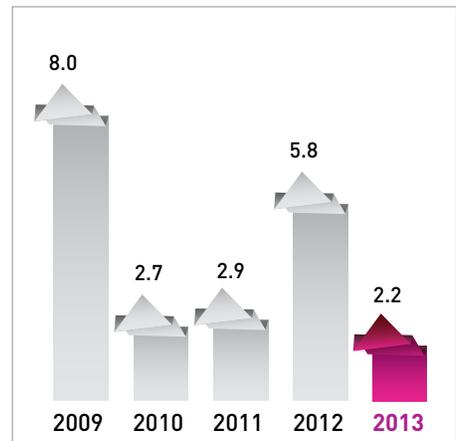
Net Assets per Share (RM)



Earnings per Share (sen)



Dividend per Share (sen)





Dato' Sri Azalina binti Othman
Chairman



Dear Shareholders,

The year 2013 was a difficult year for CCM Group, with poor market conditions affecting the performance of our Chemicals and Fertilizers Divisions. Nevertheless, our Pharmaceuticals Division continued on its strategic initiatives and delivered strong results compared to last year. The Group's emphasis on managing its capital is also bearing fruit with the strengthening of our balance sheet and more efficient use of the working capital. With this, I present to you the Annual Report and financial statements of CCM Group for the financial year ended 31 December 2013.



OUR PERFORMANCE

For the financial year ended 2013, the Group's total revenue was lower by 15 percent to RM1.29 billion from RM1.51 billion in 2012, while profit before tax declined by 71 percent to RM20.9 million compared to RM71.9 million previously.

The Chemicals Division's revenue declined by 15 percent to RM299.5 million in the current year from RM352.2 million in 2012, mainly due to lower selling prices for its Chlor-Alkali products and the reduced sales volume of its trading business. As a result, the Division's profit before tax was lower by 58 percent to RM16.6 million from RM39.0 million in the previous

CHAIRMAN'S Statement

year. Nevertheless, the stable performance of the polymer coatings business had mitigated the adverse impact of the Chlor-Alkali market.

The Pharmaceuticals Division recorded a strong performance in 2013 with the profit before tax increasing by 34 percent to RM34.1 million from RM25.5 million on the back of higher revenue of RM295.9 million, which increased by 4 percent from RM284.8 million in 2012. Apart from the revenue contribution which came from higher sales from both domestic operations and from exports, the Division continued its disciplined execution of Lean Six Sigma projects to improve its cost of goods sold ("COGS") and tightened its expenses in general which has contributed to improved profitability.

The Fertilizers Division reported a 21 percent decrease in revenue to RM693.0 million as compared to previous year of RM876.3 million, primarily due to the reduced volume of compound fertilizers sold to the plantations and export sectors. The Division posted a loss before tax of RM12.9 million as compared to a profit before tax of RM10.7 million in 2012, mainly as a result of the decline in demand for fertilizers especially during the second half of 2013, where the unexpected unravelling of the world's largest potash joint-venture had created global market uncertainty and the slower than anticipated recovery of our operations in Lahad Datu and Medan.

In addition, the Group's overall profitability was also impacted by an impairment of RM15.8 million against the marketing rights of the Pneumococcal Vaccine ("Vaccine"). In 2006, CCM had acquired marketing rights for the Asian region (excluding Japan) for the Vaccine from Synergy America Inc. The Vaccine is currently still at a pre-clinical development stage. During the year, the Group had also recognised a change in fair value of investment properties totalling to RM18.7 million, including the one-off gain of RM13.1 million from the revaluation of Bukit Tunku property, which cushioned the impact of the said impairment.

BUSINESS OUTLOOK AND PROSPECTS

For the year 2014, the improvements in global economic conditions seen in 2013 are expected to continue during the year. Growth is expected to remain moderate, supported by broader economic recovery in developed economies, led by the US economic recovery as well as sustained growth in emerging economies.

The Malaysian GDP is expected to grow steadily between 4.5 percent to 5.5 percent, from 4.7 percent recorded in 2013. This is despite the domestic economy facing the threat of inflationary pressures, as a result of the government's move to rein in its expenditure through among others, subsidy rationalisation. Domestic demand would also remain resilient, although it faces challenges ranging from softer consumer spending to stricter lending measures by financial institutions to curb household debt level.

The manufacturing sector, one of the key drivers for the overall growth after the services sector is expected to grow 3.5 percent. This is underpinned by the continued recovery in global economic environment.

For Chemicals Division, the Division is expected to be affected by the Chlor-Alkali prices which are anticipated to continue to fluctuate this year. Besides continuously striving to increase its trading margin, the Division is also focusing on new trading segments and the expansion of its customer base within the region. For its polymer coatings business, it also faces challenges due to customers embarking on cost optimisation measures and changes in preference to nitrile rubber.

Malaysia's pharmaceuticals market is also expected to remain resilient in 2014. With a government budget allocation of RM22.1 billion for the healthcare sector, our Pharmaceuticals Division is expected to benefit from the stable demand for its products. Besides this, the government's continued focus on the pharmaceutical sector as one of the National Key Economic Areas ("NKEA") under the Economic Transformation Programme ("ETP") and the establishment of 1Malaysia Clinics and new hospitals across the country will also help sustain the growth of our Pharmaceuticals Division going forward. In addition, the Division will strive to strengthen its leadership in Halal pharmaceuticals to capitalise on the growing demand for Halal products.

The fertilizers market is also expected to improve during the current year but it is likely to remain challenging. The outlook for CPO prices is expected to improve as compared to 2013, driven by the expected decline in palm oil inventories in the coming months. CCM's Fertilizers Division will continue its focus on costs optimisation and operational excellence to improve margins, in anticipation of higher demand for the next manuring season. Continuous efforts in market penetration will also be one of the key strategies and more focus will also be given on the marketing activities to support the sales function and boost our brand recognition.

The Group will also sustain its efforts in research and development ("R&D") to continuously innovate and differentiate our business for further improvements, to enhance product portfolio and meeting customers' needs. Our R&D efforts are undertaken through partnerships with both local and foreign major industry players as well as local institutions of higher learning, to help us develop products and best practices to meet current and future needs, thus becoming the platform in ensuring the sustainability and the success of the Group.

DIVIDEND

The Company is planning for expansion programmes in its Chemicals and Pharmaceuticals Divisions in 2014. As such, stricter cash management is anticipated in the coming months. In view of this, the Board of Directors are not recommending any final dividend for the financial year ended 2013. An interim single tier dividend for 2013 amounted to 2.15 sen per share was paid on 15 November 2013. For the 2012 financial year, CCM had paid out a final single tier dividend of 5.75 sen per share.

ACKNOWLEDGEMENT

As we continue our journey following the Golden Jubilee in 2013, I would like to thank all our stakeholders, especially our shareholders, customers and partners for their support throughout the years. A special note of gratitude also goes to my predecessor, YBhg. Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman, who had retired as Chairman in November 2013. His leadership and support for CCM enabled us to grow from strength to strength, and my sincere appreciation to him for the smooth transition of leadership. I would also like to commend the efforts of my fellow Board members, management and all staff for their hard work in 2013, despite the challenging conditions. I am confident that the support, passion and commitment we put in our work will help us grow CCM to the next level.

Thank you.

Dato' Sri Azalina binti Othman
Chairman

GROUP MANAGING DIRECTOR'S Operations Review



Amirul Feisal bin Wan Zahir
Group Managing Director



Dear Shareholders,

2013 was a challenging year. Two of our divisions, namely our Fertilizers and Chemicals Divisions were adversely impacted by commodity related down-cycle. However, the Pharmaceuticals Division continued where it left off in 2012, with another stellar performance. The Group's profitability was also impacted by an impairment of RM15.8 million against the marketing rights of Pneumococcal Vaccine, acquired in 2006. However, the impact of the impairment was cushioned by a one-off gain from the revaluation of two parcels of land in Bukit Tunku amounting to RM13.1 million. CCM ended the year with a revenue of RM1.29 billion, a 15 percent decline, while Group profit before tax ("PBT") declined by 71 percent to RM20.9 million.



CHEMICALS DIVISION

2013 saw what is perhaps the lowest point of the commodity down cycle which began in 2012. The domestic chemicals industry was affected by a combination of supply cost increases, a challenging

export market due to the varying global market dynamics especially in Europe, the availability of alternative cheaper chemicals from China to mitigate cost increase and the varying level of competitors' aggressive pricing programme to increase their market share. Furthermore, the excess supply of Chlor-Alkali

GROUP MANAGING DIRECTOR'S Operations Review

products due to the inability of a major user to ramp up its production further distorted the market intensifying the difficulties faced by the Division in its business.

These various market dynamics impacted all three of the Divisions' businesses. Chemicals Division ended 2013 with revenue of RM299.5 million, a reduction of 15 percent from RM352.2 million in 2012, while PBT was lower by 58 percent to RM16.6 million from RM39.0 million in the previous year.

During the year under review, the Chlor-Alkali segment was affected by the demand fluctuation of oleochemical manufacturers competing against their Indonesian counterparts with lower cost of production. The downward pressure on prices was further exacerbated in Malaysia as off take from a new Chlor-Alkali plant commissioned to supply a rare earth refining facility did not fully materialise as planned. The additional supply capacity introduced without a matching demand affected the domestic market equilibrium and further eroded the profitability from this segment. In contrast, the regional market was not as intense as compared to in Malaysia. To defend against further margin erosion, our plant operations deployed various operational excellence programme to optimise cost. On the market side, we also observed closely any opportunities to improve margins including deploying various customer excellence programmes.

The regional trading business continued with its restructuring programme which focused on 'solutions provider' approach. The overall trading business, however, performed below expectation. This was due to the market dynamics described above and the new 'solutions' driven portfolio of products is in its ramping up phase. Moving forward, in line with our restructuring programme to improve margins, we will continue to source for both premium and mid-tier products and to continue to develop our people. This is to suit our aspiration to move towards value added products with sustainable margins and under our own label, across South East Asia.

Polymer coatings business undertaken through CCM Innovative Solutions Sdn. Bhd. ("CCMIS"), offers solutions for the surgical and medical rubber glove manufacturers in Malaysia, Thailand, Indonesia, Vietnam, India, Sri Lanka and China. CCMIS collaborates closely with the manufacturers to ensure continuous business relationship based on '*premium service, premium products and premium people*' ("SPP"). This SPP approach managed to weather off to a certain extent, aggressive price competition. The surgical and medical rubber glove market is trending towards nitrile rubber on the back of fluctuating latex

prices and higher utility costs. This would impact demand for our traditional products as less usage is required for nitrile. To mitigate this risk, CCMIS is deploying various R&D programmes to develop newer products to maintain its competitiveness and market share in the long run. For the year under review, CCMIS continued to be the main contributor for the Division's profitability.

For 2014, the Division will continue to expand its R&D capabilities to position itself as a solution provider in the near future and will continue to look at polymeric material, food additives and ingredients, and industrial health and hygiene. We will also continue to explore research partnerships both within and outside Malaysia. Internally, the Division will continue to apply continuous improvement programmes to achieve its future aspiration. The Malaysian government's commitment to reduce its fiscal deficit will bring about the reduction of subsidies enjoyed by the manufacturing sector. Thus, the recent hike in electricity tariff and possible further fuel increases in the near future have prompted the Division to consider investing in newer technologies with improved efficiencies to extract operational savings.

The Chemicals Division has been a committed supporter of the Chemical Industries Council of Malaysia ("CICM") Responsible Care programme, whereby the processes of production, sales, distribution and disposal of chemical products are holistically managed to ensure minimal impact to safety, health and environment ("SHE"). Accordingly, in 2013, the Division's flagship entity namely CCM Chemicals Sdn. Bhd. ("CCMC"), was awarded with the Gold Awards in Community Awareness and Emergency Response Code, Distribution Code, Pollution Prevention Code, Process Safety Code, Employee Health and Safety Code and Product Stewardship Code. CCMC also won the CICM Platinum Awards under the category of Employee Health and Safety Code, and Process Safety Code. Such awards signify that employees' safety and welfare have always been one of the key pillars in the Division's activities.

CCMIS was awarded the ISO 9001:2008 certification which demonstrated the ability to consistently provide products that meet customers' and applicable statutory and regulatory requirements. This will only strengthen our commitment towards enhancing customers' satisfaction through effective application of various processes and conformity towards customer excellence programme as well as statutory and regulatory commitments. In a fitting end to 2013, the Division was awarded the Prime Minister's Hibiscus Award under Notable Achievement in Environmental Performance.

GROUP MANAGING DIRECTOR'S Operations Review

PHARMACEUTICALS DIVISION

The Pharmaceuticals Division recorded strong performance in 2013 achieving a PBT growth of 34 percent to RM34.1 million from RM25.5 million on the back of a revenue increase of 4 percent to RM295.9 million from RM284.8 million. The stellar performance in 2013 was driven mainly by improved domestic Ethical sales to the government and private sectors, as well as increased sales to export markets. Apart from the revenue contribution, the Division continued its disciplined execution of the Lean Six Sigma projects to improve cost of goods sold ("COGS") and a general tightening of expenses, both of which contributed to improved profitability.

In the Ethical segment, the Division continued its strategic focus in niche areas such as oncology, biotherapeutics and vaccines as well as improved its product pipeline and customer offerings. In 2013, the Division commenced joint clinical trials for an Erythropoietin ("EPO") biosimilar developed for use in the treatment of anaemia in end-stage kidney failure patients, with PanGen Biotech Inc. ("PanGen") of South Korea. The clinical trials have already commenced in both South Korea and Malaysia. Such high value added partnership projects are the Division's cornerstone strategy in the commercialisation of biotherapeutics while eliminating the need to invest in very expensive clinical trials and long gestation periods to deliver biotherapeutics to the market.

The partnership with PanGen was strengthened further with the conclusion of a purchase of a 13.86 percent equity stake in the company by CCM in December 2013. The equity stake is reciprocated through exclusive marketing and commercialisation rights in Malaysia, Singapore and Brunei, granted to CCM for all biotherapeutics developed by PanGen. In this regard, CCM's equity stake in PanGen allows the Pharmaceuticals Division to have strategic access to a biotherapy product pipeline as there are very few start-up biotherapy companies globally with the expertise, track record and range of cell lines already developed by PanGen.

In addition to our partnership with PanGen, CCM is also collaborating with Biocon, India to market their range of Human Insulin products in Malaysia. This would supplement the portfolio of Biotherapeutics being developed by CCM.

Through its product pipeline strategy initiative launched in 2012, the Division continued to launch new products in the year under review such as *Dermoplex Simple Cream* (for skin relief), *Acetan HCT 50mg & 100mg* (for high blood pressure), *Dexproco Syrup* (for cough and cold), *CCM Cyanocobalamine* (Vitamin B12 injection) and *Duopidogrel* (anti-thrombotic agent).

While efforts in the Ethical segment have continued to bear fruits for the Division, the brand rationalisation and revitalising programme that was started in 2012 continued to be the main activity in the Over-the-Counter ("OTC") segment in 2013, whereby focus was given to the four core brands namely *Champs™*, *Flavettes™*, *Proviton™* and *Naturalle™*. *Flavettes™* received a new dose of life in early 2013 with a fresh new livery and tagline, namely 'A Burst of Life' and 'Inspire Your Day', largely aimed at the youth segment of the OTC market. Road shows were carried out at major tertiary education institutions in the first quarter of 2013 and the end of 2013 saw *Flavettes™* closing the year with its '*Flavettes™ Rhythm Nation Tour*' with Rhythm Nation, a finalist in the music competition 'Passport To Fame: Battle of the Bands 2011'. We are hopeful that such advertising and promotional investments made on the core brands would translate into positive returns to the Division over the next three years.

The Division also launched several new OTC products to reinforce and complement the brand rationalisation and revitalisation programme. In 2013, *Proviton™ plus CoQ10* (multivitamin for general wellbeing with CoQ10 for energy metabolism, physiologic energy and cardiovascular health) and *Donna™ Glucosamine + Chondroitin + MSM* (Methylsulfonylmethane) (for relief of joint pains) were launched.

On the regional front, the Division's investment in expanding its key markets in ASEAN are bearing fruit with our Singapore and Philippines operations achieving profitability and significant growth potential. The Division will continue to focus on developing effective distribution channels and efficient go-to-market strategies for new products based on local customer requirements.

GROUP MANAGING DIRECTOR'S Operations Review

The Division's leadership in Halal pharmaceuticals was further reinforced during the year with its three entities obtaining the Halal Malaysia certification based on the world's first Halal Pharmaceuticals Standard MS2424:2012 - Halal Pharmaceuticals - General Guidelines, by Jabatan Kemajuan Islam Malaysia ("JAKIM") in January 2013. The historic achievement was also bestowed recognition in the Malaysia Book of Records. Due to its leadership position in Halal pharmaceuticals, 2013 saw senior officers and management of the Division being invited to speak and participate in numerous government-led Halal conferences, symposiums, workshops, training and events both locally and internationally. Such events help reinforce the Halal positioning in the customers' mind. The Division's leadership position in Halal Pharmaceuticals is bearing fruit as consumers and hospitals begin to have a preference for Halal alternatives.

With an increasingly competitive landscape in the generic pharmaceuticals industry, maintaining profit margins remains a challenge for the Division. In such an environment, operational cost becomes key in maintaining competitiveness and preserving margins. Since its inception in mid-2012, the Lean Six Sigma projects have brought cumulative hard savings of approximately RM8 million to the Division. Major capital expenditure investments were committed in 2013, in order for the machinery and equipment to remain cost effective in the coming years. Such investments were aided by a new online tendering and procurement system commissioned in 2013 that ensures cost effectiveness for any operational and capital expenditures.

Due recognition was also obtained by the Division, with two other major awards received in 2013. The first award was given by the renowned market research house, Frost & Sullivan, whereby CCM's Pharmaceuticals Division was named the Pharmaceutical Company of the Year - Generics Drug Category, in the Frost & Sullivan Malaysia Excellence Awards 2013. The Division's offering in the children's supplement category namely *Champs*TM was also awarded the Guardian Customers' Choice Award 2013 in the Kids' Supplement Category.

For 2014, the Division aims to make a mark in both commercial and operational fronts. Commercially, 2014 will continue with improved domestic market penetration initiatives, launching of new products and continued push in export markets. Meanwhile operationally, 2014 will see the Division focus on supply chain to support a continuing growing business, thus looking at long-term storage capacity and also depot management. The Division will also continue on initiatives in improving efficiencies in both expenses and COGS. Strategically, 2014 will see the continuation of the Division's focus in Biotherapeutics, niche therapeutic areas, revitalisation of its OTC range, regional expansion and Halal leadership in the pharmaceutical space.

FERTILIZERS DIVISION

2013 was a challenging year, not just for CCM's Fertilizers Division but for the whole industry as well. The first half of 2013 saw the Division charting improvements in its results, but that position changed in the second half of the year. A significant drop in potash prices due to the unexpected unravelling of the world's largest potash joint-venture in July 2013 had created market uncertainty in the second half of 2013. This resulted in reduced demand for fertilizers from plantations, with the Group's Fertilizers Division consequently being severely affected. Fertilizers Division reported a 21 percent decrease in revenue to RM693.0 million from RM876.3 million in the previous year, due to the lower volume of compound fertilizers sold to the plantations and export sectors. The Division posted a pre-tax loss of RM12.9 million as compared to a PBT of RM10.7 million previously, mainly as a result of the decline in demand for fertilizers.

Our Shah Alam plant recorded lower profitability compared to 2012, while plant operations in Lahad Datu and Medan faced greater localised market challenges during the year, with the difficult market conditions compounding the effect, especially during the second half of the year. The two plants' entities ended 2013 with loss positions due to lower sales volume and depressed prices.

GROUP MANAGING DIRECTOR'S Operations Review

Nevertheless, despite the adverse performance, there were some positive highlights within the Division in 2013. The Bintulu plant continued its turnaround in 2013 and is in the right track, with improved sales contributing to the positive performance.

In facing the challenges, the Division initiated several key initiatives in 2013 to improve operations, sales and supply chain. New sales personnel were added to our team to ensure sufficient coverage on our plantations and dealers markets throughout the country. An integrated campaign between the sales and technical teams to drive the sales volume was carried out whereby, the technical team carried out complimentary advisory services and training to the smallholders and dealers with the aim to increase yield through the use of our Cock's Head Brand ("CHB") or "Cap Kepala Ayam" compound fertilizers. On the operations side, sourcing of more competitive raw materials had been studied and used in our production without compromising on quality and production rate of manufacturing our compound fertilizers. Improvements were also made on logistics and warehousing of raw materials. We have also improved on our foreign exchange management with better raw material and hedging processes. In addition, the Lean Six Sigma programme which started in 2012, continued making its mark in 2013, with evident results of increased productivity and efficiency across the Division, translating to total savings from the initiative so far around RM7 million.

To improve our performance in Lahad Datu, we are planning a multi-prong approach; that is to increase our sales and marketing efforts in Sabah focusing on small and medium sized estates via the expansion of our dealers market, to establish strategic partnerships with major plantations so that a captive market can be created for our Lahad Datu plant and to penetrate the Kalimantan markets through our Indonesian distributors. In generating demand and new markets in Sabah, we have launched an enhanced formulation, 'MPOBF2 Super K', sold via dealers and dedicated agents. This product is formulated to meet the nutrients requirement for palms planted on peat soil which will position CCM as a leader in understanding requirements of local conditions.

Our operations in Medan continues to be loss making despite significant cost improvements made over the years. Although our trading operations for Indonesia remains profitable, our plant operations continue to face the difficulties of operating in the local business environment. We will continue to explore all options to resolve our position in Medan.

The market for fertilizers in 2014 is likely to be better but it would still be challenging. The outlook for CPO prices is expected to improve compared to 2013, driven by the expected decline in palm oil inventories in the coming months. The premier standing of the CHB will be defended via increased branding and marketing activities such as end-user marketing, creating brand loyalty among existing customers while attracting new ones. Emphasis on ISO certified production and high quality products should command a good price premium. The branding efforts undertaken to promote our CHB brand were recognised with the esteemed BrandLaureate Award for Best Brand in Manufacturing in May 2013.

IMPAIRMENT OF VACCINE MARKETING RIGHTS AND GAIN FROM NON-CORE ASSET RATIONALISATION

During the financial year under review, the Group had, after assessing the commercial viability of its marketing rights vis-a-vis future development stages of the Pneumococcal Vaccine ("Vaccine"), anticipated that the economic benefits of the marketing rights will not be recovered. Thus, full impairment of RM15.8 million was recognised. In 2006, CCM had acquired marketing rights for the Asian region (excluding Japan) for the Vaccine from Synergy America Inc. The Vaccine is currently still at the pre-clinical development stage.

