

corporate **SOCIAL**responsibility



Playing a meaningful role in the various communities wherever we operate, at home or abroad has always been an important cornerstone of our operating philosophy. By reaching out and planting roots deep into the community, our objective is to be looked upon and remembered as a valued member of society. We achieve this in a number of ways. Like many other big corporations, CCM lends its support to many charitable organisations and worthy causes throughout the nation. The emphasis of our corporate sponsorship programme has been to contribute towards the well being of the community, cutting across areas encompassing education, sports, healthcare and community development.

During the year in review, CCM was one of the co-sponsors of 'Bersamamu', a reality show aired on TV3 and watched by millions of Malaysians. Under the 'PNB Bersamamu' programme, we sponsored a motivational session and the building of sepak takraw courts in Baling. For the second time, CCM also sponsored 50,000 healthcare kits worth a total of RM1 million for Mecca-bound pilgrims under the auspices of Sahabat Korporat Tabung Haji. Apart from cash donations, we have also contributed vitamins and other healthcare products to orphanages, old folks' homes and other deserving organisations throughout the country.

CCM also played its part in the Asian tsunami relief effort. Through the Malaysian Government Natural Security Division, we contributed RM250,000 worth of pharmaceutical and chemical products to assist families in the affected areas of Malaysia. We also donated USD50,000 worth of products for the tsunami victims in the worst hit area of Bandar Aceh in Indonesia. In addition, some RM50,000 worth of equipment was donated to assist Malaysian volunteers and navy personnel involved in the



relief effort. In all, we made a total contribution of half a million Ringgit, which we hope will go a long way towards alleviating the suffering of those affected by the natural disaster.

More so than monetary contributions, perhaps our most memorable efforts in reaching out to the community can be seen in the many innovative and far-reaching programmes we have organised over the years. Training and education has long been one of the main pillars of CCM's corporate sponsorship programmes. To this end, we have our own scholarship programme set up under Yayasan CCM. Each year, we sponsor deserving students to further their undergraduate studies at a local university. Upon graduation, these scholars are often absorbed into the CCM Group workforce.

Other examples of our efforts in the education field are carried out through the Golden Growers Club (GGC) established in 1998. Membership to the club is open to oil palm plantation smallholders who are also our customers, and serves as a useful forum to impart information, knowledge and experience and raise industry

standards. Children of members of the GGC also benefit from the Educational Excellence Award Scheme. Under this scheme, CCM awards cash incentives to 48 students who have excelled at their SPM and STPM examinations in 2005. This is just one of the ways in which we reward customers for their loyalty over the years. More importantly, by picking out deserving students and helping them achieve their scholastic ambitions, we sow the seeds to a world of opportunities, inspiring the younger generation to bring out the best from within.

As an additional service to the community, CCM also conducts training programmes for school-leavers. Ranging from one to two years, the course curriculum provides with a useful foundation in instrumentation, electrical and mechanical fields. These trainees are exposed to relevant plant and process systems, enabling them to gain first-hand knowledge and experience in a real work environment. Since inception, the programme has proven very successful, adding to the country's pool of skilled workforce.

Over the years, CCM has also introduced various programmes to improve the fortunes and lives of oil palm growers, one of the mainstays of the agricultural sector. A series of forums have been organised under the auspices of the Best Oil Palm Growers Programme to inculcate good agricultural practices among smallholders. Complementing this programme, the GGC organised a nation-wide 'Best Oil Palm Growers Contest' in 2004 and 2005, giving recognition to smallholders with the best yields. In reaching out to a larger sector of its customer base, CCMF has initiated the publication of Agrinfo magazine, a publication that is distributed free to GGC members. The magazine serves as a useful tool to disseminate technical information to smallholders not covered under government schemes. In collaboration with the Malaysian Palm Oil Board (MPOB), CCMF has produced a video on good agricultural practices, in both Bahasa Malaysia and Mandarin, which has been distributed to all its customers.



HUMANresource



our capacity for development is supported by a team that understands the need to innovate and seek new opportunities.



In charting our future directions and growth, CCM has long recognised the role and contributions of what we consider among our greatest assets – our human resources. For the year under review, CCM remained focused on developing a corp of highly motivated, skilled and knowledgeable professionals to support the Group's future growth and expansion.

CCM's human resource development efforts are centred on enhanced career management and the systematic development of skills and competencies geared towards the attainment of corporate as well as personal goals. While promoting a learning culture, the Company's policy is to promote its people from within the organisation, and a well-defined career progression plan has been put in place. By addressing the short and long-term needs of individuals, we ensure that the right people will be available to assume greater responsibilities

and more senior positions as and when the need arises. Training needs are identified by both staff and management as part of the annual training needs analysis exercise.

Structured training programmes have been drawn up in key functional and development areas, and can be broadly categorised into management and technical courses. In a Group that places a premium on safety, health and environmental (SHE) issues, SHE-oriented courses feature prominently on the training calendar. Emphasis is also given to customer relationship management, an increasingly important area to stay ahead of the competition. A total of 176 training programmes were conducted in 2005, compared to 173 the previous year. In all, some 734 staff attended various training courses conducted in 2005, with each employee benefiting from an average of 11.6 training man-hours.

In addition to CCM's own well-equipped training facility at its headquarters, courses are also conducted at facilities set up at the respective operating units. Over the years, CCM has built up a pool of highly experienced and knowledgeable trainers to conduct core courses. These in-house programmes are supplemented, whenever necessary, by externally facilitated courses to meet specific skill and knowledge gaps identified through the training needs analysis exercise.

Training is but one aspect of the ongoing human development effort. As the maxim goes, all work and no play makes Ahmad a dull boy. To strike the right balance, events such as the Sports Carnival, Family Day and gatherings on festive occasions have all become regular fixtures much anticipated by all levels of staff. In a convivial ambience, management and staff can bond together, create a sense of esprit de corps, and build formidable teams to meet the challenges ahead.

RESEARCH & DEVELOPMENT



Among strategies identified to grow CCM's pharmaceuticals business is through the expansion of its R&D initiatives to cover more products. This is carried out through Innovax, the Group's pharmaceutical R&D company. Innovax has two main departments, Analytical and Formulation.

The Analytical Department, which is laboratory-based, is primarily responsible for setting the quality standards of raw materials as well as secondary products developed by Innovax. Proprietary and rigorous testing methods have been developed to detect any potential degradation in the products manufactured in-house. As expected of a laboratory set-up, the department imposes stringent controls on