The impact of the impairment however, was offset by a one-off gain from a revaluation of our property in Bukit Tunku. In September 2013, CCM had undertaken the formal process to dispose its properties situated in Bukit Tunku, Kuala Lumpur, to Permodalan Nasional Berhad ("PNB") for a consideration of RM74.8 million ("Bukit Tunku Disposal"). As a result of the change in Fair Value of Investment Property arising from the Bukit Tunku Disposal, CCM had recognised a gain of RM13.1 million in 2013. Subsequently, at the Extraordinary General Meeting convened in January 2014, shareholders duly approved the resolution for the Bukit Tunku Disposal. The exercise was part of the on-going rationalisation of CCM's non-core assets, complementing our transformation programme launched in 2011.

GROUP MANAGING DIRECTOR'S Operations Review

CONTINUED FOCUS ON STRENGTHENING OUR BALANCE SHEET

The Group had significantly improved its cash and working capital management with a release in cash from operating activities by RM109.2 million in 2013. The cash released from active working capital management was utilised to pare down the Group's external borrowings. This has resulted in a reduction of Debt/Equity ratio to 0.81x from 0.87x in 2012 (FY 2011 – 0.91x).

The proceeds from Bukit Tunku Disposal which was completed in February 2014, will also provide flexibility for the Group to further pare down its debt as part of its transformation programme.

In addition, CCM also recorded savings on net interest cost, with RM26.3 million in 2013 compared to RM32.7 million in 2012. This represented reduction of 19.4 percent. The Group has restructured some of the higher costs borrowings, bringing down the long-term financing costs to an average of 3.6 percent - 3.8 percent (from average of 4.0 percent).

GROUP-WIDE OPERATIONAL EXCELLENCE VIA LEAN SIX SIGMA PROGRAMME AND EFFICIENT TECHNOLOGY PLATFORMS

In 2013, the Group continued with the implementation of the Lean Six Sigma programme, a three-year programme which began in May 2012. As of March 2014, 89 staff completed the Green Belt training and of these, 6 staff attended the more in-depth Black Belt training. As of February 2014, the Group has a total of 127 projects, of which 68 have already been implemented and have delivered hard savings of over RM21 million. The projects are implemented in all areas of operations; from plant operations and maintenance, supply chain management including logistics and warehousing, sales and marketing as well as support services such as finance, human resource and information technology. The proliferation of the Lean Six Sigma projects and trained staff will not only bring on more savings for the Company but also a cultural change throughout the organisation to continuously improve.

On the IT front, the Group is already seeing operational efficiencies and improved decision-making processes as a result of the implementation of a new Enterprise Resource Planning ("ERP") solution, namely the SAP system, in our Pharmaceuticals Division. The Group has commenced its blueprinting exercise at the end of 2013 for phased implementation of SAP in its other two Divisions.

DEVELOPING TALENT WITH A STRONG CULTURE OF INTEGRITY

In CCM, we are also committed to a culture where issues on ethics and integrity can be raised and discussed openly. The Corporate Integrity System ("CIS") embarked by the Group since the establishment of our Integrity unit in November 2013, is an initiative to improve the state of corporate integrity and ethical values and practices in CCM. As part of this platform, CCM had revived and re-launched the 'Integrity Hotline' where every member of the CCM family can speak up if there is a concern about any inappropriate behaviour he or she observes. The initiative bodes well and complements our core values, with integrity being one of the components and making integrity the way of life for everyone here at CCM.

Our people are the most important asset in our organisation and as such, we continuously work to increase job satisfaction while assisting our employees develop in their professional careers. We also strive to instil our core values in the hearts and minds of our employees and ensure they are motivated and driven to do better for themselves and the organisation.

As of 31 December 2013, the Group has a total of 1,972 employees. 49.3 percent of our employees belong to the age group of between 30 to 44 with the next largest age group being those aged 18 to 29 (30.2 percent), whilst those between the age of 45 to 54 is 16.8 percent. The remaining members of our workforce (3.8 percent) are aged 55 and older. 85.0 percent of our workforce is based in Peninsular Malaysia, 3.0 percent in Sabah, 3.4 percent in Sarawak and 8.6 percent from the ASEAN region. The Pharmaceuticals Division employs the largest number of employees at 57.5 percent followed by Fertilizers Division at 22.0 percent, whilst the Chemicals Division is at 15.1 percent and the holding company at 5.4 percent. As our operations require consistency and long term stability, 90.0 percent of our employees are permanent employees with only 10.0 percent under contractual terms.

GROUP MANAGING DIRECTOR'S Operations Review

For the year under review, the Group recorded an attrition rate of 10.4 percent. This is below the 2013 attrition rate in the general industry in Malaysia of 13.2 percent (source: *Towers Watson's Total Rewards Seminar, 30 October 2013, Kuala Lumpur*). As a testament to our continuous commitment to put our employees first, CCM was awarded the "Anugerah Majikan 1Malaysia" by the YAB Prime Minister, at the Labour Day Awards Presentation in June 2013. This award was based on five criteria including the implementation of human capital development, 1Malaysia values, corporate social responsibility programmes, employee turnout and implementation of human capital transformation activities.

The year under review also saw us launched the My Career Acceleration Programme ("MyCAP") for the Group's non-executive employees to strengthen their skills, competencies and capabilities. MyCAP is an 'upward mobility programme' developed by CCM and aligned with the Performance Management and Delivery Unit ("PEMANDU") Workforce Transformation Roadmap to transform the Malaysian workforce. From this programme, it is hoped that our employees will be on track to greater career growth and mobility opportunities.

COMMITMENT AND LEADERSHIP IN HALAL

With our efforts so far in Halal, we are proud to have established a strong footing in the growing Halal market. Our intention is to have the market recognise the CCM brand and its products synonymous with Halal. We believe that with increasing customer awareness on the availability of Halal pharmaceuticals and our other products, our leadership position would make our products as a preferred choice. Our Pharmaceuticals Division has already won tenders where our leadership position in Halal products became a key deciding factor for the award.

As mentioned in the Pharmaceuticals Division review, CCM's Halal leadership position was reinforced when we received the renowned "Halal Malaysia" certification based on the world's first Halal Pharmaceuticals Standard MS2424:2012 Halal Pharmaceuticals – General Guidelines, from JAKIM. The Halal certificates for our three pharmaceutical companies were presented by YB Mejar Jeneral Dato' Seri Jamil Khir bin Hj. Baharom on 30 January 2013 and this achievement has earned a listing in The Malaysia Books of Records.

During the year under review, we also continued to strengthen our ties with key strategic partners in Halal. We were honoured to be invited to participate in the 'Halal Lab' co-organised by Performance Management & Delivery Unit ("PEMANDU"), Ministry of International Trade and Industry ("MITI") and Halal Industry Development Corporation ("HDC"), in which ideas were generated to further develop Halal pharmaceuticals as one of the key drivers in achieving Malaysia's aspiration to be the 'Global Halal Hub'. We were also made representatives for organisations such as the Federation of Malaysian Manufacturers ("FMM") and Malaysian Organisation of Pharmaceutical Industries ("MOPI") in various Halal-related government committees and activities. The Pharmaceutical Services Division of several states have also collaborated with CCM in Halal Pharmaceuticals seminars.

In addition to receiving recognition from government bodies, CCM was also involved in the private sector led activities such as the Islamic Development Bank ("IDB") Expert Roundtable, 1st International Halal Pharmaceuticals Summit co-organised by CPhI (a premier global pharmaceuticals events organiser) and the Global Islamic Economy Summit Conference, co-organised by the Dubai Chamber of Commerce and Industry with Thomson Reuters.

Internally, we also strengthened the core of Halal Integrity throughout the CCM Group with consistent and visible leadership commitment and support, through the 1Malaysia CCM Halal Awareness Series organised in 2013 with several key stakeholders such as suppliers and various agencies such as JAKIM, HDC and Ministry of Health ("MOH").

We have also obtained official approval from the Halal Hub Division of JAKIM for our various Halal branding initiatives, to be in compliance with the requirements of the Trade Description Act 2011 under the purview of the Ministry of Domestic Trade, Co-operatives and Consumerism ("KPDNKK"). Such branding initiatives that are in compliance with the Act are the Group's 'CCM & Halal', Pharmaceuticals Division's 'Manufactured in Halal Compliant Facilities', Chemicals Division's tagline 'The First Halal Certified Chlor-Alkali in South East Asia' and our Fertilizers Division's tagline 'Berqualiti, Bersih lagi Suci'.

GROUP MANAGING DIRECTOR'S Operations Review

Our Halal journey will be in its 15th year in 2014 and the focus would be to continue the execution of Phase Two of CCM Group's Halal Strategy, i.e. to 'Nurture & Optimise CCM's Halal Leadership Position' by identifying targeted customers to increase sales opportunities for both the local and regional market, continuing to strengthen ties with key strategic partners at all levels of CCM's management, and augmenting knowledge capacity building by developing a Halal training module which caters to the different levels of CCM's workforce and nature of business of each Division.

ACKNOWLEDGEMENT

While we have made significant progress in improving the efficiency of operations and strengthen the foundations of the Company in terms of governance, human capital and financial capital management, 2013 has shown us that some of our businesses are still exposed to swings in the industry cycles. Our expansion efforts in our Pharmaceuticals Division and move towards a more stable product portfolio in our Chemicals Division are strategies that we will continue to focus on to mitigate the Group's exposure to industry cycles. We will remain steadfast in pursuing our strategic objectives and continue to be optimistic that good progress will continue in future years.

12 November 2013 marked the conclusion of YBhg. Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman's tenure as the Chairman of CCM. We would like to extend our heartfelt gratitude to him for his leadership and guidance for the past three years, bringing an extraordinary degree of passion, energy and commitment to CCM. Under his leadership, CCM has positioned itself as a leader in Halal manufacturing and human capital development. He had also championed the revamping of CCM's strategic initiatives, with the launch of CCM's transformation programme in 2011. We wish him all the best in his future undertakings.

At the same time, we take this opportunity to welcome YB Dato' Sri Azalina binti Othman on board as the new Chairman of CCM. She is the first woman Chairman of CCM since its inception 50 years ago, and brings with her a wealth of experience from both the private and public sectors, to lead CCM in continuing its strategic transformational change. Her previous portfolio as the Minister of Youth and Sports, and Tourism will certainly increase CCM's profile locally and internationally. Her vibrant and energetic personality will certainly match the high energy level of the CCM staff. Indeed, this is an exciting and challenging time for CCM, and we look forward to that under the stewardship of YB Dato' Sri Azalina, CCM will soar to greater heights.

Finally, on behalf of the senior management of CCM, we would like to convey a special acknowledgement to the Board of Directors for their guidance, wisdom and unwavering commitment towards achieving CCM's strategic objectives. To the employees, we would also like to thank them for their dedication and hard work throughout the year.

Amirul Feisal bin Wan Zahir
Group Managing Director





PROTECTION

CCM protects the future of the Group by dedicating our resources to innovate and create better quality and environmentally-friendly products.

SUSTAINABILITY & Corporate Responsibility



CCM's Corporate Responsibility is one of the main pillars in the Company's culture as we work towards integrating our business values and operations to exceed the expectations of our shareholders. Through our programmes, we strive to bring about change in the community we operate in. At the same time, we aim to enhance our corporate values and adopt ethical business practices to improve the quality of life for all.

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.ccemberhad.com.



ENVIRONMENT

Year on year, we work towards ensuring the Company plays a pivotal role in the environment, mainly through awareness programmes with school and university students. CCM strongly believes in equipping students with the right skills and tools to help them become active global citizens who will play their part in building a better future for the next generation. At the same time, the Company also organises and takes part in various 'gotong-royong' programmes to do our bit for the community we operate in.

Program Perintis Hijau

The year under review saw CCM collaborating with the Shah Alam City Council ("MBSA") for Program Perintis Hijau 2013 aimed at instilling environmentalism amongst 64 students from 16 primary schools in Shah Alam. Now in its 5th year (8th series), this first ever collaborative effort between CCM and MBSA served to empower students to take ownership of the environment through activities that give them an introduction to nature, gardening and maintaining the green space in their surroundings.

Signing of MoU with the Department of Environment

In a bid to increase awareness on the conservation of nature, CCM signed a Memorandum of Understanding ("MoU") with the Department of Environment, Ministry of Natural Resources and Environment in June 2013. This was in line with the Environmental Awareness Programme held at Genting Highlands. This effort exemplifies CCM's readiness to work with various stakeholders to build a sustainable environment for our future generation. Moving forward, our *Program Rakan Alam Sekitar* will be a collaborative initiative with the Department of Environment and new activities will be introduced to the programme.

COMMUNITY

Community building has always been the crux of CCM's business. In conjunction with our 50th anniversary in 2013, the Company heightened its involvement in the community with CCM working with various members of the society to reach out to people who are in need.

Humanitarian Efforts for the Army

CCM took its corporate responsibility efforts one step further by providing food supplies to Malaysian security forces on duty at Felda Sahabat during the Lahad Datu crisis in March 2013. CCM staff from Lahad Datu and Bintulu contributed monetary aid to purchase food supplies for our security forces involved with the hope to alleviate their burden during the trying times.

CCM Fertilizers Golf Tournament for Charity.

To commemorate CCM's 50th anniversary and to thank our customers and stakeholders for their support, CCM Fertilizers held a charity golf tournament in Kota Kinabalu, Sabah. It was more than just golf as CCM contributed RM10,000 to Rumah Putera Harapan, a welfare home in Sabah as part of the Company's initiative to assist the less fortunate in our community.

CCM Charity Bazaar

A total of RM1,912.00 was collected at CCM Berhad's charity bazaar that was held in June 2013 for Rumah Amal Kasih Bestari, Kampung Melayu Subang. More than 20 volunteers worked tirelessly to sell pre-loved items which were donated by staff members, all with the aim to raise funds for the aforementioned home which shelters orphans and children from poor families.

Making Connections for the Underprivileged

In a bid to recycle and also to give back to the society, CCM donated its used IT equipment and computers to old folks homes, community centres and schools in Malaysia. This was a collaborative effort with Sols Computer, an organisation that specialises in collecting and refurbishing used IT gadgets before sending them to those in need. This effort exemplifies our commitment to ensure everyone, especially our young people, are exposed to technology with the hopes of securing a better future for themselves.

CHAMPS Pre School Talent Competition

CCM hosted the inaugural *CHAMPS Pre School Talent Competition* to encourage preschoolers to showcase their talent and develop a love for the theatre and arts. Held in Kuala Lumpur and Penang, this competition saw many children coming forward to sing, dance, recite poems and story telling. This competition was an ideal platform to encourage children to build their confidence and self expression. The competition was also aimed at enhancing awareness of the goodness and nutritional benefits of *CHAMPS Vitamin C*.

CCM Mini Carnivals

In conjunction with CCM's 50th Anniversary celebrations, the Group conducted a series of Mini Carnivals which involved all the Divisions. Among the activities conducted were a Sukan Rakyat, telematch, charity car wash and others. The aim of the carnivals was to foster better relations amongst staff members in the spirit of camaraderie and fun.

CCM PINTAR Programme

The year under review saw CCM adopting SK Kampung Jawa, Klang and SK Sungai Merab Luar, Kajang as its two new CCM PINTAR schools. This programme started in 2007 and currently, CCM has a total of 12 adopted schools nationwide. The two new schools, along with the other existing CCM PINTAR schools, organised an array of activities throughout the year. The CCM PINTAR English Class is one of the core activities for the CCM PINTAR schools with the aim to increase the level of spoken and written English amongst the students.

SK Sungai Selad, Bintulu had also successfully conducted a *Larian Ambang Merdeka* in August and *Sukan Tahunan dan Sukaneka* in October. Besides this, a group of Standard 6 students from SK Kongkong Laut, Masai had the privilege to participate in a field trip to Kuala Lumpur. SK Kampung Jawa had also conducted a Children's Day celebration in October.

CCM PINTAR Schools in the Klang Valley were also invited to attend our 50th Anniversary Gala Dinner in September at Putrajaya International Convention Centre. Selected students and teachers were thrilled to be part of CCM's 50th Anniversary celebration. For

the year 2013, CCM spent RM51,501.00 for its CCM PINTAR programme.

Flavettes Rhythm Nation Tour

CCM Pharmaceuticals launched the *Flavettes Rhythm Nation Tour*, in collaboration with the group Rhythm Nation to elevate the brand's presence of *Flavettes* in the market. The one month tour, starting from September 2013, took place in 10 institutes of higher learning in Peninsular Malaysia including Taylor's University Lakeside Campus, Universiti Selangor ("UNISEL"), Universiti Teknikal Malaysia Melaka ("UTeM"), and Universiti Tenaga Nasional ("UNITEN"), among others. The tour was aimed at encouraging Malaysian youths to adopt a healthy lifestyle through fun activities, amplified by digital platforms. The tour was well received by students and youth alike.

PGM Tour

In line with the Group's continuous efforts to nurture the development of golf and golfing talents in the country, CCM signed on as the title sponsor for the Professional Golf of Malaysia ("PGM") CCM Rahman Putra Masters 2013 with an investment of RM200,000. This marks the third consecutive year that CCM has sponsored the tournament with our total contributions amounting to RM600,000 since 2011. This tournament aims to promote golf as a sport of interest in Malaysia and inspire local players to pursue golf at professional level.

Sahabat Korporat Tabung Haji

In August 2013, CCM sponsored 30,000 health kits worth more than RM500,000 to Malaysian pilgrims performing their Haj. The kits included pharmaceutical products such as *Uphamol 650*, *Flavettes Vitamin C*, *Eye Glo Regular*, *Sloan Rub* and *Donna Glucosamine* for pilgrims to use during the course of their pilgrimage. The year also marked the tenth consecutive year of CCM's involvement in this programme, exemplifying our commitment to ensure the wellbeing and good health of our Muslim pilgrims.

Every year, CCM also participates in the Kursus Asas Haji ("KAH") and Kursus Haji Perdana ("KHP"), organised by Tabung Haji in all states for pilgrims to prepare for their Haj. During the KAH, CCM educates pilgrims on our Halal certified products that were included in the health kits and also organised promotional activities. CCM's promotional booths were also set up during the KHP.

MARKETPLACE

One of our important tenets of corporate responsibility is to ensure our stakeholders are well taken care of. To do this, we often host various activities to strengthen bonds with our loyal customers, suppliers and the community.

SUSTAINABILITY & Corporate Responsibility

CCM at Minggu Saham Amanah Malaysia

For the year under review, CCM participated once again at the Minggu Saham Amanah Malaysia ("MSAM") in Perlis with the theme '*Pelaburan Untuk 1Malaysia*'. Among the activities held were the CCM Interschool Showdown, CCM Photo Booth as well as medical check-ups conducted by students from Universiti Sains Malaysia under the CCM JATI (Jalanan Universiti dan Industri) Programme.

50th Anniversary Token of Appreciation

In commemoration with our 50th anniversary, CCM made an effort to personally meet and thank our stakeholders who had contributed most towards the growth and development of our businesses through the decades. Courtesy visits were made by the CCM senior management team with the presentation of our 50th Anniversary token.

CCM Fertilizers Dealers Appreciation Night

CCM Fertilizers held an Appreciation Night for its dealers in conjunction with the Group's 50th Anniversary celebrations. As part of the event, a new Cock's Head Brand organic product range (Max 7 and Super 8) was launched that night. The event was aimed to show our gratitude to all CCM dealers for their continuous support.

CCM JATI (Jalanan Universiti dan Industri) Programme

Heeding the call from the government to intensify collaboration between universities and industries, CCM collaborated with International Islamic University of Malaysia ("IIUM") and Universiti Teknologi MARA ("UiTM") Bertam to work with pharmacy undergraduates. Through this programme, students from both universities are exposed to entrepreneurship and product knowledge through the training provided by CCM. To date, CCM has launched this programme in Universiti Sains Malaysia ("USM"), Universiti Malaysia Sabah ("UMS") and UiTM Puncak Alam. The aim of our CCM JATI programme is to build and mould entrepreneurial capacity amongst our local graduates and enhance bonds between industry and university. This programme was initiated since 2011.

Jom Heboh and Pesta Pengguna CCM

Throughout the year under review, CCM Pharmaceuticals aggressively participated in ground events like *Jom Heboh* and *Pesta Pengguna CCM* to build brand awareness for our products, specifically for over-the-counter ("OTC") products. Through these ground events, CCM managed to reach out to customers in Terengganu, Johor, Kelantan, Kuala Lumpur, Kedah, Perak and Pahang, among others. At the same time, we also use this opportunity to enlighten the public on the availability of CCM Pharmaceuticals Halal certified products.

CCM's Media Roundtable – Introduction to Halal Pharmaceuticals

CCM hold a roundtable for members of the media to better understand Halal pharmaceuticals products. The session was conducted by three notable speakers, Ustaz Dr. Hj. Mohd. Izhar Ariff Mohd Kassim from Universiti Kebangsaan Malaysia ("UKM"), Professor Zhari Ismail from USM and Professor Dr. Wan Azman Wan Ahmad from University Malaya Medical Centre ("UMMC"). The roundtable was held to promote CCM's roles in the Halal sector as well as raising awareness on this new sector of the Halal industry for the benefit of the ummah.

10th Malaysia International Halal Showcase (MIHAS)

CCM participated in the Malaysia International Halal Showcase (MIHAS) which served as an ideal platform to showcase the Group's extensive range of Halal certified pharmaceutical products. MIHAS also gave us the opportunity to inform and educate consumers on the availability of Halal pharmaceutical products as well as to raise awareness on the benefits of consuming Halal certified health supplements.

WORKPLACE

At CCM, we believe that the driving force behind our success is our employees. As such, we strive to provide them with the tools they need to be successful in their careers and at the same time, enjoy a work-life balance.

Anugerah Majikan 1Malaysia

As a testament to our continuous commitment to put our employees first, CCM bagged the *Anugerah Majikan 1Malaysia* at the Labour Day Awards Presentation in June 2013. This award saw CCM landing the title based on five criteria including the implementation of human capital development, 1Malaysia values, corporate social responsibility programmes, employee turnout and implementation of human capital transformation activities. Our company brought home a trophy, a certificate and a cash prize of RM10,000.

MyCAP

The year under review also saw us launched the *My Career Acceleration Program* ("MyCAP") for the Company's non-Executive employees to strengthen their skills, competencies and capabilities. MyCAP is an upward mobility programme developed by CCM and aligned with the PEMANDU Workforce Transformation Roadmap to transform the Malaysian workforce. From this programme, it is hoped that our employees will be on track to greater career growth and mobility opportunities. A total of sixty (60) successful employees from various fields had been selected to participate in this programme following written tests and interviews.

SAFETY, Health and Environment



The Group has always recognised the importance of stringent Safety, Health and Environment (“SHE”) regulations and for this reason, we work hard to ensure the standards across our Chemicals, Pharmaceuticals and Fertilizers Division is consistently upheld. Our commitment is evident through our compliance with industrial best practices, international safety standards and statutory and regulatory requirements. Besides this, we also strive to provide our employees with the best working environment that will help them reach their fullest potential.



In line with our vision of enhancing the quality of life, the Group is committed towards achieving sustainability that will benefit our stakeholders, the environment, our people and the community we operate in. In order to achieve this, we ensure all our activities, products and services are, as far as it is practicable, safe and healthy to our employees, the public, the environment and the wellbeing of our consumers. We consciously work towards optimising the use of natural resources to reduce our carbon footprint and adopting energy efficient practices in all our plants and facilities. Environment legislative compliance audits and verification activities are carried out regularly to ensure adherence to the requirements.

Throughout the years of our operations, there were no major environmental incidents or penalty for the Group. With our efforts to optimise production processes and reducing electricity consumption, the Group has successfully reduced the level of carbon dioxide emission in 2013 to 125,511.05 tonne, a reduction of 10.1 percent as compared to 2012.

The year under review also saw the Group showing significant improvement in our key performance indicators as compared to previous years. Our Total

Recordable Case Frequency (“TRCF”) was 3.25 compared to 3.93 recorded in 2012, with no recordable fatality or SHE penalty.

The Group has also received an array of awards to bear testament to our commitment and leadership in SHE. CCM Berhad was certified with the ISO 14001 for Environment and OHSAS 18001 for Health and Safety by Bureau Veritas. CCM Chemicals also won the CICM Responsible Care Awards 2012/2013 and received six gold and two platinum awards for our leadership in various SHE areas. Our facility in Pasir Gudang, CCM Chemicals Pasir Gudang received the Prime Minister’s Hibiscus Award 2012/2013 for Notable Achievement in Environmental Performance.

We will continuously work towards inculcating the best SHE practices in our operations and culture. For the upcoming year, we will raise the benchmark of excellence and grow from strength to strength to create a positive environment for our stakeholders, employees, customers and the community we operate in.

CALENDAR of Major Events



22 Jan 2013

Sponsorship of PGM CCM Rahman Putra Masters



30 Jan 2013

CCM received the world's first Halal Pharmaceuticals certification based on MS2424:2012



20-27 Apr 2013

CCM's participation at Minggu Saham Amanah Malaysia (MSAM)



9 May 2013

CCMP awarded 2013 Frost & Sullivan Malaysia Excellence Awards for 'Pharmaceutical Company of the Year - Generics Drug Category'



28 May 2013

CCMF awarded the BrandLaureate Best Brands Awards 2012-2013 for the 'Best Brands in Manufacturing - Fertilizers'



5 Jun 2013

CCMC MOU signing with Department of Environment



19 Jun 2013

CCMC launched new livery of its tankers

CALENDAR of Major Events



22 Jun 2013

CCM won the '1Malaysia Employer Award' for the Government-Linked Companies ("GLC") Category



27 Jun 2013

Launch of My Career Acceleration Programme ("MyCAP")



3 Jul 2013

Program Perintis Hijau



1 Aug 2013

Sahabat Korporat Tabung Haji



18 Sep 2013

CCM 50th Anniversary Gala Dinner



29 Nov 2013

Launch of CCM Integrity Day



3 Dec 2013

CCMC awarded the CICM Responsible Care Awards

CONNECTION

CCM is constantly finding new ways to connect with our customers to better understand their needs and improve our products and services for them.





CORPORATE Information

COMPANY SECRETARIES

Noor Azwah binti Samsudin (LS 0006071)
Ibrahim Hussin Salleh (LS 0009121)

REGISTERED OFFICE

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

WORKS

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

REGISTRAR

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7841 8000
Fax : 03-7841 8008

AUDITORS

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

BANKERS

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

OCBC Bank (Malaysia) Berhad
Menara OCBC
18, Jalan Tun Perak
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
Jalan Sultan Ismail
50250 Kuala Lumpur

SOLICITOR

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

BOARD and Management Structure

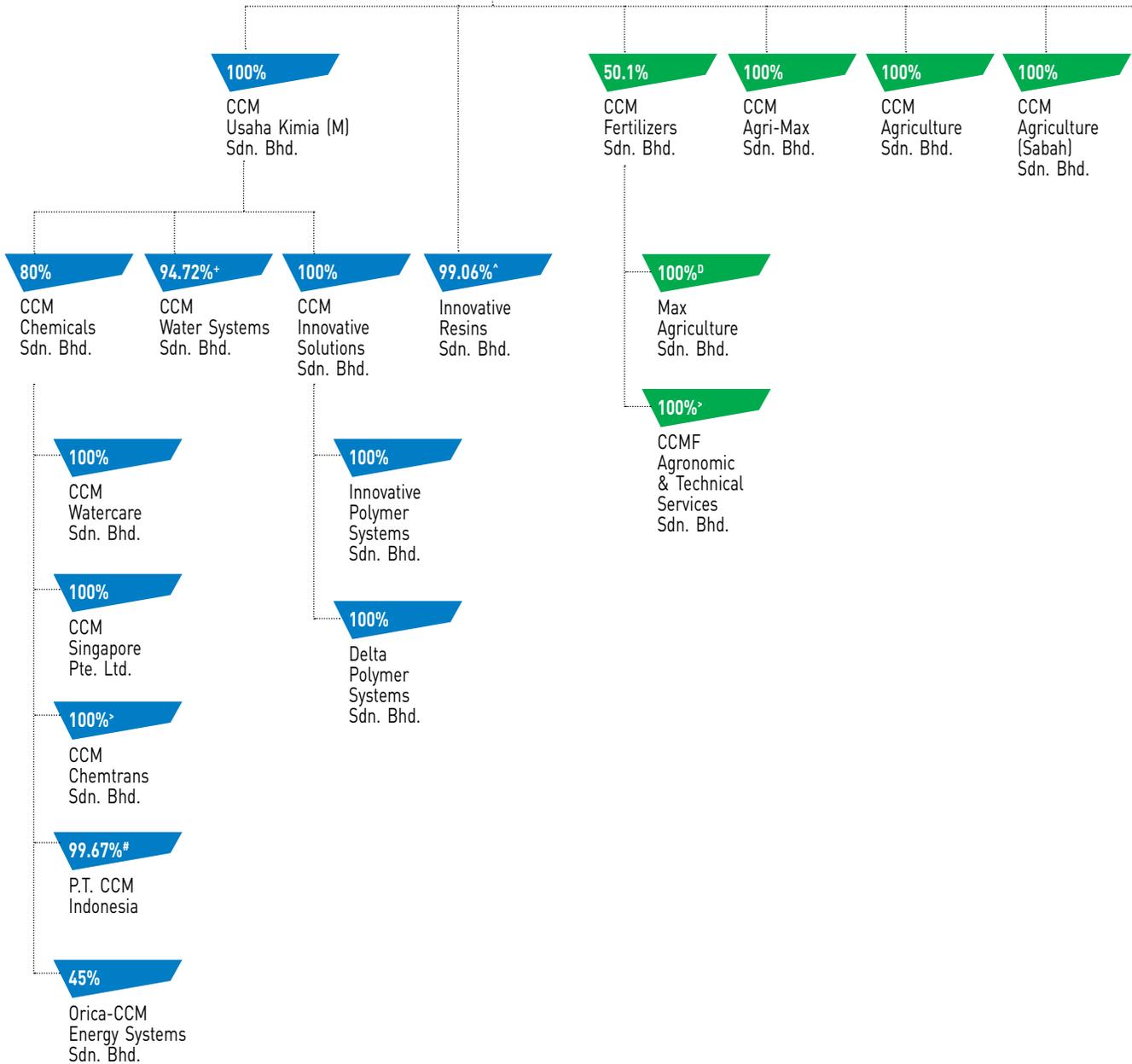
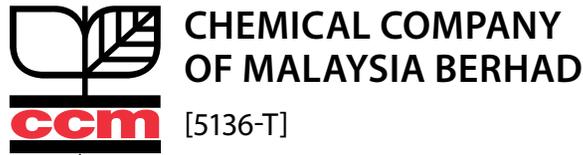
BOARD OF DIRECTORS

- Audit and Compliance Committee
- Risk Management Committee
- Nomination and Remuneration Committee
- Finance and Investment Committee

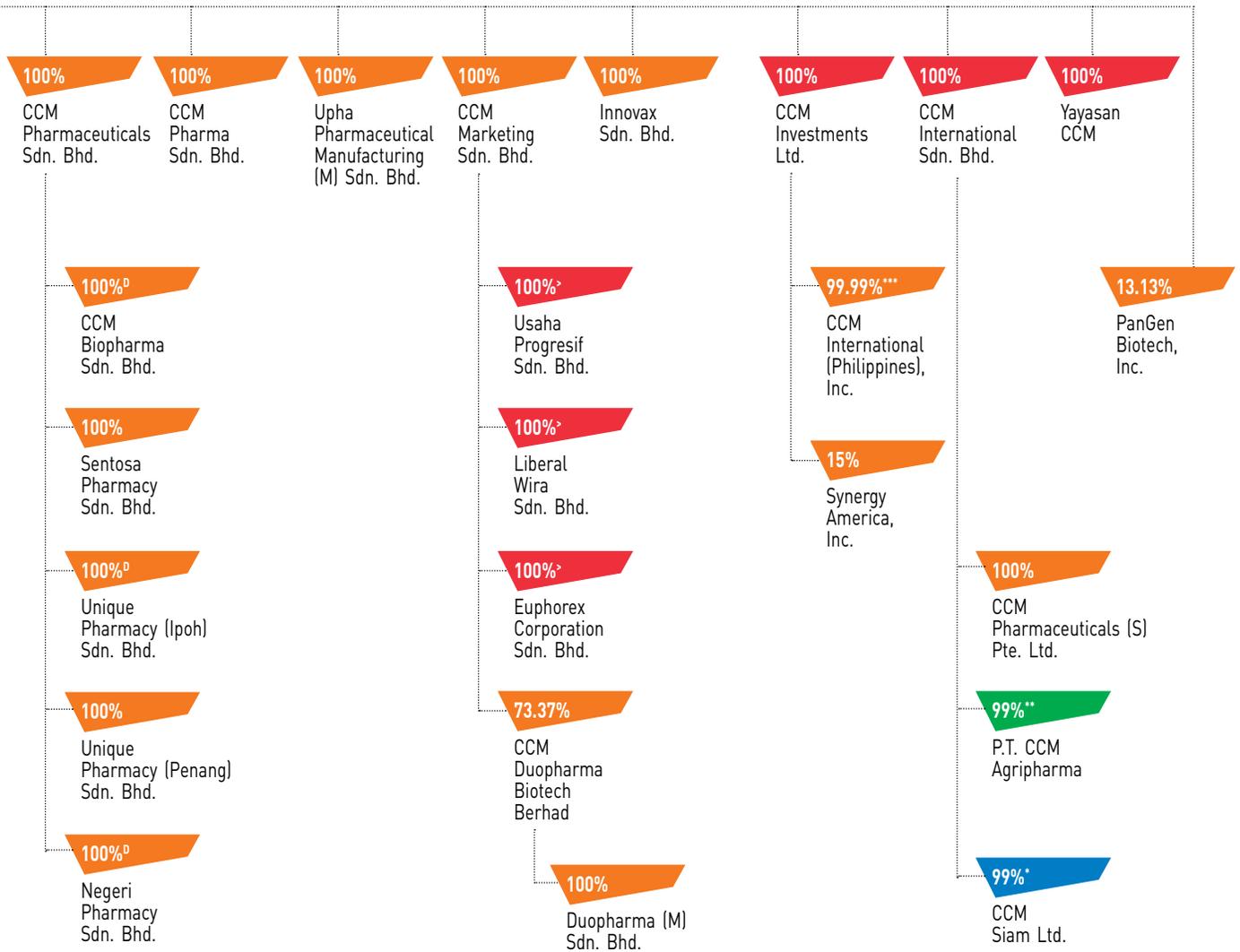
MANAGEMENT

- Management Committee
- Project Review Committee
- Executive Risk Management Committee
- Sustainability Committee
- Shared Service Transformation Committee

GROUP Structure
as at 31 March 2014



GROUP Structure
as at 31 March 2014



* 0.01% is held by 6 wholly-owned subsidiaries of CCM
 ** 0.01% is held by CCM
 *** 0.01% is 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.
^D Dormant Companies
^{*} In Liquidation

 Pharmaceuticals Division
 Fertilizers Division
 Chemicals Division
 Others

BOARD of Directors

from left to right

Dato' Seri Ir. Dr. Zaini bin Ujang

*Non-Independent
Non-Executive Director*

Dato' Azmi bin Mohd. Ali

*Non-Independent
Non-Executive Director*

Dato' Sri Azalina binti Othman

*Non-Independent
Non-Executive Chairman*

Amirul Feisal bin Wan Zahir

Group Managing Director

Datin Paduka Kartini binti Hj. Abdul Manaf

*Non-Independent
Non-Executive Director*

Datuk Karownikaran @ Karunikaran A/L Ramasamy

Independent Non-Executive Director

Dr. Leong Chik Weng

Independent Non-Executive Director

Khalid bin Sufat

*Senior Independent
Non-Executive Director*





BOARD of Directors**Dato' Sri Azalina
binti Othman**

Age: 50 years
Nationality: Malaysian

POSITION ON THE BOARD

Non-Independent Non-Executive Chairman

DATE APPOINTED TO THE BOARD

13 November 2013

MEMBERSHIP OF BOARD COMMITTEES

None

DIRECTORSHIPS OF OTHER PUBLIC COMPANIES

None

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

None as at 31 March 2014

**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 Laws (LL.M), London School of Economics & Political Sciences
- Bachelor of Laws (with Honors) [LL.B (Hons.)], University of Malaya
- Diploma in Public Administration, MARA Institute of Technology

WORKING EXPERIENCE AND OCCUPATION

Dato' Sri Azalina is the Member of Parliament for the Pengerang constituency. She was formerly the Minister of Youth and Sports, and Tourism. She started her career in Malaysia as a Legal Assistant at Messrs Raja Darryl & Loh during the period 1988-1989 and 1991-1994. She then became an Associate Partner of Azalina Chan & Chia until 2001 and subsequently joined Messrs Skrine & Co for a year. In 2002, she formed a partnership with Messrs Zaid Ibrahim & Co.

Dato' Sri Azalina is also active in various social organisations and is directly involved as adviser to associations such as the Malaysian Muslim Lawyers Association, Malaysian Women Contractors and Construction Organisation, Yayasan Pembangunan Malaysia and the Women's Crisis Centre. She is also a member of Sisters in Islam which fights for Muslim women's rights and equality.

**Amirul Feisal
bin Wan Zahir**

Age: 44 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 31 March 2014

**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 Managing Director, Investment Banking for Maybank Investment Bank from 2008 until September 2010. Amirul Feisal is a member of the Advisory Panel for Malaysia-Japan International Institute of Technology (MJIT), Universiti Teknologi Malaysia, International Campus, University of Malaya Research Advisory Committee and Council Member of Federation of Malaysian Manufacturers.

BOARD of Directors**Dato' Azmi bin Mohd. Ali**

Age: 53 years
Nationality: Malaysian

POSITION ON THE BOARD

Non-Independent Non-Executive Director

DATE APPOINTED TO THE BOARD

8 October 2010

MEMBERSHIP OF BOARD COMMITTEES

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

DIRECTORSHIPS OF OTHER PUBLIC COMPANIES

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

SECURITIES HOLDINGS IN THE COMPANY AND ITS SUBSIDIARIES

None as at 31 March 2014

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 70 lawyers, since 2000. Prior to this, he was the Partner/Head Department of Corporate, Commercial and Special Projects of Messrs Hisham, Sobri and Kadir from 1995 to 2000. Dato' Azmi started his career in Petrolia 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 Messrs T. Tharu & Associates from 1990-1995. He has served as an Adjunct Professor to International Islamic University Malaysia ("IIUM") Law School for 2 years, and presently an Adjunct Professor to Universiti Kebangsaan Malaysia ("UKM") Law School. He is also a director of Financial Reporting Foundation, a Government of Malaysia-backed foundation.

Khalid bin Sufat

Age: 58 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

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

SECURITIES HOLDINGS IN THE COMPANY AND ITS SUBSIDIARIES

None as at 31 March 2014

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 as 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 as 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**Dr. Leong Chik Weng**

Age: 51 years

Nationality: Malaysian

POSITION ON THE BOARD

Independent Non-Executive Director

DATE APPOINTED TO THE BOARD

11 October 2010

MEMBERSHIP OF BOARD COMMITTEES

- Member, Nomination and Remuneration Committee

DIRECTORSHIPS OF OTHER PUBLIC COMPANIES

- A-Rank Berhad
- UMW Holdings Berhad
- UMW Oil & Gas Corporation Berhad

SECURITIES HOLDINGS IN THE COMPANY AND ITS SUBSIDIARIES

None as at 31 March 2014

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, West Virginia
- Ph.D. in Chemical Engineering, University of Massachusetts, Amherst, Massachusetts
- 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. Prior to this, 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 also the Managing Director of Universal Search Machine Sdn. Bhd. from 1998 to 2000.

Dato' Seri Ir. Dr. Zaini bin Ujang

Age: 49 years
Nationality: Malaysian

**POSITION ON THE BOARD**

Non-Independent Non-Executive Director

DATE APPOINTED TO THE BOARD

10 January 2011

MEMBERSHIP OF BOARD COMMITTEES

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

DIRECTORSHIPS OF OTHER PUBLIC COMPANIES

None

SECURITIES HOLDINGS IN THE COMPANY AND ITS SUBSIDIARIES

None as at 31 March 2014

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
- Professional Engineer, Malaysia
- Chartered Engineer, United Kingdom

WORKING EXPERIENCE AND OCCUPATION

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 was Vice Chancellor of the oldest technical university in Malaysia and South East Asia, Universiti Teknologi Malaysia. For his remarkable contribution to the nation, he became the first recipient of the prestigious Malaysia Merdeka Award 2009 in the category of Outstanding Scholastic Achievement in environmental and sustainability water. He has been conferred the Darjah Seri Setia Tuanku Muhriz Yang Amat Terbilang ("SSTM") and Panglima Jasa Negara ("PJN"). He was the 'Tokoh Maal Hijrah 1433H' of Negeri Sembilan 2011, a Fellow of the Academy of Science Malaysia, Senior Advisor to the Prince Khalid bin Sultan Chair on Water Research, King Saud University, Chairman of the Environmental Quality Council, Malaysia and Fellow of the Institute of Chemical Engineers, United Kingdom. He is a Visiting Professor at Imperial College London (UK) and Research Associate at Massachusetts Institute of Technology. He has registered more than 20 intellectual property rights and published more than 250 technical papers and 33 books.

BOARD of Directors
**Datuk Karownikaran @
Karunakaran A/L Ramasamy**

Age: 63 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

- Integrated Logistics Berhad
- Maybank Investment Bank Berhad
- Etiqa Insurance Berhad
- IOI Corporation Berhad
- Bursa Malaysia Berhad
- Maybank Asset Management Group Berhad

SECURITIES HOLDINGS IN THE COMPANY AND ITS SUBSIDIARIES

None as at 31 March 2014

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 Karownikaran @ 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: 52 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 31 March 2014

**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





from left to right

Front row

Mohamed Nazmi bin Sallehuddin
Director, Chemicals Division

Hafsah Ahmad Zainudin
Senior Manager, Group Risk

Abd. Rahman bin Abdullah Thani
Director, Corporate Office

**Nik Fazila binti Nik
Mohamed Shihabuddin**
Director, Finance

Ibrahim Hussin Salleh
General Manager, Legal/
Company Secretary

Back row

Leonard Ariff bin Abdul Shatar
Director, Pharmaceuticals Division

Noor Azwah binti Samsudin
Group Company Secretary

STATEMENT on Corporate Governance

The Malaysian Code on Corporate Governance 2013 (the “Code”) sets out the principles and best practices on structures and processes used to direct and manage the business and affairs of the Company towards enhancing corporate accountability with the objective of realising long-term shareholder value, whilst taking into account the interests of other stakeholders.

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

The Board is pleased to report to the shareholders on the manner the Company has applied the principles of good corporate governance and the extent of compliance with the Best Practices of Good Governance as set out in the Code throughout the financial year ended 31 December 2013.

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

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 Nomination and Remuneration Committee, Audit and Compliance Committee, Finance and Investment Committee and Risk Management 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 relevant Committees presents reports and minutes of Board Committee meetings to keep the Board informed and updated on 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 Management. This allows them to understand the operations better and make decisions in steering the Group towards a profitable business. At each normal Board meeting, the Board receives from or through the Group Managing Director the operational report and other reports and proposals and assurances as the Board considers necessary to ensure that Management authorities are being observed.

STATEMENT on Corporate Governance

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.

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 a full Board will then deliberate Management's views and assumptions to ensure the best outcome.

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

(ii) Oversee the Conduct of the Group's Business

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

The Group Managing Director is supported by the Group Management Committee and other committees established under the Group. 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 to update the Board on the enterprise risk. The Group Internal Auditor also provides the Audit and Compliance Committee with audit reports as and when audit assignments are completed.

STATEMENT on Corporate Governance

- (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 Controls are set out in this Annual Report on pages 68 to 71 and 78 to 81.

- (iv) Succession Planning

The Board has entrusted the Nomination and Remuneration Committee with the responsibility to review and recommend to the Board, candidacy for boards within the Group and top management positions. These candidates go through a rigorous assessment prior to being invited to the respective boards or recruited as part of the top management to ensure 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 78 to 81.

STATEMENT on Corporate Governance

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

To further enhance its good corporate governance practices and strengthen the ethical standards within the CCM Group, in September 2013, the Board had approved the setting up of an Integrity Unit to manage integrity issues within the organisation. The unit, among others, is responsible for the following:

- Governance – to ensure the conduct of best practices in governance;
- Strengthen integrity – to ensure that integrity is inculcated into the Group's culture and is institutionalised in the actions of all employees;
- Detection and verification of wrongdoings – to detect and confirm the information/complaints on criminal misconducts as well as violations of the Group's Code of Conduct and business ethics and to ensure that follow-up actions are duly taken. The unit is also responsible for reporting the criminal misconducts to the relevant enforcement agencies;
- Complaint management – to receive and take the necessary actions on all information/complaints received on criminal misconducts as well as violations of the Group's Code of Conduct and business ethics;
- Compliance – to ensure compliance with laws and regulations; and
- Disciplinary actions – to be the secretariat function to the Disciplinary/Integrity Board.

The function of the Integrity Unit is under the purview of the Audit and Compliance Committee. The Integrity Unit is still in its early stage of establishment and has set up a hotline at ccmintegrity@gmail.com for any parties to whistleblow on any concerns affecting them.

STATEMENT on Corporate Governance

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 above four focus areas 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. In addition, the Company has also participated in group-wide Road Safety programme which focuses on promoting, training and disseminating information on good practice on the road to targeted audience (drivers, motorcyclists, etc.) as well as New Year New You, tailored for staff who wishes to adopt and maintain a healthy lifestyle. A detailed report on Sustainability and Safety, Health and Environment is included in the Annual Report on pages 22 to 25.

1.5 Access to Information and Advice

The Chairman is primarily responsible for ensuring that sufficient information is provided to the Board members to assist them in their deliberation. She ensures that all relevant issues and quality information to facilitate decision making and effective running of the Group's business are included in the agenda of Board meetings. In doing so, the Chairman will liaise with the Group Managing Director and the Company Secretary on the agenda for Board meetings. Board meetings are scheduled a year ahead in order to ensure full attendance. A minimum of four (4) Board meetings 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; and
- Reports, advices and opinions of external consultants/advisors as had been sought for.

STATEMENT on Corporate Governance

During the financial year, ten (10) Board Meetings were held. Details of the Directors' meeting attendance during the financial year are as follows:-

Name of Directors	No. of Meetings & Attendance
Dato' Sri Azalina binti Othman Non-Independent Non-Executive Chairman (Appointed w.e.f. 13 November 2013)	2/2
Amirul Feisal bin Wan Zahir Group Managing Director	10/10
Dato' Azmi bin Mohd Ali Non-Independent Non-Executive Director	10/10
Khalid bin Sufat Senior Independent Non-Executive Director	9/10
Dr. Leong Chik Weng Independent Non-Executive Director	10/10
Dato' Seri Ir. Dr. Zaini bin Ujang Non-Independent Non-Executive Director	7/10
Datuk Karownikaran @ Karunakaran A/L Ramasamy Independent Non-Executive Director	10/10
Datin Paduka Kartini binti Hj. Abdul Manaf Non-Independent Non-Executive Director	10/10
Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman (Resigned as Non-Independent Non-Executive Chairman w.e.f. 13 November 2013)	8/8

All Directors have the same right of access to all information within the Group and the duty to make further enquiries which they may require in discharging their duties including seeking independent professional advice, if necessary, at the Company's expense. Minutes of proceedings and resolutions passed at each Board and Board Committees meetings are kept in the statutory register at the registered office of the Company and are accessible to all Directors.

The Company also provides a platform for dialogue between the Board and the Directors of each Division either at Board meetings or during the business unit visits. This will assist the Board in arriving at business and strategic decisions relating to the Group. The Directors also have access to the advice and services of the Company Secretary who is available to provide them with the appropriate advice and services and also to ensure that the relevant procedures are followed. The Directors are regularly updated on the latest developments in the legislations as well as statutory and regulatory requirements relating to the duties and responsibilities of Directors. When necessary, the Directors also visit locations of business units which would assist the Board to make effective decisions relating to the Group.

STATEMENT on Corporate Governance

1.6 Qualified and Competent Company Secretary

The appointment or removal of Company Secretary or Secretaries of the Board shall be the prerogative of the Board as a whole. The Board is currently assisted by two qualified and competent Company Secretaries in ensuring that Board procedures are followed and the applicable rules and regulations for the conduct of the affairs of the Board 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.

1.7 Board Charter

The Board 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, www.ccmberhad.com.

2. STRENGTHEN COMPOSITION

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

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

The Senior Independent Non-Executive Director is available to deal with concerns affecting the Group, other than through the Chairman. The Senior Independent Director is expected to ensure that all independent directors have the opportunity to provide input for the agenda, and advise the Chairman on the quality, quantity and the timeliness of the information submitted by Management that is necessary for the independent directors to perform their duties effectively. He is also the principal conduit between the independent directors and the Chairman on sensitive issue 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 higher, shall be independent. A brief profile of each Director is presented on pages 34 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.

STATEMENT on Corporate Governance

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 72 to 74.

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

Director who is over seventy years of age shall retire at every AGM and may offer himself for re-appointment 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, Dato' Sri Azalina binti Othman, Dato' Seri Ir. Dr. Zaini bin Ujang and Datuk Karownikaran @ Karunakaran A/L Ramasamy to retire and be re-elected at the forthcoming AGM.

STATEMENT on Corporate Governance

(ii) Induction Program

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.

(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; and
- Fulfilling fundamental Board roles and responsibilities at best practice levels.

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

(iv) Gender Diversity

The Board recognises the value of having gender diversity in the Board. With the appointment of Dato' Sri Azalina binti Othman as the Non-Independent Non-Executive Chairman on 13 November 2013, the Board now comprise of six (6) male directors and two (2) female directors. The Board will endeavour to ensure that gender diversity is taken into account in nominating and selecting new directors of the Company and will continue to 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.

STATEMENT on Corporate Governance

(a) Directors' Remuneration

The Non-Executives Directors are entitled to directors' fees. The Board has recommended to shareholders in 2012 for a proposed revision to the directors' fees so that it is in line with market and industry's practice. The proposal has been approved at the Annual General Meeting of the Company in 2012. As a result of the approval, the Chairman of the Board now receives a 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 2013 is as follows:

	Category of Directors	
	Group Managing Director (RM)	Non-Executive Directors (RM)
Fees	–	654,000.00 ¹
Allowance	150,666	226,300.00 ¹
Salaries and Bonus	1,040,194	–
Other Emoluments	171,700	–
Benefits-in-Kind	15,323	–
Total	1,377,883	880,300.00

Range of Remuneration	Executive	Non-Executive
RM1 to RM50,000	–	1
RM50,001 to RM100,000	–	1
RM100,001 to RM150,000	–	6
RM150,001 to RM200,000	–	–
RM200,001 and above	1	–

Note:

¹ Remuneration above is inclusive of the former Non-Independent Non-Executive Chairman who resigned on 13 November 2013.

(b) Directors and Officers Liability Insurance

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

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3. REINFORCE INDEPENDENCE

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

3.1 Annual Assessment of Independent Directors

The Board consists of eight (8) Non-Executive Directors, 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 by the independent directors and their ability to act in the best interest of the Group.

3.2 Tenure of Independent Director

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

3.3 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 separate and clearly defined. As part of good corporate governance, the Chairman is responsible for ensuring board effectiveness and conduct. She ensures that all relevant issues and quality information to facilitate decision making and effective running of the Group's business are included in the meeting agenda. In doing so, the Chairman will liaise with the Group Managing Director and the Company Secretary on agenda for Board meetings. The Chairman encourages healthy debates on issues raised at meetings and gives opportunity to directors who wish to speak on the motions, either for or against them. Every Board resolution is then put to a vote which would reflect the collective decision of the Board and not the views of an individual or an interested group. The Chairman also chairs the meeting of shareholders of the Group. At the general meetings of the Group, the Chairman will ensure that the shareholders are given the opportunity to enquire on the Group's affairs. The Group Managing Director focuses on the business and the day-to-day management of the Company and Group. He is the conduit between the Board and Management in ensuring the success of the Group's governance and management functions. The Group Managing Director implements the policies, strategies and decisions adopted by the Board.

The Board is chaired by a Non-Independent Non-Executive Chairman. Whilst the Company supports the recommendations made under the Code, the Company maintains that the Chairmanship of the Board shall continue to be held by a Non-Executive Non-Independent Director. At the moment, the Board is of the view that the Chairman will remain objective in expressing her views and will allow all Board members the opportunity to participate and express their views in deliberations and decision making 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.

STATEMENT on Corporate Governance

4. FOSTER COMMITMENT

4.1 Time Commitment

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

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

In line with Bursa Malaysia's Main Market Listing Requirements ("MMLR"), Directors are also required to comply with the requirements of having not more than five (5) directorships in listed companies. This allows them to devote their time and discharge their duties effectively with the companies in which they are directors. Board meetings are scheduled a year ahead in order to enable full attendance.

4.2 Continuing Education Programme

The Board acknowledges the importance of continuous education and training to enable effective discharge of its responsibility. With the exception of Dato' Sri Azalina binti Othman (who is expected to complete her Mandatory Accreditation Programme ("MAP") in June 2014), all Board members have attended the 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 a year. The programme is extended to all Directors and Senior Management of the Group. The Directors had on their own initiatives, requested to attend ad-hoc trainings, seminars or conferences conducted by third party to enhance their knowledge or skills in specific areas. The costs of attending such training or forum are borne by the Group. The training/seminars/conferences attended by Directors cover the areas of law, 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 "Halal - Management's Responsibilities and Informed Choice" and " Biosimilar, Never Ending Frontier in Bio-Business" for the Directors and Senior Management of the Group which were facilitated by industry experts as part of the Continuing Education Programme.

STATEMENT on Corporate Governance

The “Halal – Management’s Responsibilities and Informed Choice” was organised to enable the Group’s top personnel to be kept abreast with the current development in the Halal industry, in particular Halal Pharmaceuticals, which has been identified to be the driving force for CCM’s Halal Strategy. The training also covered the aspects on Management’s Responsibilities, which is one of the requirements of Halal certification, and had touched on the concept of Informed Choice which is one of the key elements in getting the buy-in for Halal Pharmaceuticals.

In respect of the training on “Biosimilar, Never Ending Frontier in Bio-Business” which was held on 30 August 2013, the Board was appraised on the biopharmaceuticals industry in particular the biosimilar business, and its prospects going forward.

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Compliance with applicable reporting standards

The Board is aware of its responsibilities to shareholders and the requirement to present a balanced and comprehensive assessment of the Group’s financial position and prospects. In this regard, the Board has delegated 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 gives 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 Director Finance 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, effective and efficient utilisation of Group assets.

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 three (3) meetings with the External Auditors without the presence of Management during the financial year under review.

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6. RECOGNISE AND MANAGE RISKS

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

6.1 Establish Sound Framework to Manage Risks

The Board, through the 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 Group'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 Group's ERM Framework is automated and is aligned with the methodologies of ISO 31000 guidelines on managing risks. It includes quantification of risks, review of CCM Risk Universe and adopt a KPI linked risk reporting.

A Group Risk Management Policy has been established to ensure an effective risk management programme and control systems and thereby facilitating the Company in meeting its business objectives.

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 controls. Comprehensive audits of the practices, procedures, expenditure and internal controls of all business and support units and subsidiaries are undertaken on a regular basis.

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; and
- 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 Statement on Risk Management and Internal Control, the Risk Management Report and Audit and Compliance Committee Report of this Annual Report on pages 78 to 81, 68 to 71, and 64 to 67 respectively.

STATEMENT on Corporate Governance

7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policy

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

- (a) 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;
- (b) raise awareness and provide guidance to the Board, Management, officers and employees on the Group's disclosure requirements and practices;
- (c) 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;
- (d) ensure that the Group observes best practices in relation to disclosure as illustrated in the Corporate Disclosure Guide by the Exchange; and
- (e) 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 method that the Group uses to communicate with the investing public in the dissemination of material information especially price sensitive information.

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

Date of Announcement	Subject Matter of Material Information
27 March 2013	Voluntary Winding-Up of CCM Chemtrans Sdn. Bhd. and CCM Chemtrade Sdn. Bhd., subsidiaries of Chemical Company of Malaysia Berhad.
21 August 2013	Members Voluntary Winding-Up of Indirect Subsidiary Companies.
22 August 2013	Johor Bahru High Court Writ of Summons No: 23 NCVC – 119-08/2012 Served on CCM Chemicals Sdn. Bhd. (the Defendant) by Prostar Edge (Johor) Sdn. Bhd. (the Plaintiff) – Dismissal of Plaintiff's Claim and the Defendant's Counterclaim.
30 September 2013	Transactions (Chapter 10 of Listing Requirements) – Proposed disposal of two (2) contiguous parcels of freehold land within Bukit Tunku held under GRN 25607, Lot 17 and GRN 14977, Lot 332 both located within Section 71, Town and District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur for a total cash consideration of RM74,814,000. ("Proposed Disposal").
1 November 2013	Proposed Internal Restructuring Exercise on the Acquisition by CCM Usaha Kimia (M) Sdn. Bhd. (UKSB) of 99.07% Equity Interest in CCM Innovative Solutions Sdn. Bhd. (CCMIS) and 80% Equity Interest in CCM Chemicals Sdn. Bhd. (CCMC) from the Company.

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

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

8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

8.1 Encourage Shareholder Participation at General Meetings

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

To encourage participation at general meetings, the Company has in 2012, removed the limit on the number of proxies to be appointed by an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account. The Company has also included a new provision in its 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 meeting.

8.2 Encourage Poll Voting

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

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

8.3 Effective Communication and Proactive Engagement

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

STATEMENT on Corporate Governance

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. In addition to the normal agenda for the AGM, the Board presents the progress and performance of the business as contained in the Annual Report and provides opportunities for shareholders to raise questions pertaining to the business activities of the Group. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. 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 328 shareholders and 976 proxies attended the AGM in 2013.

(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.

The Company had conducted an Extraordinary General Meeting on 21 January 2014 to approve the disposal of two contiguous parcels of freehold land together with three units of double-storey detached houses to Permodalan Nasional Berhad. Since the transaction was a related party transaction, the voting was carried out by poll.

(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.ccmberhad.com.

STATEMENT on Corporate Governance

(d) Company's Website

The Company also maintains a website at www.ccmbberhad.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 2013

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 2013	Date of Announcement
1st Quarter	31 May 2013
2nd Quarter	29 August 2013
3rd Quarter	29 November 2013
4th Quarter	27 February 2014

STATEMENT OF COMPLIANCE WITH THE PRINCIPLES AND RECOMMENDATIONS OF THE CODE

The Group has in all material respects complied with the principles and recommendations of the Malaysian Code of Corporate Governance 2012 (the "Code") throughout the financial year ended 31 December 2013, save for Recommendation 2.3 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 20 March 2014.

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 2013.

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

Name of Directors and Status	No. of Meetings Attended
Khalid bin Sufat Chairman, Senior Independent Non-Executive Director	11/11
Datuk Karownikaran @ Karunakaran A/L Ramasamy Member, Independent Non-Executive Director	11/11
Datin Paduka Kartini binti Hj. Abdul Manaf Member, Non-Independent Non-Executive Director	11/11

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; or
 - fulfils such other requirements as prescribed or approved by the Exchange.

REPORT of the Audit and Compliance Committee

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 Chief Internal Auditor shall normally be invited to attend the meeting;
- (iv) Any other Board members and any other representatives as deemed necessary shall be invited to attend the meeting;
- (v) With regards to integrity matters, care should be taken to minimise the risk of any conflict of interest that might be seen to give rise to an unacceptable influence;
- (vi) 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 deemed necessary; and
- (vii) The Secretary to the Committee shall be the Group Company Secretary.

Authority

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

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

RESPONSIBILITIES ON AUDIT MATTERS

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

REPORT of the Audit and Compliance Committee

- 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 function and provide the resigning staff/members an opportunity to submit his reasons for resigning.
- (vii) To review any related-party transactions that may arise within the Group;
- (viii) To review the major findings of internal investigations and Management's response; and
- (ix) To consider other matters as defined by the Board.

RESPONSIBILITIES ON INTEGRITY MATTERS

- (i) To review annually:
- (a) the Group's business ethics and integrity policy and to make recommendations to the Board thereon; and
 - (b) the Group's business ethics and integrity policies, processes and practices.
- (ii) To monitor the Group's compliance with existing legislations such as the Anti Corruption Act 1997, Competition Act 2010, Whistleblower Protection Act 2010, Witness Protection Act 2009, Personal Data Protection Act 2010;
- (iii) To ensure that the Group's communication and training programmes on ethics and business integrity are effective in reinforcing ethical values and good practice;
- (iv) To monitor the responses to the Group's whistleblowing line and other mechanisms used by staff to raise concerns, and to oversee actions following breaches of the ethics and business integrity policy or allegations of misconduct;
- (v) To review reports from the Group Integrity Office;
- (vi) To review the policies and practice of the Group in respect of business ethics and integrity in relation to the commencement of operations in any new country or territory in which the Group has not previously operated; and
- (vii) To review and recommend to the Board, compliance with particular best practice guidance or codes in relation to business ethics and integrity and compliance.

ACTIVITIES DURING THE FINANCIAL YEAR

- (i) Reviewed and approved the internal audit plan of the Group;
- (ii) Reviewed the scorecard and 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 the Group Internal Auditor and monitored the status of corrective actions taken by the Management to ensure all audit issues are addressed;
- (iv) Reviewed the Management letters, reports and fees of the External Auditors;
- (v) Evaluated the performance of the External Auditors and made recommendations to the Board on their re-appointment and audit fees;

REPORT of the Audit and Compliance Committee

- (vi) Reviewed the Group's financial performance, quarterly announcement to Bursa Malaysia, draft audited accounts 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 establishment and implementation of Corporate Integrity programme for the Group;
- (x) Ensured the recommended principles and best practices of the Malaysian Code on Corporate Governance are implemented throughout the Group;
- (xi) Reviewed and recommended to the Board the revision to the Limits of Authority for standardisation within the Group;
- (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.; and
- (xiii) Considered, reviewed and recommended to the Board the related party transaction entered into by the Group with Permodalan Nasional Berhad on the proposed disposal of two contiguous parcels of land at Bukit Tunku and other documentation relating to the disposal as well as the disclosure of such transaction in the Circular to Shareholders.

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. 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 for Group Internal Audit for the financial year, which amongst others includes departmental expenditures such as office running expenses, training expenses, travelling expenses, staff remuneration, etc. is approximately RM892,000.00.

REPORT of the Risk Management Committee

The Board is pleased to issue the following report on the Risk Management Committee and its activities during the financial year ended 31 December 2013.

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 Group 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:

Name of Directors and Status	No. of Meetings Attended
Dato' Azmi bin Mohd Ali Chairman, Non-Independent Non-Executive Director	4/4
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 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; and
 - the impact and mitigation of significant risk events.

REPORT of the Risk Management Committee

Duties

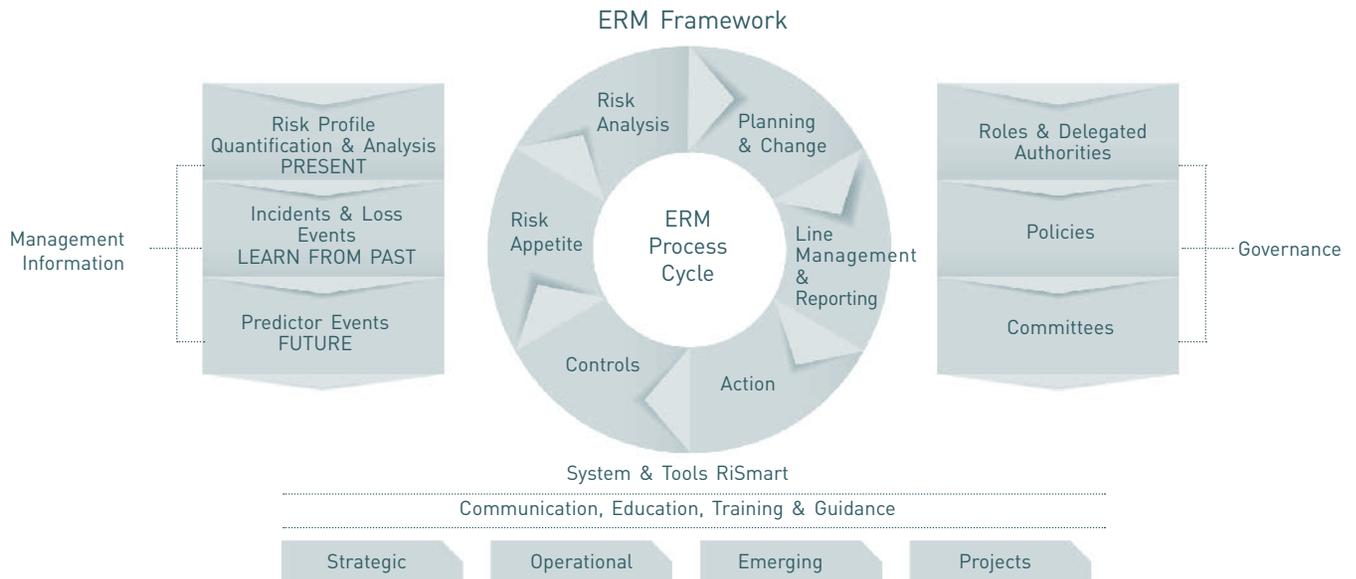
Subject to any resolution of the Board, the duties of the Committee are to:

- (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 and provide report on the same to the Board for overall consideration on the Group’s business and operations; and
- (iv) receive, review, scrutinise and provide commentaries on 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; and
 - Identification and management of enterprise risks which could impact the achievement of business objectives.

RISK MANAGEMENT FUNCTION

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

The ERM framework for risk management defines policy and objectives and sets the risk reporting structure. The framework structure includes risk profiling of current and historical risk information to anticipate probable future exposures. The framework ties into the Group’s governance policies and guidelines via deliberations at various risk committees. The framework incorporates “RiSmart” which is an automated ERM tool for reporting and management of risks as well as continuous education and training for the Group. The framework operates within the context of Strategic, Operational, Emerging and Project risks categories.



REPORT of the Risk Management Committee

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



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 appraise and consider key risks affecting the Group’s businesses and operations and the system of internal control necessary to manage and mitigate such risks. The BRMC reviewed significant risks comprising 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 2013 included strategic growth, market and price volatility, operational efficiencies, performances, compliance, competition and initiation of the Corporate Integrity Pledge of the Group.

REPORT of the Risk Management Committee

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

1. Fertilizers Division

Improvements in the areas of plant cost, working capital, business expansion through sales and marketing, supply chain, human capital needs and strategic planning of the business of the Division.

2. Chemicals Division

The market dynamics and volatility of the manufacturing sector, talent gap, and driving strategic growth with industry focus initiatives for expansion of the Chemicals business.

3. Pharmaceuticals Division

The challenge of changes to regulation, strategic and synergistic collaborations, structural improvements, competition faced, portfolio of products, optimisation of processes and strategic initiatives of the business to achieve the Division's goal to be a leader in the region within mid to long term range.

ERM System

In 2013, risks were fully identified and reported by Risk Committees via the online ERM system, "RiSmart". 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 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 the Risk Review function allows review of risks. Risk quantification and Key Risk Indicators ("KRIs") were established within the online registers where Management is continually moving towards an integrated KPI and ERM management of risks.

Business Continuity

The Group consolidated its various crisis management and business continuity programmes 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 operation was done in the period. The Group will proceed with regular and coordinated Group-wide testing of the Business Continuity Plan annually.

Code on Corporate Governance

The BRMC recognises the recommendations of the revised Malaysian Code of Corporate Governance 2012 ("MCCG") 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.

The "RiSmart" information system facilitates the Group's ERM framework, methodology and processes to meet with the requirements of the MCCG.

REPORT of the Nomination and Remuneration Committee

The Board is pleased to issue the following report on the Nomination and Remuneration Committee and its activities during the financial year ended 31 December 2013.

COMPOSITION OF NOMINATION AND REMUNERATION COMMITTEE

- (i) The Nomination and Remuneration Committee consists of three (3) members, all of whom are Non-Executive Directors with the majority being independent directors. The quorum for the Committee shall be two (2) members, of which one shall be an independent director;
- (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); and
- (iv) The appointment of a Committee member terminates when the member ceases to be a director, or as determined by the Board.

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;
- (iii) The Secretary of the Committee shall be the Group 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; and
- (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.

REPORT of the Nomination and Remuneration Committee

A total of fifteen (15) meetings were held during the year. The status of directorship and attendance record of each of the members during the financial year are as follows:

Name of Directors and Status	No. of Meetings Attended
Khalid bin Sufat Chairman, Senior Independent Non-Executive Director	15/15
Dr. Leong Chik Weng Member, Independent Non-Executive Director	15/15
Datin Paduka Kartini binti Hj. Abdul Manaf Member, Non-Independent Non-Executive Director	15/15

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 Chief Executive Officer 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;

REPORT of the Nomination and Remuneration Committee

- (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; and
- (xvi) To consider other matters as referred to the Committee by the Board.

ACTIVITIES DURING THE FINANCIAL YEAR

During the year, the Committee:

- (i) Reviewed the result of the Board Effectiveness Assessment of the Board of Directors and Committees of the Board and recommend improvement plans;
- (ii) Recommended for approval of the Board the appointment of new Director to the subsidiaries of the Group;
- (iii) Recommended for approval of the Board the contract of employment and the remuneration package of the Division Directors of CCM Group of Companies;
- (iv) Reviewed and recommended for approval of the Board the composition and the remuneration package for the Board of Directors of the CCM Group;
- (v) Reviewed and recommended for approval of the Board the appointment, renewal of contracts of service or promotions of Group Managing Director and his direct reports, where appropriate;
- (vi) Reviewed and recommended for approval of the Board the bonus and salary review of Group Managing Director and his direct reports;
- (vii) Reviewed and recommended for approval of the Board the annual global salary review and bonus package for employees of the Group;
- (viii) 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;
- (ix) Reviewed and recommended for approval of the Board the establishment of KPIs for the Group Managing Director;
- (x) Reviewed Management succession planning for the Group;
- (xi) Reviewed and recommended the necessary action in relation to audit findings;
- (xii) Reviewed and recommended for approval of the Board the establishment of flagship companies and boards as well as reporting structure;
- (xiii) Recommended for approval of the Board the implementation of Minimum Retirement Age and Special Ex-gratia payment to all employees of the Group;
- (xiv) Reviewed and recommended for Board approval the policy on directors remuneration package;
- (xv) Reviewed and recommended for Board approval the Policy on Director Fees for Executives of the Group;
- (xvi) Reviewed and recommended for Board approval on Directors casual vacancy and retirement by rotation; and
- (xvii) Considered other matters as referred by the Board.

REPORT of the Finance and Investment Committee

The Board is pleased to issue the following report on the Finance and Investment Committee and its activities during the financial year ended 31 December 2013.

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; and
- (iii) Advise Management on suitable plans in respect of future investments.

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; and
- (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 Group 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;

REPORT of the Finance and Investment 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; and
- (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 fourteen (14) meetings were held during the year. The status of directorship and attendance record of each of the members during the financial year are as follows:

Name of Directors and Status	No. of Meetings Attended
Datuk Karownikaran @ Karunakaran A/L Ramasamy Chairman, Independent Non-Executive Director	14/14
Dato' Seri Ir. Dr. Zaini bin Ujang Member, Non-Independent Non-Executive Director	13/14
Dato' Azmi bin Mohd Ali Member, Non-Independent Non-Executive Director	14/14

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;

REPORT of the Finance and Investment Committee

- (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 including joint ventures, irrespective of value; and
- (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.

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 implementation of the Group's strategies and internal corporate restructuring exercise;
- (iii) Expenditures and investment proposals in relation to new equipment, machine replacements and refurbishments, 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) Investments and collaboration opportunities;
- (vii) Establishment of the Group's KPIs on Working Capital Position for financial year 2013; and
- (viii) To consider any other matters as referred to by the Board.

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

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

STATEMENT on Risk Management and Internal Control

RESPONSIBILITY

The Board is responsible for the review of the adequacy and effectiveness of the Group's system of risk management and internal controls, which includes financial, operational and compliance controls. 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 is 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 practiced 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. The Group has in place an Enterprise Risk Management Framework (named RiSmart) which is based on ISO 31000, premised on international guideline for managing risk. Risk owners across the business divisions of the Group uses RiSmart to define, highlight, report on and manage the key business and operational risks anticipated by them.

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.

STATEMENT on Risk Management and Internal Control

KEY ELEMENTS OF THE GROUP'S SYSTEM OF INTERNAL CONTROLS

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

Board Committees

The delegation of responsibilities to the various committees of the Board of Directors is clearly defined. At present, the committees which are established are the Audit and Compliance Committee, Nomination and Remuneration Committee, Finance and Investment Committee and Risk Management Committee. The Board has approved for an expansion of the Terms of Reference of the Audit and Compliance Committee to include the oversight role for the newly established Group Integrity Unit. The Group Integrity Committee is chaired by a member of the Board.

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. Monthly financial and operational reports are circulated to the Board and quarterly financial reports are tabled and presented to the Board providing financial information including key performance and risk indicators. The information is reviewed by the Audit and Compliance Committee before it is presented to the Board for consideration and approval.

STATEMENT on Risk Management and Internal Control

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") IQMS is ISO 9001, 14001 and OHSAS 18001 certified namely by Bureau Veritas. These certifications demonstrate our ongoing commitment to drive for excellence and continuous quality improvement.

The Group has implemented Enterprise Resource Planning System (SAP) across its key business activities namely its Pharmaceutical Division, the regional entities (covering 3 countries) and the holding company, CCM Berhad. The Group will be implementing a phased approach for SAP system for Chemicals and Fertilizers Divisions in 2014, where the SAP framework and blueprint development has commenced since the last quarter of 2013. This is part of the Group 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 Director Finance 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 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 are kept updated with required training programmes ensuring their capabilities to carry out duties and responsibilities towards achieving the 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 include breach of integrity and other misconduct which do not comply with the terms and conditions of service whether expressed or implied.

STATEMENT on Risk Management and Internal Control

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's Assessment

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

The Board confirms that the risk management process in identifying, evaluating and managing significant risks faced by the Group has been in place throughout 2013 up to the date of approval of this statement.

For the financial year 2013, the Board is of the view that the system of internal controls was adequate and effective and, has not resulted in any material loss, contingency or uncertainty that would require disclosure in the Annual Report 2013.

OTHER Disclosures

MATERIAL CONTRACTS AND COMMITMENTS FOR CAPITAL EXPENDITURE

Save as disclosed below, there is no other material contract entered into by the CCM Group during the two (2) years immediately preceding the Circular to Shareholders dated 2 May 2014, other than contracts entered into in the ordinary course of business.

- (a) On 18 July 2012 the Company had cancelled the issuance of Musyarakah Commercial Papers (“MCP”) and Musyarakah Medium Term Notes (“MMTN”), pursuant to a MCP Programme of up to RM250 million in nominal value and a MMTN Programme of up to RM500 million in nominal value respectively established under the Shariah principle of Musyarakah with a combined master limit of RM500 million in nominal value. There was no outstanding MCP or MMTN as of that date.
- (b) On 21 January 2014, the Company had disposed 2 contiguous parcels of freehold land together with 3 units of double-storey detached houses erected on Geran 25607, Lot 17, Seksyen 71, Bandar dan Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur and Geran 14977, Lot 332, Seksyen 71, Bandar Kuala Lumpur, Daerah Wilayah Persekutuan (“Properties”) to Permodalan Nasional Berhad (“PNB”) for a total cash consideration of RM74,814,000. The disposal was completed and vacant possession of the Properties has been delivered to PNB on 13 February 2014.

As at 31 December 2013, the Group has material commitments for capital expenditure of RM38,281,000 (contracted but not provided for) and RM36,075,000 (authorised but not contracted for), amounting to a total of RM74,356,000.

MATERIAL LITIGATION, CLAIMS OR ARBITRATION

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.

RECURRENT RELATED PARTY TRANSACTION OF A REVENUE NATURE

At an Annual General Meeting (“AGM”) held on 26 June 2013, 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 26 June 2013 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 2013 is set out on pages 168 and 175 to 177 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 2 May 2014.

SHARE BUY-BACK

There were no repurchase of its issued and paid up shares since 2003. As at 31 December 2013, 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 2013, the Group has paid a sum of RM63,000 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.

REVALUATION POLICY OF LANDED PROPERTY

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

IMPOSITION OF SANCTION AND PENALTIES

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

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

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

RM120 MILLION NON-RATED SUKUK MUSYARAKAH

On 8 August 2011, the Company issued a 5 year non-rated RM120 million nominal amount of 5 year fixed rate Sukuk Musyarakah at 4.35 percent per annum. The proceeds of the RM120 million non-rated Sukuk Musyarakah was to refinance wholly CCM's existing bridging facility of RM120 million with MIDF Amanah Investment Bank Berhad.

On 6 November 2013, the Company made a partial redemption amounting to RM20 million on the RM120 million non-rated Sukuk Musyarakah.

The approved amount (RM'000)	The utilised amount (RM'000)	The paid amount (RM'000)	Balance as at 31/12/2013 (RM'000)
120,000	120,000	20,000	100,000

DIRECTORS' Report

for the year ended 31 December 2013

Amounts in RM'000 unless otherwise stated

The Directors of Chemical Company of Malaysia Berhad have pleasure in submitting their fifty second annual report together with the audited financial statements of the Group and of the Company for the year ended 31 December 2013. This report and the financial statements will be presented to the shareholders at the Annual General Meeting to be held on 27 May 2014.

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	647	38,510
Non-controlling interests	10,890	-
	11,537	38,510

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 single tier dividend of 5.75 sen per ordinary share totalling RM26,141,334 in respect of the financial year ended 31 December 2012 on 23 July 2013.
- ii) an interim single tier dividend of 2.15 sen per ordinary share totalling RM9,774,587 in respect of the financial year ended 31 December 2013 on 15 November 2013.

The Directors do not recommend any final dividend to be paid for the financial year ended 31 December 2013.

DIRECTORS OF THE COMPANY

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

Dato' Sri Azalina binti Othman, Chairman (appointed on 13 November 2013)
Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman (resigned on 13 November 2013)
Amirul Feisal bin Wan Zahir, Group Managing Director
Dato' Azmi bin Mohd Ali
Khalid bin Sufat
Dr. Leong Chik Weng
Dato' Seri Ir. Dr. Zaini bin Ujang
Datuk Karownakaran @ Karunakaran A/L Ramasamy
Datin Paduka Kartini binti Haji Abdul Manaf

DIRECTORS' INTERESTS

None of the Directors holding office at 31 December 2013 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

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

OPTIONS GRANTED OVER UNISSUED SHARES OR WARRANTS

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

TREASURY SHARES

There were no changes in treasury shares during the year.

DIRECTORS' Report

for the year ended 31 December 2013

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
- (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, except for those disclosed in the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2013 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.

SUBSEQUENT EVENTS

Subsequent events are disclosed in Note 31 to the financial statements.

AUDITORS

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

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

Dato’ Sri Azalina binti Othman

Amirul Feisal bin Wan Zahir

Kuala Lumpur,
Date: 20 March 2014

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 91 to 169 are drawn up in accordance with 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 of 31 December 2013 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 33 on page 170 to the financial statements has been compiled in accordance with 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.

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

Dato' Sri Azalina binti Othman

Amirul Feisal bin Wan Zahir

Kuala Lumpur,
Date: 20 March 2014

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 91 to 170 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 20 March 2014.

Nik Fazila binti Nik Mohamed Shihabuddin

Before me:

Commissioner for Oaths
Kuala Lumpur

INDEPENDENT Auditor's Report to the Members of Chemical Company of Malaysia Berhad

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 2013 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 91 to 169.

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 2013 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.

INDEPENDENT Auditor's Report to the Members of Chemical Company of Malaysia Berhad

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.
- 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 33 on page 170 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 MATTERS

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

KPMG
Firm Number: AF 0758
Chartered Accountants

Hasman Yusri Yusoff
Approval Number: 2583/08/14(J)
Chartered Accountant

Petaling Jaya,

Date: 20 March 2014

STATEMENTS of Financial Position

as at 31 December 2013

Amounts in RM'000 unless otherwise stated

	Note	Group			Company		
		31.12.2013	31.12.2012 Restated	1.1.2012 Restated	31.12.2013	31.12.2012	1.1.2012
Assets							
Property, plant and equipment	3	578,306	589,622	634,495	25,134	22,792	47,345
Investment properties	4	30,940	85,760	50,793	111,030	164,250	130,174
Intangible assets	5	288,090	302,341	303,713	63	63	63
Prepaid lease payments	6	5,744	6,131	6,553	–	–	–
Investment in subsidiaries	7	–	–	–	351,142	336,142	336,210
Investment in associate	8	13,563	12,875	10,538	–	–	–
Other investments	9	124	124	124	–	–	–
Deferred tax assets	10	9,945	12,243	10,001	–	–	–
Receivables	11	–	–	–	582,279	596,744	652,523
Total non-current assets		926,712	1,009,096	1,016,217	1,069,648	1,119,991	1,166,315
Inventories	12	290,107	352,818	375,954	–	–	–
Current tax assets		23,285	26,071	66,270	9,081	7,719	52,861
Trade and other receivables	11	283,648	370,239	354,515	100,706	84,244	31,167
Cash and cash equivalents	13	255,337	293,958	180,541	96,814	160,921	46,800
Assets classified as held for sale	14	74,814	–	1,740	74,814	–	–
Total current assets		927,191	1,043,086	979,020	281,415	252,884	130,828
Total assets		1,853,903	2,052,182	1,995,237	1,351,063	1,372,875	1,297,143

STATEMENTS of Financial Position

as at 31 December 2013

Amounts in RM'000 unless otherwise stated (continued)

	Note	Group			Company		
		31.12.2013	31.12.2012 Restated	1.1.2012 Restated	31.12.2013	31.12.2012	1.1.2012
Equity							
Share capital		457,630	457,630	404,756	457,630	457,630	404,756
Reserves		36,442	31,273	16,860	36,183	36,183	15,147
Retained earnings		310,510	345,779	319,916	290,945	288,351	270,236
Total equity attributable to owners of the Company	15	804,582	834,682	741,532	784,758	782,164	690,139
Non-controlling interests		122,671	133,272	128,030	–	–	–
Total equity		927,253	967,954	869,562	784,758	782,164	690,139
Liabilities							
Loans and borrowings	16	380,000	550,000	122,438	380,000	550,000	120,000
Deferred tax liabilities	10	19,897	25,683	20,705	11,999	8,492	2,776
Total non-current liabilities		399,897	575,683	143,143	391,999	558,492	122,776
Loans and borrowings	16	369,634	293,643	665,070	150,000	–	410,000
Provision	17	410	1,121	766	–	–	–
Trade and other payables	18	155,093	204,263	263,238	24,306	32,219	26,876
Current tax payables		1,616	9,518	53,458	–	–	47,352
Total current liabilities		526,753	508,545	982,532	174,306	32,219	484,228
Total liabilities		926,650	1,084,228	1,125,675	566,305	590,711	607,004
Total equity and liabilities		1,853,903	2,052,182	1,995,237	1,351,063	1,372,875	1,297,143

The notes on pages 101 to 169 are an integral part of these financial statements.

STATEMENTS of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2013

Amounts in RM'000 unless otherwise stated

	Note	Group		Company	
		2013	2012	2013	2012
Revenue	19	1,288,566	1,514,030	62,086	40,115
Cost of goods sold		(1,079,831)	(1,237,691)	(1,030)	(1,095)
Gross profit		208,735	276,339	61,056	39,020
Other income		24,188	11,950	21,578	7,232
Distribution expenses		(67,001)	(59,130)	–	–
Administrative expenses		(83,667)	(81,307)	(17,073)	(11,006)
Other expenses		(37,738)	(45,634)	(19,452)	(2,340)
Results from operating activities		44,517	102,218	46,109	32,906
Finance income		5,448	2,653	28,018	26,670
Finance costs		(31,772)	(35,326)	(22,347)	(24,160)
Net finance (costs)/income		(26,324)	(32,673)	5,671	2,510
Share of profit of equity accounted associate, net of tax		2,657	2,337	–	–
Profit before tax	20	20,850	71,882	51,780	35,416
Tax expense	22	(9,313)	(17,863)	(13,270)	(6,252)
Profit for the year		11,537	54,019	38,510	29,164
Other comprehensive income, net of tax					
Item that will not be reclassified subsequently to profit or loss					
Revaluation of property, plant and equipment upon transfer of properties to investment properties		–	2,002	–	2,002
		–	2,002	–	2,002

STATEMENTS of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2013

Amounts in RM'000 unless otherwise stated (continued)

	Note	Group		Company	
		2013	2012	2013	2012
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation difference for foreign operations		5,789	(6,127)	–	–
		5,789	(6,127)	–	–
Other comprehensive income for the year		5,789	(4,125)	–	2,002
Total comprehensive income for the year		17,326	49,894	38,510	31,166
Profit attributable to:					
Owners of the Company		647	36,912	38,510	29,164
Non-controlling interests		10,890	17,107	–	–
Profit for the year		11,537	54,019	38,510	29,164
Total comprehensive income attributable to:					
Owners of the Company		5,816	32,291	38,510	31,166
Non-controlling interests		11,510	17,603	–	–
Total comprehensive income for the year		17,326	49,894	38,510	31,166
Basic earnings per ordinary share (sen)	23	0.14	9.11		
Diluted earnings per ordinary share (sen)	23	0.14	9.11		

The notes on pages 101 to 169 are an integral part of these financial statements.

STATEMENTS of Changes in Equity

for the year ended 31 December 2013

Amounts in RM'000 unless otherwise stated

Group	Note	Share capital		Capital			Attributable to equity holders of the Company			Non controlling interests		Total equity	
		capital	premium	redemption reserve	Trans-lation reserve	Fair value reserve	Revalua-tion reserve	Other capital reserve	Treasury shares	Retained earnings	Total interests		
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

STATEMENTS of Changes in Equity

for the year ended 31 December 2013

Amounts in RM'000 unless otherwise stated (Continued)

Group	Note	Attributable to equity holders of the Company										Non controlling interests	Total equity
		Share capital	Share premium	Capital redemption reserve	Trans-lation reserve	Fair value reserve	Revalua-tion reserve	Other capital reserve	Treasury shares	Retained earnings	Total interests		
At 1 January 2013		457,630	39,944	73	(7,915)	23	2,002	2,982	(5,836)	345,779	834,682	133,272	967,954
Foreign exchange translation differences		-	-	-	5,169	-	-	-	-	-	5,169	620	5,789
Total other comprehensive income for the year		-	-	-	5,169	-	-	-	-	-	5,169	620	5,789
Profit for the year		-	-	-	-	-	-	-	-	647	647	10,890	11,537
Total comprehensive income for the year		-	-	-	5,169	-	-	-	-	647	5,816	11,510	17,326
Dividends to owners of the Company	24	-	-	-	-	-	-	-	-	(35,916)	(35,916)	-	(35,916)
Dividends to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(22,111)	(22,111)
At 31 December 2013		457,630	39,944	73	(2,746)	23	2,002	2,982	(5,836)	310,510	804,582	122,671	927,253

Note 15.1

Note 15.2 Note 15.3 Note 15.4 Note 15.5

Note 15.6

STATEMENTS of Changes in Equity
for the year ended 31 December 2013

Amounts in RM'000 unless otherwise stated (continued)

Company	Note	/----- Non-distributable -----/				Distributable		Total equity
		Share capital	Share premium	redemption reserve	Revaluation reserve	Treasury shares	Retained earnings	
At 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
At 1 January 2013		457,630	39,944	73	2,002	(5,836)	288,351	782,164
Total comprehensive income for the year		-	-	-	-	-	38,510	38,510
Dividends to owners of the Company	24	-	-	-	-	-	(35,916)	(35,916)
At 31 December 2013		457,630	39,944	73	2,002	(5,836)	290,945	784,758

Note 15.1

Note 15.2

Note 15.5

Note 15.6

The notes on pages 101 to 169 are an integral part of these financial statements.

STATEMENTS of Cash Flows

for the year ended 31 December 2013

Amounts in RM'000 unless otherwise stated

	Note	Group		Company	
		2013	2012 Restated	2013	2012
Cash flows from operating activities					
Profit before tax		20,850	71,882	51,780	35,416
<i>Adjustments for:</i>					
Amortisation of prepaid lease payments	6	387	422	–	–
Change in fair value of investment properties	4	(18,706)	(7,326)	(21,534)	(6,435)
Depreciation of property, plant and equipment	3	51,597	49,315	3,463	2,956
Dividend income from subsidiaries		–	–	(56,730)	(35,235)
Net gain on disposal of property, plant and equipment		(283)	(1,039)	–	(628)
Gain on disposal of assets held for sale		–	(602)	–	–
Finance costs		31,772	35,326	22,347	24,160
Finance income		(5,448)	(2,653)	(28,018)	(26,670)
Impairment loss on intangible asset		15,787	800	–	–
Impairment loss on investment in subsidiaries		–	–	–	68
Impairment loss on amount due from a subsidiary		–	–	15,787	–
Impairment loss on property, plant and equipment		–	176	–	–
Share of profit of equity accounted associate, net of tax		(2,657)	(2,337)	–	–
Property, plant and equipment written off		515	168	108	–
Unrealised foreign exchange loss		3,308	286	–	–
Unrealised foreign exchange gain		(1,702)	(202)	–	–
Operating profit/(loss) before changes in working capital (carried forward)		95,420	144,216	(12,797)	(6,368)

STATEMENTS of Cash Flows
for the year ended 31 December 2013

Amounts in RM'000 unless otherwise stated (continued)

	Note	Group		Company	
		2013	2012 Restated	2013	2012
Operating profit/(loss) before changes in working capital (brought forward)		95,420	144,216	(12,797)	(6,368)
Change in inventories		62,711	23,136	–	–
Change in trade and other payables		(49,881)	(58,619)	(7,913)	5,343
Change in trade and other receivables		86,591	(15,808)	(17,784)	2,702
Cash from/(used in) operations		194,841	92,925	(38,494)	1,677
Interest paid		(31,772)	(35,326)	(22,347)	(24,160)
Interest received		5,448	2,653	28,018	26,670
Income taxes paid		(20,703)	(26,066)	(928)	(2,029)
Income taxes refunded		2,786	7,198	1,253	5,012
Net cash from/(used in) operating activities		150,600	41,384	(32,498)	7,170
Cash flows from investing activities					
Acquisition of property, plant and equipment	3	(39,220)	(37,479)	(5,958)	(4,081)
Acquisition of intangible asset		(1,062)	–	–	–
Acquisition of investment properties		(1,243)	–	(15)	–
Dividends received from subsidiaries		–	–	45,280	29,506
Dividends received from associates		1,969	–	–	–
Increase in investment in subsidiaries		–	–	(15,000)	–
Proceeds from disposal of property, plant and equipment		283	1,714	–	667
Proceeds from disposal of asset held for sale		–	2,342	–	–
Net cash (used in)/ from investing activities		(39,273)	(33,423)	24,307	26,092

STATEMENTS of Cash Flows

for the year ended 31 December 2013

Amounts in RM'000 unless otherwise stated (continued)

	Note	Group		Company	
		2013	2012 Restated	2013	2012
Cash flows from financing activities					
Dividends paid to non-controlling interests		(22,111)	(12,361)	–	–
Dividends paid to owners of the Company	24	(35,916)	(11,049)	(35,916)	(11,049)
Proceeds from loans and borrowings		75,000	525,000	–	430,000
Proceeds from exercise of warrants		–	71,908	–	71,908
Repayment of loans and borrowings		(169,009)	(468,865)	(20,000)	(410,000)
Net cash from/(used in) financing activities		(152,036)	104,633	(55,916)	80,859
Exchange differences on translation of the financial statements of foreign operations					
		2,088	823	–	–
Net (decrease)/increase in cash and cash equivalents		(38,621)	113,417	(64,107)	114,121
Cash and cash equivalents at 1 January	(i)	293,958	180,541	160,921	46,800
Cash and cash equivalents at 31 December	(i)	255,337	293,958	96,814	160,921

Cash and cash equivalents

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

	Group		Company	
	2013	2012	2013	2012
Cash and bank balances	148,574	190,433	599	78,166
Deposits with licensed banks	106,763	103,525	96,215	82,755
	255,337	293,958	96,814	160,921

The notes on pages 101 to 169 are an integral part of these financial statements.

NOTES to the Financial Statements

Amounts in RM'000 unless otherwise stated

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

Principal place of business and registered office

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

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in an associate. The financial statements of the Company as at and for the financial year ended 31 December 2013 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.

These financial statements were authorised for issue by the Board of Directors on 20 March 2014.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 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*
- Amendments to MFRS 136, *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to MFRS 139, *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
- IC Interpretation 21, *Levies*

NOTES to the Financial Statements

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

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

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- MFRS 9, *Financial Instruments* (2009)
- MFRS 9, *Financial Instruments* (2010)
- MFRS 9, *Financial Instruments – Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures*

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

- from the annual period beginning 1 January 2014 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014 except for IC Interpretation 21 which is not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014.

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

(i) **MFRS 9, *Financial Instruments***

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

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

(ii) **MFRS 132, *Financial Instruments: Presentation***

The amendments to MFRS 132 clarify the criteria for offsetting financial assets and financial liabilities.

NOTES to the Financial Statements**1. BASIS OF PREPARATION (CONTINUED)****(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 Malaysian Financial Reporting Standards ("MFRSs") requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

- Note 2(g)(i) and note 4 – valuation of investment properties
- Note 2(l) and note 5 – 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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation**(i) Subsidiaries**

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

NOTES to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

The Group adopted MFRS 10, *Consolidated Financial Statements* in the current financial year. This resulted in changes to the following policies:

- Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the previous financial years, 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.
- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.
- The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return. In the previous financial years, the Group did not consider de facto power in its assessment of control.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 10. The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

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) 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.

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

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

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

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

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

(iii) Acquisitions of non-controlling interests

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(iv) Acquisitions from entities under common controls

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

(v) Loss of control

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

(vi) Associates

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

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, 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 associates, after adjustments, if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

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

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

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

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

NOTES to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(vii) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns. The Group adopted MFRS 11, *Joint Arrangements* in the current financial year. As a result, joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.
- A joint arrangement is classified as "joint venture" when the Group has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method.

In the previous financial years, joint arrangements were classified and accounted for as follows:

- For jointly controlled entity, the Group accounted for its interest using the equity method.
- For jointly controlled asset or jointly controlled operation, the Group accounted for each its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 11. The adoption of MFRS 11 has no significant impact to the financial statements of the Group.

(viii) 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.

(ix) Transactions eliminated on consolidation

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 gain or loss on disposal.

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

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.

NOTES to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments

(i) Initial recognition and measurement

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

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

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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

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

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

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

(b) Loans and receivables

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(c) Financial instruments (continued)****(ii) Financial instrument categories and subsequent measurement (continued)****(c) Available-for-sale financial assets**

Available-for-sale category comprises investment in equity and debt securities 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 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 equity instruments that do not have a quoted price in an active market for identical instruments whose fair values cannot be reliably measured are measured at cost.

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

(iii) Financial guarantee contracts

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

Fair value arising from financial 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.

NOTES to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(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.

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

NOTES to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each component 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 and short term leasehold building	10 years to 50 years
• Plant, machinery and equipment	4 years to 13 years
• Spare parts, stand-by equipment and servicing equipment	2 years to 5 years

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

(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. Upon 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, or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, 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.

NOTES to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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) Research and development

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

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

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

Capitalised development expenditure is measured at cost.

(iii) Brand name

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

(iv) Other intangible assets

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

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

(v) Subsequent expenditure

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

(vi) Amortisation

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investment 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.

(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.

(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.

In the current financial year, the Group adopted the amendments to MFRS 116, Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle) and classified spare parts as inventories unless the item of spare part is held for own use and expected to be used during more than one period in which it is classified as property, plant and equipment. In the previous financial years, all spare parts were classified as inventories. The change in accounting policy has been applied retrospectively. The effects from the adoption of the amendments to MFRS 116 are disclosed in note 32.

NOTES to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 of disposal.

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

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

(j) 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.

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

(k) Cash and cash equivalents

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

(l) Impairment

(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 impairment loss of the financial asset is estimated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Impairment (continued)

(i) Financial assets (continued)

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.

(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 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 of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

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

NOTES to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment (continued)

(ii) Other assets (continued)

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

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

(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. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(ii) Onerous contracts

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

(p) Revenue and other income

(i) Goods sold

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

(ii) Services

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

(iii) Construction contracts

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

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.

NOTES to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Revenue recognition (continued)

(iv) Rental income

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

(v) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established.

(vi) Interest income

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

(q) Borrowing costs

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

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

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

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

(r) Income tax

Income tax expense comprises current and deferred tax. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Income tax (continued)

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.

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

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

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

(s) Earnings per ordinary share

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

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

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

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. 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.

NOTES to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Contingencies

(i) Contingent liabilities

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

(ii) Contingent assets

Where it is not probable that there is an inflow of economic benefits, or the amount cannot be estimated reliably, the asset is not recognised in the statements of financial position and is disclosed as a contingent asset, unless the probability of inflow 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 assets unless the probability of inflow of economic benefits is remote.

(v) Fair value measurement

From 1 January 2013, the Group adopted MFRS 13, *Fair Value Measurement* which prescribed that fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

In accordance with the transitional provision of MFRS 13, the Group applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures. The adoption of MFRS 13 has not significantly affected the measurements of the Group's assets or liabilities other than the additional disclosures.

NOTES to the Financial Statements

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 2012	123,003	47,814	73,718	148,270	21,339	607,756	21,746	1,043,646
Effect of the adoption of Amendments to MFRS 116	-	-	-	-	-	15,363	-	15,363
At 1 January 2012 (restated)	123,003	47,814	73,718	148,270	21,339	623,119	21,746	1,059,009
Additions	-	-	186	788	12	31,846	4,647	37,479
Transfers	(2,190)	3,895	-	(1,705)	-	23,748	(23,748)	-
Transfer to investment property								
- Revaluation of property	-	1,900	102	-	-	-	-	2,002
- Carrying amount (Note 4)	-	(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 2012/1 January 2013 (restated)	120,813	26,609	73,365	147,189	17,272	667,456	2,645	1,055,349
Additions	-	-	414	29	422	37,228	1,127	39,220
Transfers	-	-	-	-	-	1,903	(1,903)	-
Transfer to investment property								
- Carrying amount (Note 4)	-	-	-	-	-	-	(45)	(45)
Disposals	-	-	-	-	-	(3,121)	(29)	(3,150)
Write-off	-	-	-	-	-	(2,684)	-	(2,684)
Effect of movements in exchange rates	-	-	-	-	1,147	1,374	-	2,521
At 31 December 2013	120,813	26,609	73,779	147,218	18,841	702,156	1,795	1,091,211

NOTES to the Financial Statements

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 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 / 1 January 2013	8,369	-	6,631	13,099	5,102	432,526	-	465,727
Depreciation for the year	1,862	-	1,108	5,133	1,638	41,856	-	51,597
Disposals	-	-	-	-	-	(3,150)	-	(3,150)
Write-off	-	-	-	-	-	(2,169)	-	(2,169)
Effect of movement in exchange rates	-	-	-	-	345	555	-	900
At 31 December 2013	10,231	-	7,739	18,232	7,085	469,618	-	512,905
Carrying amounts								
At 1 January 2012 (restated)	116,375	47,814	68,186	140,236	16,866	223,272	21,746	634,495
At 31 December 2012 / 1 January 2013 (restated)	112,444	26,609	66,734	134,090	12,170	234,930	2,645	589,622
At 31 December 2013	110,582	26,609	66,040	128,986	11,756	232,538	1,795	578,306

NOTES to the Financial Statements

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Freehold land	Freehold buildings	Under construction	Plant, machinery and equipment	Total
Cost					
At 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
- Carrying amount (Note 4)	(27,000)	(641)	-	-	(27,641)
At 31 December 2012/1 January 2013	-	-	45	31,583	31,628
Additions	-	-	314	5,644	5,958
Write-off	-	-	-	(932)	(932)
Transfer to investment property:					
- Carrying amount (Note 4)	-	-	(45)	-	(45)
At 31 December 2013	-	-	314	36,295	36,609
Depreciation					
At 1 January 2012	-	-	-	7,528	7,528
Depreciation for the year	-	-	-	2,956	2,956
Disposals	-	-	-	(1,648)	(1,648)
At 31 December 2012/1 January 2013	-	-	-	8,836	8,836
Depreciation for the year	-	-	-	3,463	3,463
Write-off	-	-	-	(824)	(824)
At 31 December 2013	-	-	-	11,475	11,475
Carrying amounts					
At 1 January 2012	25,100	539	19,293	2,413	47,345
At 31 December 2012/1 January 2013	-	-	45	22,747	22,792
At 31 December 2013	-	-	314	24,820	25,134

NOTES to the Financial Statements

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 RMnil (2012: RM176,000) on a discontinued project.

3.2 Leasehold land

At 31 December 2013, the net carrying amount of the Group's leasehold land was RM110,582,000 (31 December 2012: RM112,444,000). Leasehold land of the Group has an unexpired lease period of 26 to 86 years.

3.3 Property, plant and equipment under construction

In previous financial year, the Group and the Company incurred installation and implementation of a new software. The costs incurred by the Group and the Company totalled RM23,748,000 and RM23,329,000 respectively, for the year ended 31 December 2012. The software installation and implementation was completed in the previous financial year end and was subsequently transferred to plant, machinery and equipment.

In previous financial year, the Group also incurred installation costs of new plant and machinery for manufacturing of a wide range of pharmaceutical products. The costs incurred by the Group totalled RM2,600,000 for the year ended 31 December 2012.

4. INVESTMENT PROPERTIES

	Note	Group		Company	
		2013	2012	2013	2012
At 1 January		85,760	50,793	164,250	130,174
Additions		1,243	-	15	-
Change in fair value recognised in profit or loss		18,706	7,326	21,534	6,435
Transfer to asset held for sale	14	(74,814)	-	(74,814)	-
Transfer from property, plant and equipment	3	45	27,641	45	27,641
At 31 December		30,940	85,760	111,030	164,250
Included in the above are:					
Freehold land		11,640	66,320	3,840	60,180
Leasehold land with unexpired lease period of less than 50 years		4,000	4,000	-	-
Leasehold land with unexpired lease period of more than 50 years		15,300	13,540	95,000	86,000
Buildings		-	1,900	12,190	18,070
At 31 December		30,940	85,760	111,030	164,250

All the investment properties are determined based on market values.

NOTES to the Financial Statements

4. INVESTMENT PROPERTIES (CONTINUED)

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

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

	Group		Company	
	2013	2012	2013	2012
Rental income	–	599	5,356	4,881
Direct operating expenses:				
– income generating investment properties	–	102	825	775
– non-income generating investment properties	209	1	–	–

4.1 Fair value information

Fair value of investment properties are categorised as follows:

2013	Level 1	Level 2	Level 3	Total
Group				
Freehold land	–	–	11,640	11,640
Leasehold land with unexpired lease period of less than 50 years	–	–	4,000	4,000
Leasehold land with unexpired lease period of more than 50 years	–	–	15,300	15,300
	–	–	30,940	30,940
Company				
Freehold land	–	–	3,840	3,840
Buildings	–	–	12,190	12,190
Leasehold land with unexpired lease period of more than 50 years	–	–	95,000	95,000
	–	–	111,030	111,030

NOTES to the Financial Statements

4. INVESTMENT PROPERTIES (CONTINUED)

4.1 Fair value information (continued)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical investment properties that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the investment property, either directly or indirectly.

Level 2 fair values of investment properties have been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

Transfer between Level 1 and 2 fair values

There is no transfer between Level 1 and 2 fair values during the financial year.

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment property.

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

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

NOTES to the Financial Statements

4. INVESTMENT PROPERTIES (CONTINUED)

4.1 Fair value information (continued)

Valuation processes applied by the Group for Level 3 fair value

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

Highest and best use

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

5. INTANGIBLE ASSETS

Group	Goodwill	Marketing rights	Trade marks	Brands	Development Cost	Total
Cost						
At 1 January 2012	306,745	15,885	63	4,000	–	326,693
Effect of movement in exchange rates	–	(572)	–	–	–	(572)
At 31 December 2012/ 1 January 2013	306,745	15,313	63	4,000	–	326,121
Addition	–	–	–	–	1,062	1,062
Effect of movement in exchange rates	–	474	–	–	–	474
At 31 December 2013	306,745	15,787	63	4,000	1,062	327,657
Accumulated impairment loss						
At 1 January 2012	22,980	–	–	–	–	22,980
Impairment loss	–	–	–	800	–	800
At 31 December 2012/ 1 January 2013	22,980	–	–	800	–	23,780
Impairment loss	–	15,787	–	–	–	15,787
At 31 December 2013	22,980	15,787	–	800	–	39,567
Carrying Amounts						
At 1 January 2012	283,765	15,885	63	4,000	–	303,713
At 31 December 2012/ 1 January 2013	283,765	15,313	63	3,200	–	302,341
At 31 December 2013	283,765	–	63	3,200	1,062	288,090

NOTES to the Financial Statements

5. INTANGIBLE ASSETS (CONTINUED)

Company	Trademark
Cost/Carrying amount	
At 1 January 2012/31 December 2012/1 January 2013/31 December 2013	63

5.1 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.

The Group has assessed the carrying amount of the marketing rights during the year and full impairment loss of RM15,787,000 was recognised as the Group anticipated that the marketing rights will not be recovered through future commercial activity.

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 RMnil (2012: RM800,000) was recognised. It is reasonably anticipated that the brands will be recovered through future commercial activity.

Development Cost

The carrying amount of development costs represents costs incurred to jointly conduct clinical trials with its technology partner, for the purpose of commercialisation of biosimilar products. The Group will hold the exclusive commercialisation rights for product marketing and distribution in Malaysia, Singapore and Brunei, as well as the exclusive and perpetual royalty-free license to use the technical information. The products have yet to be fully commercialised at year-end. The Group is of the opinion that the marketing rights have indefinite useful lives. The management made an assumption that the development costs will be recovered through future commercial activity when the products are fully commercialised in the future.

5.2 Amortisation and impairment charge

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

NOTES to the Financial Statements

5. INTANGIBLE ASSETS (CONTINUED)

5.3 Impairment testing for cash-generating units containing goodwill

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

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

	Group	
	2013	2012
A subsidiary in pharmaceuticals division	189,658	189,658
Subsidiaries in chemicals division	94,107	94,107
	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 (2012: 2 years) period were extrapolated using a growth rate of 3 percent to 8 percent (2012: 3 to 5 percent) for subsidiaries of pharmaceuticals division and 5 percent to 6 percent growth rate (2012: 5 to 6 percent) for subsidiaries of chemicals division. Management believes that these 5 years (2012: 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 7.80 percent (2012: 8.00 percent) for subsidiaries of pharmaceuticals division and 11.60 percent (2012: 8.70 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.

NOTES to the Financial Statements**6. PREPAID LEASE PAYMENTS**

Group	Unexpired leasehold land with period less than 50 years
Cost	
At 1 January 2012/31 December 2012/1 January 2013/31 December 2013	8,849
Amortisation	
At 1 January 2012	2,296
Amortisation for the year	422
At 31 December 2012/1 January 2013	2,718
Amortisation for the year	387
At 31 December 2013	3,105
Carrying amounts	
At 1 January 2012	6,553
At 31 December 2012/1 January 2013	6,131
At 31 December 2013	5,744

7. INVESTMENT IN SUBSIDIARIES

	Company	
	2013	2012
At cost:		
Unquoted shares	357,077	342,077
Less: Accumulated impairment loss	(5,935)	(5,935)
	351,142	336,142

NOTES to the Financial Statements

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest	
			2013 %	2012 %
CCM Fertilizers Sdn. Bhd. and its subsidiaries:	Malaysia	Manufacture and marketing of a wide range of fertilizers	50.1	50.1
Max Agriculture Sdn. Bhd.	Malaysia	Dormant	50.1	50.1
CCMF Agronomic and Technical Services Sdn. Bhd.*^	Malaysia	Dormant	50.1	50.1
CCM Chemicals Sdn. Bhd. and its subsidiaries:	Malaysia	Manufacture and marketing of chlor-alkali and coagulant products and marketing of industrial and specialty chemicals	80.0	80.0
CCM Watercare Sdn. Bhd.	Malaysia	Dormant	80.0	80.0
CCM Singapore Pte. Ltd.*	Singapore	Marketing of chlor-alkali and coagulant products	80.0	80.0
CCM Chemtrans Sdn. Bhd.^	Malaysia	Dormant	80.0	80.0
CCM Chemtrade Sdn. Bhd.^	Malaysia	Dormant	80.0	80.0
P.T. CCM Indonesia*	Indonesia	Marketing of chlor-alkali and coagulant products and industrial chemicals	80.0	80.0
CCM Pharma Sdn. Bhd.	Malaysia	Property management and services	100.0	100.0
Innovax Sdn. Bhd.	Malaysia	Research and development of pharmaceutical products	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
Innovative Polymer Systems Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
Delta Polymer Systems Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
Innovative Resins Sdn. Bhd.	Malaysia	Property management	100.0	100.0
CCM Agriculture (Sabah) Sdn. Bhd.	Malaysia	Manufacturing and marketing of wide range of fertilizers	100.0	100.0
CCM Agriculture Sdn. Bhd.	Malaysia	Manufacturing and marketing of wide range of fertilizers	100.0	100.0

NOTES to the Financial Statements**7. INVESTMENT IN SUBSIDIARIES (CONTINUED)**

Details of the subsidiaries are as follows: (continued)

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest	
			2013 %	2012 %
CCM International Sdn. Bhd. and its subsidiaries:	Malaysia	Investment holding	100.0	100.0
CCM Pharmaceuticals (S) Pte. Ltd.*	Singapore	Distribution, wholesaler of medicinal and pharmaceutical products	100.0	100.0
P.T. CCM Agripharma*	Indonesia	Manufacturing and trading of fertilizers	100.0	100.0
CCM Siam Ltd.*	Thailand	Dormant	100.0	100.0
CCM Marketing Sdn. Bhd. and its subsidiaries:	Malaysia	Investment holding	100.0	100.0
Euphorex Corporation Sdn. Bhd.^	Malaysia	Dormant	100.0	100.0
Liberal Wira Sdn. Bhd.^	Malaysia	Dormant	100.0	100.0
Usaha Progresif Sdn. Bhd.^	Malaysia	Dormant	100.0	100.0
CCM Duopharma Biotech Berhad and its subsidiary:	Malaysia	Investment holding	73.4	73.4
Duopharma (M) Sdn. Bhd.	Malaysia	Manufacturing, distributing, importing and exporting of pharmaceutical products and medicines	73.4	73.4
Upha Pharmaceutical Manufacturing (M) Sdn. Bhd.%	Malaysia	Manufacturing of pharmaceutical products and sales of medicines	100.0	100.0

NOTES to the Financial Statements

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest	
			2013 %	2012 %
CCM Pharmaceuticals Sdn. Bhd. and its subsidiaries:	Malaysia	Marketing and sales of medicine and pharmaceutical products	100.0	100.0
CCM Biopharma Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
Sentosa Pharmacy Sdn. Bhd.	Malaysia	Distributor of products pharmaceutical	100.0	100.0
Unique Pharmacy (Ipoh) Sdn. Bhd.	Malaysia	Distributor of pharmaceutical products	100.0	100.0
Unique Pharmacy (Penang) Sdn. Bhd.	Malaysia	Distributor of pharmaceutical products	100.0	100.0
Negeri Pharmacy Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
CCM Agri-Max Sdn. Bhd.	Malaysia	Marketing of wide range of fertilizers	100.0	100.0
CCM Usaha Kimia (M) Sdn. Bhd. and its subsidiaries:	Malaysia	Marketing of chlor-alkali and chemical products	100.0	100.0
CCM Water Systems Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
CCM Investments Limited** and its subsidiary:	British Virgin Islands	Investment holding	100.0	100.0
CCM International (Philippines), Inc.*	Republic of Philippines	Distribution, importing and exporting of pharmaceuticals and chemicals product	99.9	99.9
Yayasan CCM (Limited by Guarantee)	Malaysia	To receive and administer funds for education and charitable purposes	100.0	100.0

* Audited by external auditors other than KPMG

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

^ In liquidation and consolidated based on unaudited financial statements

% During the year, the Company subscribed an additional 15,000,000 new ordinary shares of RM1 each at par for a total cash consideration of RM15,000,000 in Upha Pharmaceutical Manufacturing (M) Sdn. Bhd.

NOTES to the Financial Statements

8. INVESTMENT IN ASSOCIATE

	Group	
	2013	2012
At cost:		
Unquoted shares	1,408	1,408
Share of post acquisition reserves	14,124	13,897
Dividend received from associate	(1,969)	(2,430)
	13,563	12,875

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

Name of entity	Country of incorporation	Nature of the relationship	Ownership interest and voting interest	
			2013 %	2012 %
Orica-CCM Energy Systems Sdn. Bhd.	Malaysia	Associate	45	45

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

	Group	
	2013	2012
Summarised financial information		
Non current assets	5,940	5,518
Current assets	32,549	30,243
Non current liabilities	(768)	(773)
Current liabilities	(7,752)	(6,426)
Net assets	29,969	28,562
Total comprehensive income	5,904	5,193
Included in the total comprehensive income is:		
Revenue	46,792	40,773

NOTES to the Financial Statements

8. INVESTMENT IN ASSOCIATE (CONTINUED)

	Group	
	2013	2012
Reconciliation of net assets to carrying amount		
Group's share of net assets	13,492	12,804
Consolidated adjustments	71	71
Carrying amount in the statement of financial position	13,563	12,875
Group's share of results		
Group's share of total comprehensive income	2,657	2,337
Other information		
Dividends received	(1,969)	(2,430)

9. OTHER INVESTMENTS

Group	Share Quoted in Malaysia
2013	
Non-current	
Available-for-sale	124
Representing items: At fair value	124
Market value of quoted investments	124
2012	
Non-current	
Available-for-sale	124
Representing items: At fair value	124
Market value of quoted investments	124

NOTES to the Financial Statements

10. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax (assets) and liabilities

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

	Assets		Liabilities		Net	
	2013	2012	2013	2012	2013	2012
Group						
Property, plant and equipment	–	–	16,328	24,584	16,328	24,584
Provisions	(6,986)	(2,925)	–	–	(6,986)	(2,925)
Other temporary differences	(1,058)	(4,259)	3,082	1,794	2,024	(2,465)
Tax losses/ tax incentives carry-forwards	(4,373)	(4,343)	–	–	(4,373)	(4,343)
Other items	(156)	(1,411)	3,115	–	2,959	(1,411)
Tax (assets)/liabilities	(12,573)	(12,938)	22,525	26,378	9,952	13,440
Set off of tax	2,628	695	(2,628)	(695)	–	–
Net tax (assets)/liabilities	(9,945)	(12,243)	19,897	25,683	9,952	13,440
Company						
Property, plant and equipment	–	–	8,691	7,880	8,691	7,880
Other temporary differences	–	–	3,308	612	3,308	612
Tax (assets)/liabilities	–	–	11,999	8,492	11,999	8,492
Set off of tax	–	–	–	–	–	–
Net tax (assets)/liabilities	–	–	11,999	8,492	11,999	8,492

Unrecognised deferred tax assets

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

	Group	
	2013	2012
Tax losses carry-forwards	(20,027)	(16,908)
Other temporary differences	1,208	882
	(18,819)	(16,026)

The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

NOTES to the Financial Statements

10. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Movement in temporary differences during the year

	At 1.1.2012	Recognised in profit or loss (Note 22)	At 31.12.2012/ 1.1.2013	Recognised in profit or loss (Note 22)	At 31.12.2013
Group					
Property, plant and equipment	27,934	(3,350)	24,584	(8,256)	16,328
Provisions	(5,775)	2,850	(2,925)	(4,061)	(6,986)
Other temporary differences	(4,966)	2,501	(2,465)	4,489	2,024
Tax losses/tax incentives carry-forwards	(6,489)	2,146	(4,343)	(30)	(4,373)
Other items	-	(1,411)	(1,411)	4,370	2,959
	10,704	2,736	13,440	(3,488)	9,952
Company					
Property, plant and equipment	3,091	4,789	7,880	811	8,691
Other temporary differences	(315)	927	612	2,696	3,308
	2,776	5,716	8,492	3,507	11,999

11. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2013	2012	2013	2012
Current					
Trade					
Trade receivables		259,653	343,665	-	-
Amount due from contract customers	11.1	-	66	-	-
		259,653	343,731	-	-
Non-trade					
Amount due from subsidiaries	11.2	-	-	99,741	83,202
Amount due from associate	11.2	62	37	34	26
Deposits		6,802	4,532	315	327
Other receivables		3,717	7,139	97	30
Prepayments		13,414	14,800	519	659
		23,995	26,508	100,706	84,244
Total current		283,648	370,239	100,706	84,244
Non-current					
Non-trade					
Amount due from subsidiaries	11.3	-	-	582,279	596,744
Total non-current		-	-	582,279	596,744

NOTES to the Financial Statements**11. TRADE AND OTHER RECEIVABLES (CONTINUED)****11.1 Construction work in progress**

	Group	
	2013	2012
Aggregate costs incurred to date	–	4,974
Add: Attributable profits	–	1,650
Less: Progress billings	–	6,624 (6,558)
Amount due from contract customers	–	66

11.2 The non-trade receivables due from subsidiaries and associate are unsecured, subject to interest ranging from 3.83% to 3.85% per annum (2012: 3.95% to 4.03% per annum) and repayable on demand.

11.3 The advances to subsidiary companies are unsecured, subject to interest ranging from 3.83% to 3.85% per annum (2012: 3.95% to 4.03% per annum) and are not repayable over the next 12 months.

12. INVENTORIES

	Group		
	31.12.2013	31.12.2012 Restated	1.1.2012 Restated
Raw materials	115,432	129,557	138,512
Work-in-progress	5,851	3,312	7,291
Finished goods	164,665	216,044	227,134
Spares and consumables	4,159	3,905	3,017
	290,107	352,818	375,954
Recognised in profit or loss:			
Inventories recognised as cost of sales	1,029,923	1,200,596	1,269,405
Write-down to net realisable value	4,523	3,014	1,044
Write-off of inventories	4,975	5,515	5,933

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

NOTES to the Financial Statements

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012	2013	2012
Cash and bank balances	148,574	190,433	599	78,166
Deposits placed with licensed banks	106,763	103,525	96,215	82,755
	255,337	293,958	96,814	160,921

Included in deposits placed with licensed banks of the Group, RMnil (2012: RM31,000) has been pledged as security for a bank facility granted to a subsidiary.

14. ASSETS CLASSIFIED AS HELD FOR SALE

	Group and Company	
	2013	2012
Reclassified from investment properties (Note 4)	74,814	-

On 30 September 2013, the Company entered into a conditional sale and purchase agreement with its major shareholder, Permodalan Nasional Berhad ("PNB") to dispose 2 contiguous parcels of freehold land together with 3 units of double – storey detached houses located at District of Kuala Lumpur for a cash consideration of RM74,814,000. The transaction was pending completion as at financial year end.

15. CAPITAL AND RESERVES

15.1 Share capital

	Group and Company			
	2013		2012	
	Amount '000	Number of shares	Amount '000	Number of shares
Authorised:				
Ordinary shares of RM1 each	800,000	800,000	800,000	800,000
Issued and fully paid:				
Ordinary shares of RM1 each				
At 1 January	457,630	457,630	404,756	404,756
Conversion of warrants	-	-	52,874	52,874
At 31 December	457,630	457,630	457,630	457,630

NOTES to the Financial Statements

15. CAPITAL AND RESERVES (CONTINUED)

15.2 Capital redemption reserve

The capital redemption reserve represent portion of its own shares purchased which was subsequently cancelled and an amount equivalent to their nominal value was transferred to the capital redemption reserves in accordance with 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.

15.4 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 2013, the Group held 2,998,000 (2012: 2,998,000) of the Company's shares. There were no repurchased of issue share capital in the current financial year.

15.7 Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

NOTES to the Financial Statements

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	
		2013	2012	2013	2012
Non-current- unsecured					
Sukuk Musyarakah	16.1	100,000	120,000	100,000	120,000
Term loan	16.2	280,000	430,000	280,000	430,000
		380,000	550,000	380,000	550,000
Current- unsecured					
Bankers' acceptances		73,725	88,560	-	-
Term loan	16.2	150,000	-	150,000	-
Revolving credit and trade facilities	16.3	96,675	124,130	-	-
Term loan and trade facilities	16.4	49,234	80,953	-	-
		369,634	293,643	150,000	-

16.1 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 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.

NOTES to the Financial Statements

16. LOANS AND BORROWINGS (CONTINUED)

16.1 Unsecured Sukuk Musyarakah (continued)

Negative Covenants (continued)

- (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.

The Company partially redeemed RM20.0million of the USM on 6 November 2013.

16.2 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 :

- (i) 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.
- (ii) 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.
- (iii) the consolidated Total Indebtedness to Consolidated Net worth Ratio shall not be exceeding 1.5 times (2012: 1.5 times). (Net worth consists of share capital, non controlling interest and retained earnings/losses).
- (iv) the consolidated Net Worth shall not be less than RM750 million (2012: RM750 million).
- (v) interest coverage ratio of not less than 2 times.

16. LOANS AND BORROWINGS (CONTINUED)**16.3 Unsecured revolving credit and trade facilities**

As at 31 December 2013, 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.

16.4 Unsecured term loan and trade facilities

- (i) As at 31 December 2013, a subsidiary has received an unsecured term loan of up to USD3.3 million and trade facilities of up to USD20 million from The Bank Internasional Indonesia ("BII"). During the year, the subsidiary has utilised both facilities amounting to USD3.8 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 2013, a subsidiary has received Multi Option Trade Line of USD8 million from P.T. Bank Maybank Syariah Indonesia. During the year, the subsidiary has utilised the facility amounting to USD5.1 million.
- (iii) As at 31 December 2013, a subsidiary has received a revolving credit facility and trade facilities of USD10 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.

NOTES to the Financial Statements**17. PROVISION**

	Group	
	2013	2012
Warranties		
At 1 January	1,121	766
Provision made during the year	–	780
Provision utilised during the year	(711)	(425)
At 31 December	410	1,121

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 (2012: 2 years).

18. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2013	2012	2013	2012
Trade					
Trade payables		92,054	144,720	–	–
Non-trade					
Accrued expenses		36,802	28,610	–	–
Amount due to subsidiaries	18.1	–	–	7,020	20,865
Other payables		26,237	30,933	17,286	11,354
		63,039	59,543	24,306	32,219
		155,093	204,263	24,306	32,219

18.1 The non-trade payables due to subsidiaries are unsecured, interest bearing ranging from 3.83% to 3.85% per annum (2012: 3.95% to 4.03% per annum) and repayable on demand.

NOTES to the Financial Statements

19. REVENUE

	Group		Company	
	2013	2012	2013	2012
Sales	1,288,200	1,511,335	–	–
Construction contracts	–	1,183	–	–
Services	366	913	–	–
Rental income from – investment properties	–	599	5,356	4,880
Dividends	–	–	56,730	35,235
	1,288,566	1,514,030	62,086	40,115

20. PROFIT BEFORE TAX

	Group		Company	
	2013	2012	2013	2012
Profit before tax is arrived at after charging:				
Impairment loss:				
– Property, plant and equipment	–	176	–	–
– Trade receivables	1,650	603	–	–
– Other receivables	–	28	–	–
– Intangible asset	15,787	800	–	–
– Investment in subsidiary	–	–	–	68
– Amount due from subsidiary	–	–	15,787	–
Amortisation of prepaid lease payments	387	422	–	–
Auditors' remuneration				
– Statutory Audit				
Auditor of the Company				
– current year	530	525	80	75
– prior year	–	124	–	105
Other auditors	156	197	–	–
– Other services				
Auditor of the Company	63	325	45	167
Other auditors	–	22	–	–
Bad debts written off	95	160	–	–
Depreciation of property, plant and equipment	51,597	49,315	3,463	2,956
Interest expense:				
– Subsidiaries	–	–	1,249	1,371
– Bank overdraft	1,910	349	448	318
– Revolving credits	4,320	6,127	–	1,335
– Bankers' acceptances	2,802	3,122	–	–
– Term loans	1,168	4,064	–	–
– Unsecured term loan	15,418	15,536	15,418	15,536
– Other borrowings	6,154	6,128	5,232	5,600

NOTES to the Financial Statements

20. PROFIT BEFORE TAX (CONTINUED)

	Group		Company	
	2013	2012	2013	2012
Profit before tax is arrived at after charging (continued):				
Rental expense on property	383	340	–	–
Property, plant and equipment written off	515	168	108	–
Rental expenses on property leases	9,070	7,169	1,036	1,036
Rental expenses on equipment	–	38	–	–
Research and development costs expensed as incurred	7,824	7,238	–	–
Personnel expenses (including key management personnel)				
– Contribution to Employees Provident Fund	12,513	12,249	2,070	2,060
– Wages, salaries and others	109,459	96,960	13,964	12,938
Write-down of inventories	4,523	3,014	–	–
Write-off of inventories	4,975	5,515	–	–
Realised foreign exchange loss	3,581	1,584	–	–
Unrealised foreign exchange loss	3,308	286	–	–
and after crediting:				
Reversal of impairment loss on trade receivables	1,017	3,102	–	–
Change in fair value of investment properties	18,706	7,326	21,534	6,435
Net gain on disposal of property, plant and equipment	283	1,039	–	628
Gain on disposal of asset held for sale	–	602	–	–
Rental income from investment properties	–	599	5,356	4,881
Interest income:				
– Subsidiaries	–	–	24,157	25,251
– Fixed deposits	4,858	2,243	3,861	1,419
– Others	590	410	–	–
Realised foreign exchange gain	1,278	1,450	–	–
Unrealised foreign exchange gain	1,702	202	–	–
Waiver of amount due to a creditor	–	908	–	–

NOTES to the Financial Statements

21. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2013	2012	2013	2012
Directors				
– Fees	654	655	654	655
– Remuneration	1,351	1,360	1,351	1,360
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	254	198	254	198
	2,259	2,213	2,259	2,213
Other key management personnel:				
– Remuneration	5,655	5,611	1,925	1,962
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	413	539	116	158
	6,068	6,150	2,041	2,120

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. TAX EXPENSE

Recognised in profit or loss

	Note	Group		Company	
		2013	2012	2013	2012
Income tax expense		9,313	17,863	13,270	6,252
Share of tax of equity accounted associate		1,044	847	–	–
Total income tax expense		10,357	18,710	13,270	6,252

NOTES to the Financial Statements

22. TAX EXPENSE (CONTINUED)

Recognised in profit or loss (continued)

	Note	Group		Company	
		2013	2012	2013	2012
Major components of income tax expense include:					
Current tax expense					
Malaysian – current year		15,838	17,764	10,214	1,024
– prior year		(2,411)	(2,371)	(451)	(488)
Overseas – current year		(866)	(214)	–	–
– prior year		240	(52)	–	–
Total current tax expense		12,801	15,127	9,763	536
Deferred tax expense					
Origination and reversal of temporary differences		793	1,603	3,381	6,245
Under/(Over) provision in prior years		(4,281)	1,133	126	(529)
Total deferred tax expense	10	(3,488)	2,736	3,507	5,716
Share of tax of equity accounted associate		9,313	17,863	13,270	6,252
		1,044	847	–	–
Total income tax expense		10,357	18,710	13,270	6,252
Reconciliation of effective tax rate					
		%	%	%	%
Profit before tax		100	100	100	100
Income tax at Malaysian tax rate of 25%		25	25	25	25
Non-deductible expenses		23	13	12	4
Non-taxable income		(3)	–	(16)	(9)
Tax exempt income		(8)	(11)	–	–
Overprovision in prior years		(1)	(2)	(1)	(2)
Change in unrecognised temporary differences		5	1	–	–
Others		6	–	6	–
		47	26	26	18

NOTES to the Financial Statements

23. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2013 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2013	2012
Profit for the year attributable to ordinary shareholders	647	36,912

Weighted average number of ordinary shares

	Group	
	2013 '000	2012 '000
Issued ordinary shares at 1 January	457,630	404,756
Effect of ordinary shares issued	–	579
Weighted average number of ordinary shares at 31 December	457,630	405,335

	Group	
	2013 Sen	2012 Sen
Basic earnings per ordinary share	0.14	9.11

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2013 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	
	2013	2012
Profit for the year attributable to ordinary shareholders	647	36,912

NOTES to the Financial Statements**23. EARNINGS PER ORDINARY SHARE (CONTINUED)**

Weighted average number of ordinary shares diluted

	Group	
	2013	2012
Weighted average number of ordinary shares at 31 December	457,630	405,335
Effect of conversion of warrants	–	–
Weighted average number of ordinary shares (diluted) at 31 December	457,630	405,335

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	
	2013 Sen	2012 Sen
Diluted earnings per ordinary share	0.14	9.11

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 have lapsed.

24. DIVIDENDS

Dividends recognised in the current year by the Company are:

	Sen per share	Total amount	Date of payment
2013			
Final 2012 ordinary (tax exempt)	5.75	26,141	23 July 2013
Interim 2013 ordinary (tax exempt)	2.15	9,775	15 November 2013
		35,916	
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	

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.

NOTES to the Financial Statements

25. OPERATING SEGMENTS (CONTINUED)

	Fertilizers		Chemicals		Pharmaceuticals		Others		Eliminations		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Segment profit/(loss)	(13,457)	5,068	9,868	32,036	27,232	20,321	23,541	28,143	(35,647)	(31,549)	11,537	54,019
<i>Included in the measure of segment profit/(loss):</i>												
Total external revenue	692,956	876,332	299,502	352,199	295,919	284,825	193	674	-	-	1,288,566	1,514,030
Inter-segment revenue	-	-	-	-	-	-	61,011	39,516	(61,011)	(39,516)	-	-
Write-down of inventories	3,862	669	18	2,264	643	81	-	-	-	-	4,523	3,014
Write-off of inventories	271	-	(1)	(67)	4,705	5,582	-	-	-	-	4,975	5,515
Impairment of property, plant and equipment	-	176	-	-	-	-	-	-	-	-	-	176
Impairment of intangible assets	-	-	-	-	-	800	15,787	-	-	-	15,787	800
Share of profit of associate	-	-	2,657	2,337	-	-	-	-	-	-	2,657	2,337
<i>Not included in the measure of segment profit but provided to Group Managing Director:</i>												
Depreciation and amortisation	(15,491)	(15,396)	(13,089)	(12,599)	(17,911)	(16,600)	(3,463)	(2,956)	(2,030)	(2,186)	(51,984)	(49,737)
Finance costs	(14,948)	(17,692)	(3,773)	(3,775)	(15,351)	(16,259)	(23,235)	(25,097)	25,535	27,497	(31,772)	(35,326)
Finance income	522	595	972	1,180	888	682	28,118	26,888	(25,052)	(26,692)	5,448	2,653
Income tax expense	(536)	(5,633)	(6,712)	(6,987)	(6,849)	(5,140)	(13,303)	(6,300)	18,087	6,197	(9,313)	(17,863)
Segment assets	521,939	657,523	407,152	422,860	777,718	753,921	1,400,561	1,437,133	(1,253,467)	(1,219,255)	1,853,903	2,052,182
<i>Included in the measure of segment (loss)/profit:</i>												
Investment in associate	-	-	13,492	12,804	-	-	-	-	71	71	13,563	12,875
Additions to non-current assets other than financial instrument and deferred tax assets	2,659	3,508	19,506	12,057	13,403	17,635	5,957	4,081	-	(24)	41,525	37,257
Segment liabilities	374,949	483,607	146,087	154,590	453,530	463,428	595,910	617,369	(643,826)	(634,766)	926,650	1,084,228

NOTES to the Financial Statements

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	
	2013	2012	2013	2012	2013	2012	2013	2012
Geographical segments								
External revenue	1,110,723	1,241,060	133,629	218,388	44,214	54,582	1,288,566	1,514,030
Segment assets	1,673,313	1,811,450	148,166	205,670	32,424	35,062	1,853,903	2,052,182
Segment liabilities	847,068	956,822	59,207	104,182	20,375	23,224	926,650	1,084,228

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) Available-for-sale financial assets (AFS); and
- (c) Financial liabilities measured at amortised cost (FL).

2013	Carrying amount	L&R/ (FL)	AFS
Financial assets			
Group			
Other investments	124	–	124
Trade and other receivables	270,234	270,234	–
Cash and cash equivalents	255,337	255,337	–
	525,695	525,571	124
Company			
Trade and other receivables	682,466	682,466	–
Cash and cash equivalents	96,814	96,814	–
	779,280	779,280	–

NOTES to the Financial Statements**26. FINANCIAL INSTRUMENTS (CONTINUED)****26.1 Categories of financial instruments (continued)**

2013 (continued)	Carrying amount	L&R/ (FL)	AFS
Financial liabilities			
Group			
Loans and borrowings	(749,634)	(749,634)	-
Trade and other payables	(155,093)	(155,093)	-
	(904,727)	(904,727)	-
Company			
Loans and borrowings	(530,000)	(530,000)	-
Trade and other payables	(24,306)	(24,306)	-
	(554,306)	(554,306)	-
31 December 2012			
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)	-

NOTES to the Financial Statements

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.2 Net gains and losses arising from financial instruments

	Group		Company	
	2013	2012	2013	2012
Net gains/(losses) on:				
Loans and receivables	5,755	4,934	–	–
Financial liabilities measured at amortised cost	(31,772)	(35,326)	(22,347)	(24,160)
	(26,017)	(30,392)	(22,347)	(24,160)

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**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	
	2013	2012
Malaysia	206,919	250,697
Indonesia	47,047	80,802
Others	5,687	12,166
	259,653	343,665

Impairment losses

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

Group	Individual Gross	Individual impairment	Collective impairment	Net
2013				
Not past due	156,822	–	–	156,822
Past due 0-30 days	40,875	(223)	–	40,652
Past due 31-180 days	53,977	(717)	–	53,260
Past due more than 181 days	26,936	(17,685)	(332)	8,919
	278,610	(18,625)	(332)	259,653
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 181 days	23,458	(15,144)	(3,983)	4,331
	362,929	(15,281)	(3,983)	343,665

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	
	2013	2012
At 1 January	19,264	23,117
Impairment loss recognised	1,650	603
Impairment loss reversed	(1,017)	(3,102)
Impairment loss written off	–	(1,294)
Foreign exchange differences	(940)	(60)
At 31 December	18,957	19,264

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.

At 31 December 2013, there is a significant individual impairment loss of RM1,053,000 relating to a customer with dispute invoices during the financial year.

(ii) Investments and other financial assets*Risk management objectives, policies and processes for managing the risk*

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group. Transactions involving derivative financial instruments are with approved financial institutions.

Exposure to credit risk, credit quality and collateral

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

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations.

The investments and other financial assets are unsecured.

NOTES to the Financial Statements

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 and 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 maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

NOTES to the Financial Statements

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group	Carrying amount	Contractual interest/ profit rate	Contractual cash flows	Under 1 year	1 – 2 years	2 – 5 years
2013						
<i>Non-derivative financial liabilities</i>						
Unsecured Sukuk Musyarakah	100,000	4.35%	111,894	4,350	4,350	103,194
Unsecured term loan	430,000	3.60% – 3.80%	452,934	165,925	287,009	–
Unsecured bankers' acceptances	73,725	3.49% – 3.80%	76,426	76,426	–	–
Unsecured revolving credit and trade facilities	96,675	1.61% – 5.22%	100,744	100,744	–	–
Unsecured term loan and trade facilities	49,234	6.50%	52,468	52,468	–	–
Trade and other payables	155,093	–	155,093	155,093	–	–
	904,727		949,559	555,006	291,359	103,194
2012						
<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

NOTES to the Financial Statements**26. FINANCIAL INSTRUMENTS (CONTINUED)****26.5 Liquidity risk (continued)***Maturity analysis (continued)*

Company	Carrying amount	Contractual interest/ profit rate	Contractual cash flows	Under 1 year	1 – 2 years	2 – 5 years
2013						
<i>Non-derivative financial liabilities</i>						
Unsecured Sukuk Musyarakah	100,000	4.35%	111,894	4,350	4,350	103,194
Unsecured term loan	430,000	3.60% – 3.80%	452,934	165,925	287,009	–
Amount due to subsidiaries	7,020	3.83% – 3.85%	7,290	7,290	–	–
Trade and other payables	17,286	–	17,286	17,286	–	–
	554,306		589,404	194,851	291,359	103,194
2012						
<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

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	
	2013	2012	2013	2012
Fixed rate instruments				
Financial assets	106,825	103,562	778,269	762,727
Financial liabilities	(749,634)	(843,643)	(537,020)	(570,865)
	(642,809)	(740,081)	241,249	191,862

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.

NOTES to the Financial Statements**26. FINANCIAL INSTRUMENTS (CONTINUED)****26.6 Market risk (continued)****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.

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:

<i>(Amounts are stated in RM'000)</i>	USD	Group Denominated in		
		SGD	THB	IDR
31 December 2013				
Trade receivables	9,392	2,321	328	47,047
Trade payables	(22,549)	(430)	–	–
Borrowings	(1,037)	–	–	–
Net exposure in the statement of financial position	(14,194)	1,891	328	47,047
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

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) 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 <i>(Amounts are stated in RM'000)</i>	Profit/(Loss)	
	2013	2012
USD	1,065	2,000
SGD	(142)	(205)
THB	(25)	-
IDR	(3,529)	(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 value information

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

It was not practicable to estimate the fair value of the Group and the Company's investment in unquoted shares due to lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs. Accordingly, the Group and the Company's investment continued to be carried at cost.

NOTES to the Financial Statements**26. FINANCIAL INSTRUMENTS (CONTINUED)****26.7 Fair value information (continued)**

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

Group 2013	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value	Total Carrying amount
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3		
Financial assets								
Quoted shares	124	-	-	124	-	-	124	124
Financial liabilities								
Unsecured Sukuk Musyarakah	-	-	-	-	-	(108,937)	(108,937)	(100,000)
Unsecured term loan	-	-	-	-	-	(450,820)	(450,820)	(430,000)
	124	-	-	124	-	(559,757)	(559,633)	(529,876)
Company 2013								
Financial assets								
Amount due from subsidiaries	-	-	-	-	-	582,279	582,279	582,279
Financial liabilities								
Unsecured Sukuk Musyarakah	-	-	-	-	-	(108,937)	(108,937)	(100,000)
Unsecured term loan	-	-	-	-	-	(450,820)	(450,820)	(430,000)
	-	-	-	-	-	22,522	22,522	52,279

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.7 Fair values of financial instruments (continued)

Group 2012	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value *	Total fair value	Carrying amount
	Level 1	Level 2	Level 3			
Financial assets						
Quoted shares	124	-	-	124	124	124
Financial liabilities						
Unsecured Sukuk Musyarakah	-	-	-	(145,165)	(145,165)	(120,000)
Unsecured term loan	-	-	-	(493,136)	(493,136)	(430,000)
	124	-	-	(638,301)	(638,177)	(549,876)
Company 2012						
Financial assets						
Amount due from subsidiaries	-	-	-	596,744	596,744	596,744
Financial liabilities						
Unsecured Sukuk Musyarakah	-	-	-	(145,165)	(145,165)	(120,000)
Unsecured term loan	-	-	-	(493,136)	(493,136)	(430,000)
	-	-	-	(41,557)	(41,557)	46,744

* Comparative figures have not been analysed by levels, by virtue of transitional provision given in Appendix C2 of MFRS 13

NOTES to the Financial Statements

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.7 Fair values of financial instruments (continued)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

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. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For other borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year. (2012: no transfer in either direction).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The fair values of long term receivables and other long term liabilities are determined using the discounted cash flows valuation technique.

NOTES to the Financial Statements

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 2013, 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 2013 and 31 December 2012 were as follows:

	Group	
	2013	2012
Total loans and borrowings (note 16)	749,634	843,643
Total equity	927,253	967,954
Debt-to-equity ratios	0.81:1	0.87:1

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**Leases as lessee**

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2013	2012	2013	2012
Less than one year	1,419	1,644	1,036	1,036
Between one and five years	139	522	-	129
	1,558	2,166	1,036	1,165

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.

NOTES to the Financial Statements**29. CAPITAL AND OTHER COMMITMENTS**

	Group		Company	
	2013	2012	2013	2012
Capital expenditure commitments				
Plant and equipment				
Authorised but not contracted for	36,075	32,785	–	3,929
Contracted but not provided for	38,281	16,772	112	–
	74,356	49,557	112	3,929

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 or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

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 holding company, significant investors, subsidiaries and associate, Directors and key management personnel.

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company, other than key management personnel compensation (see note 21) as shown below. The balances related to the below transactions are shown in Note 11 and Note 18.

	Transaction value year ended 31 December	
	2013	2012
Group		
Rental expense to holding company	1,036	1,036
Sales of products to significant investors that has influence over a subsidiary	23,030	62,485
Company		
Rental expense to holding company	1,036	1,036
Rental income from subsidiaries	4,280	4,280
Shared cost charged to subsidiaries	10,242	13,865

NOTES to the Financial Statements

31. SUBSEQUENT EVENTS

- (a) On 30 September 2013, the Company entered into a conditional sale and purchase agreement with its major shareholder, Permodalan Nasional Berhad ("PNB") to dispose 2 contiguous parcels of freehold land together with 3 units of double – storey detached houses located at District of Kuala Lumpur for a cash consideration of RM74,814,000. The transaction was pending completion as at financial year end.

The transaction has subsequently been completed on 13 February 2014 and vacant possession of the properties has been delivered to PNB.

- (b) On 8 January 2014, the Company completed the acquisition of 241,935 ordinary shares and 161,290 redeemable cumulative convertible preference shares of Korea Won (KRW) 12,400 each representing 13.86% of the issued and paid up share capital of PanGen Biotech Inc ("PanGen") for a total cash consideration of KRW 5 billion or equivalent to RM15,740,000. Pursuant to the Share Subscription Agreement between the Group, PanGen and some key shareholders of PanGen dated 26 December 2013, the Group will have exclusive rights in Malaysia, Singapore and Brunei for Biosimilar products developed by PanGen.

- (c) On 5 February 2014, the Company subscribed an additional 3,507,000 new ordinary shares of RM2.80 each, for a total cash consideration of RM9,819,600 in CCM Fertilizers Sdn. Bhd.

32. COMPARATIVE FIGURES

The Group has adopted Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)* in current period, which have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2013, the comparative information presented in these financial statements for the financial year ended 31 December 2012 and 1 January 2012.

In preparing the opening statement of financial position at 1 January 2012, the Company has adjusted amounts reported previously in financial statements prepared in accordance with previous MFRSs. The effects of adoption of MFRS 116 pronouncement are disclosed below:

	31.12.2012		1.1.2012	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
Group				
Statements of Financial Position				
Property, plant and equipment	589,622	574,037	634,495	619,132
Inventories	352,818	368,403	375,954	391,317
Statements of Cash Flows				
			31.12.2012	
			As restated RM'000	As previously stated RM'000
Cash flows from operating activities				
Adjustments for:				
Acquisition of property, plant and equipment			(37,479)	(37,257)
Changes in working capital: Inventories			23,136	22,914

The above changes do not have any impact on the profit or loss of the Company.

NOTES to the Financial Statements**33. 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	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Total retained earnings of the Company and its subsidiaries				
– realised	486,085	510,228	290,140	276,614
– unrealised	49,105	72,044	805	11,737
	535,190	582,272	290,945	288,351
Total share of retained earnings of associates				
– realised	11,790	12,575	–	–
– unrealised	276	278	–	–
	547,256	595,125	290,945	288,351
Less: Consolidation adjustments	(236,746)	(249,346)	–	–
Total retained earnings	310,510	345,779	290,945	288,351

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

ANALYSIS of Shareholdings as at 31 March 2014

Authorised Share Capital	: RM800,000,000
Issued and Paid-up Share Capital	: RM457,629,856
Class of Shares	: Ordinary Shares of RM1.00 each
Voting Rights	: One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS AS AT 31 MARCH 2014

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
1 – 99	539	8.74	7,469	0.00
100 – 1,000	880	14.26	596,406	0.13
1,001 – 10,000	3,302	53.53	16,731,060	3.66
10,001 – 100,000	1,310	21.24	39,698,502	8.67
100,001 – 22,881,491(*)	137	2.22	74,092,156	16.19
22,881,492 and above(**)	1	0.02	326,504,263	71.35
	6,169	100.0	457,629,856	100.00

* Less than 5% of issued shares

** 5% and above of issued shares

SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2014

Names	Direct Holdings		Indirect Holdings	
	No.	%	No.	%
Permodalan Nasional Berhad	326,504,263	71.35	–	–
Yayasan Pelaburan Bumiputra ^a			326,504,263	71.35

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

ANALYSIS of Shareholdings

as at 31 March 2014

TOP 30 SHAREHOLDERS AS AT 31 MARCH 2014

No.	Name	Holdings	Percentage (%)
1	PERMODALAN NASIONAL BERHAD	326,504,263	71.35
2	PUBLIC NOMINEES (ASING) SDN. BHD. – Pledged Securities Account for Billion Victory Sdn. Bhd. (KLC)	18,000,000	3.93
3	LEMBAGA TABUNG HAJI	12,341,200	2.70
4	HSBC NOMINEES (ASING) SDN. BHD. – Exempt AN for Credit Suisse (SG BR-TST-Asing)	5,513,600	1.20
5	CHEMICAL COMPANY OF MALAYSIA BERHAD – Share Buy Back Account	2,998,000	0.66
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	CITIGROUP NOMINEES (ASING) SDN. BHD. – Exempt AN for Citibank NA, Singapore (Julius Baer)	1,620,700	0.35
9	UOB KAY HIAN NOMINEES (ASING) SDN. BHD. – Exempt AN for UOB Kay Hian Pte. Ltd. (A/C Clients)	853,000	0.19
10	MENG HIN HOLDINGS SDN. BHD.	812,896	0.18
11	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. – Chua Eng Ho Wa'a @ Chua Eng Wah	755,000	0.16
12	HLB NOMINEES (TEMPATAN) SDN. BHD. – Pledged Securities Account for Liew Sun Yick	750,000	0.16
13	YAP MA TIT	700,000	0.15
14	GOH ING SING	606,600	0.13
15	LEE HONG LOK CONNAUGHT	588,400	0.13
16	FU AH GOH @ FOO SEK CHENG	520,300	0.11
17	GOH GEOK LOO	501,000	0.11
18	NG YONG SENG	462,400	0.10

ANALYSIS of Shareholdings
as at 31 March 2014

TOP 30 SHAREHOLDERS AS AT 31 MARCH 2014 (CONTINUED)

No.	Name	Holdings	Percentage (%)
19	CHIN KHEE KONG & SONS SDN. BHD.	454,500	0.10
20	LEE YEE CHONG	422,000	0.09
21	HLB NOMINEES (TEMPATAN) SDN. BHD. – Pledged Securities Account for Eng Wang Ai	420,000	0.09
22	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD – Lee Foundation, States of Malaya (00-00197-000)	420,000	0.09
23	EQUITY HEIGHTS SDN. BHD.	400,000	0.09
24	SIA BOON CHEE	400,000	0.09
25	QUAH PENG CHIM @ QUAH PAIK SZE	370,000	0.08
26	SOH CHAU KIN	344,000	0.08
27	SOON POH CHOO @ SOON YEN CHOO	344,000	0.08
28	BOO KWIE LIANG	340,000	0.07
29	WONG THIAN SOON	340,000	0.07
30	LIM HOE HUP SENDIRIAN BERHAD	322,000	0.07

LIST of Top Ten (10) Properties

as at 31 December 2013

Location	Tenure	Lease Period	Area (Square metre)	Description	Approximate Age of Building	Net Book Value (RM'mil)	Date of Valuation
Chemical Company of Malaysia Berhad Shah Alam Works Padang Jawa Selangor Darul Ehsan	Leasehold	99 years (1973 - 2072)	286,992	Industrial land, factory and offices	15-44 years	80.00	December 2013
UPHA Factory Lot 11454, 11458, 11459 Mukim of Kajang Selangor Darul Ehsan	Leasehold	99 years (1987 - 2086)	22,099	Industrial Land, Factory and Office	24-65 years	74.50	December 2013
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	19 years	63.50	December 2013
Lahad Datu CCMA Fertilizers Plant CCM Agriculture (Sabah) Sdn. Bhd. Lot No. 33A, Phase 2 POIC Complex, Jln Kastam Lahad Datu, Sabah	Leasehold	98 years (2006 - 2104)	67,421	Industrial land, factory and offices	4 years	43.80	December 2013
Chemical Company of Malaysia Berhad No. 18 & 18A Jalan Tun Ismail, Kuala Lumpur	Freehold	-	8,878	Residential land and buildings	46 years	37.00	August 2013
Chemical Company of Malaysia Berhad No. 16A, Jalan Tun Ismail Kuala Lumpur	Freehold	-	8,498	Residential land and building	46 years	36.00	August 2013
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	5 years	35.00	December 2013
CCM Chemicals Sdn. Bhd. Pasir Gudang Works Pasir Gudang, Johor Darul Takzim	Leasehold	60 years (1991 - 2051)	104,599	Industrial land, factory and offices	22 years	26.70	December 2013
CCM Pharma No. 2, Jalan Saudagar U1/16 Seksyen U1 Hicom Glenmarie Industrial Park Shah Alam, Selangor Darul Ehsan	Freehold	-	5,907	Industrial land, factory and offices	17 years	25.50	August 2013
Chemical Company of Malaysia Berhad Nilai Industrial Land PT 6055, Mukim Labu Daerah Seremban Negeri Sembilan Darul Khusus	Leasehold	99 years (1993 - 2092)	73,705	Industrial land	-	14.30	December 2013

RECURRENT Related Party Transactions of a Revenue or Trading Nature

As at the Annual General Meeting held on 26 June 2013, the Company had obtained the shareholders' mandate to allow the Company to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature.

In accordance to the Bursa Malaysia Securities Berhad's Main Market Listing Requirements, details of the Recurrent Related Party Transactions audited during the financial year ended 31 December 2013, 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. ("CCMUK")	8,394	<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")	3,390	<i>Interested Director/ Interested Person Connected: Amirul Feisal bin Wan Zahir¹</i> <i>Interested Major Shareholder: Lembaga Tabung Haji²</i>
Sale of Fertilizers	CCMF	PT CCM Agripharma ("PTCCMA")	4,859	<i>Interested Director/ Interested Person Connected: Amirul Feisal bin Wan Zahir¹</i> <i>Interested Major Shareholder: Lembaga Tabung Haji²</i>
Sale of Fertilizers	CCMF	TH Plantations Berhad ("THPB")	13,281	<i>Interested Director/ Interested Person Connected: Amirul Feisal bin Wan Zahir¹</i> <i>Interested Major Shareholder: Lembaga Tabung Haji²</i>
Sale of Fertilizers	CCM Agri-Max Sdn. Bhd. ("CCMAM")	CCMF	0	<i>Interested Director/ Interested Person Connected: Amirul Feisal bin Wan Zahir¹</i> <i>Interested Major Shareholder: Lembaga Tabung Haji²</i>
Provision of Shared/ Management Services ³	CCM	CCMF	1,040	<i>Interested Director/ Interested Person Connected: Amirul Feisal bin Wan Zahir¹</i> <i>Interested Major Shareholder: Lembaga Tabung Haji²</i>
Provision of Shared/ Management Services ³	CCM	CCMC	2,711	<i>Interested Director/ Interested Person Connected: Amirul Feisal bin Wan Zahir¹</i>
Provision of Shared/ Management Services ³	CCM	P.T. CCM Indonesia ("PTCCMI")	72	<i>Interested Director/ Interested Person Connected: Amirul Feisal bin Wan Zahir¹</i>
Provision of Shared/ Management Services ³	CCM	CCM Duopharma Biotech Berhad and its subsidiary	1,051	<i>Interested Director/ Interested Person Connected: Amirul Feisal bin Wan Zahir¹</i>

RECURRENT Related Party Transactions of a Revenue or Trading Nature

Transaction	Vendor/ Provider	Purchaser/ Recipient	Aggregate Value (RM'000)	Related Parties
Sale of Fertilizers	CCMF	CCM Agriculture (Sabah) Sdn. Bhd. ("CCMA(S)")	1,505	<i>Interested Director/ Interested Person Connected: Amirul Feisal bin Wan Zahir¹</i> <i>Interested Major Shareholder: Lembaga Tabung Haji²</i>
Sale of Fertilizers	CCMA	CCMF	31,528	<i>Interested Director/ Interested Person Connected: Amirul Feisal bin Wan Zahir¹</i> <i>Interested Major Shareholder: Lembaga Tabung Haji²</i>
Sale of Fertilizers	CCMA(S)	CCMF	16,057	<i>Interested Director/ Interested Person Connected: Amirul Feisal bin Wan Zahir¹</i> <i>Interested Major Shareholder: Lembaga Tabung Haji²</i>
Sale of Chemicals	CCMC	CCM Innovative Solutions Sdn. Bhd.	883	<i>Interested Director/ Interested Person Connected: Amirul Feisal bin Wan Zahir¹</i>
Sale of Chemicals	CCMC	CCM Singapore Pte. Ltd. ("CCMSPL")	7,417	<i>Interested Director/ Interested Person Connected: Amirul Feisal bin Wan Zahir¹</i>
Sale of Chemicals	CCMSPL	CCMC	0	<i>Interested Director/ Interested Person Connected: Amirul Feisal bin Wan Zahir¹</i>
Sale of Chemicals	CCMSPL	PTCCMI	0	<i>Interested Director/ Interested Person Connected: Amirul Feisal bin Wan Zahir¹</i>
Sale of Chemicals	CCMC	CCM International (Philippines), Inc.	307	<i>Interested Director/ Interested Person Connected: Amirul Feisal bin Wan Zahir¹</i>
Sale of Chemicals	CCMC	UPHA Pharmaceutical Manufacturing (M) Sdn. Bhd.	136	<i>Interested Director/ Interested Person Connected: Amirul Feisal bin Wan Zahir¹</i>
Sale of Chemicals	CCMC	PTCCMI	1,040	<i>Interested Director/ Interested Person Connected: Amirul Feisal bin Wan Zahir¹</i>
Sale of Chemicals	CCMUK	CCMC	132	<i>Interested Director/ Interested Person Connected: Amirul Feisal bin Wan Zahir¹</i>
Tenancy of land at Lot No. 3121, Block 26, Kemena Land District, Jln Kidurong, Bintulu, Sarawak	CCM	CCMA	30	<i>Interested Director/ Interested Person Connected: Amirul Feisal bin Wan Zahir¹</i>

RECURRENT Related Party Transactions of a Revenue or Trading Nature

Transaction	Vendor/ Provider	Purchaser/ Recipient	Aggregate Value (RM'000)	Related Parties
Tenancy of land at Lot No. 3122, Block 26 Kemena Land District Jln Kidurong, Bintulu Sarawak	CCM	CCMA	174	<i>Interested Director/ Interested Person Connected: Amirul Feisal bin Wan Zahir¹</i>
Tenancy of land at Lot PT200 Persiaran Selangor 40000 Shah Alam Selangor Darul Ehsan	CCM	CCMC	276	<i>Interested Director/ Interested Person Connected: Amirul Feisal bin Wan Zahir¹</i>
Tenancy of land at Lot PT200 Persiaran Selangor 40000 Shah Alam Selangor Darul Ehsan	CCM	CCMF	1,656	<i>Interested Director/ Interested Person Connected: Amirul Feisal bin Wan Zahir¹</i> <i>Interested Major Shareholder: Lembaga Tabung Haji²</i>
Tenancy of land at Lot PT200 Persiaran Selangor 40000 Shah Alam Selangor Darul Ehsan	CCM	Orica-CCM Energy Systems Sdn. Bhd. ("ORICA")	95	<i>Interested Director/ Interested Person Connected: Amirul Feisal bin Wan Zahir¹</i>
Tenancy of land at Lot 3880 Mukim of Bukit Raja Klang Selangor Darul Ehsan	CCM	ORICA	102	<i>Interested Director/ Interested Person Connected: Amirul Feisal bin Wan Zahir¹</i>

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., Upha Pharmaceutical Manufacturing (M) Sdn. Bhd. and Orica-CCM Energy Systems 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-Second Annual General Meeting of the Company will be held at **Ballroom 1, Level 1, Sime Darby Convention Centre, No 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur** on **Tuesday, 27 May 2014 at 10.30 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 2013 together with the Reports of the Directors and Auditors thereon. | Ordinary Resolution 1 |
| 2. To re-elect the following Directors retiring under Article 91 and Article 96 of the Articles of Association of the Company. | |
| (a) Dato' Sri Azalina binti Othman (Article 96) | Ordinary Resolution 2 |
| (b) Datuk Karownikaran @ Karunakaran A/L Ramasamy (Article 91) | Ordinary Resolution 3 |
| (c) Dato' Seri Ir. Dr. Zaini bin Ujang (Article 91) | Ordinary Resolution 4 |
| 3. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. | Ordinary Resolution 5 |
| 4. 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:-

- | | |
|--|------------------------------|
| 5. Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate") | Ordinary Resolution 6 |
|--|------------------------------|

NOTICE of Annual General Meeting

“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 2 May 2014 which are necessary for the Company and/or its subsidiaries’ day-to-day operations subject further to the following:

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

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

By Order of the Board

NOOR AZWAH BINTI SAMSUDIN (LS 0006071)
IBRAHIM HUSSIN SALLEH (LS 0009121)

Company Secretaries
Kuala Lumpur
Date: 2 May 2014

NOTICE of Annual General Meeting

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 20 May 2014 be regarded as members and entitled to attend and vote at the meeting.

EXPLANATORY NOTES ON SPECIAL BUSINESS

Ordinary Resolution 6 – 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 6 are set out in the Circular to Shareholders dated 2 May 2014.

STATEMENT Accompanying the Notice
of the Fifty-Second 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, 41 and 42 of this Annual Report.

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I/We _____
(FULL NAME IN CAPITAL LETTERS)

of _____
(FULL ADDRESS)

being *a shareholder/shareholders of CHEMICAL COMPANY OF MALAYSIA BERHAD ("the Company") hereby appoint: _____

_____ (FULL NAME IN CAPITAL LETTERS)

of _____ (FULL ADDRESS)

as my/our proxy to vote for me/us at the Fifty-Second Annual General Meeting of the Company to be held at **Ballroom 1, Level 1, Sime Darby Convention Centre, No 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur** on **Tuesday, 27 May 2014 at 10.30 a.m.** and at any adjournment thereof.

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 2013 together with the Reports of the Directors and Auditors thereon.	Ordinary Resolution 1		
2.	To re-elect the following Directors retiring under Article 91 and Article 96 of the Articles of Association of the Company:- (a) Dato' Sri Azalina binti Othman – Article 96 (b) Datuk Karownikaran @ Karunakaran A/L Ramasamy – Article 91 (c) Dato' Seri Ir. Dr. Zaini bin Ujang – Article 91	Ordinary Resolution 2 Ordinary Resolution 3 Ordinary Resolution 4		
3.	To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration.	Ordinary Resolution 5		
	SPECIAL BUSINESS			
4.	Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate").	Ordinary Resolution 6		

* Please indicate with an "X" on how you wish to cast your vote.

Signed this _____ day of _____ 2014

No of shares _____

Signature/Seal

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 for 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 20 May 2014 shall be regarded as members and entitled to attend and vote at the meeting.

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Affix
Postage
Stamp

The Registrar
Chemical Company of Malaysia Berhad [5136-T]
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Fold here

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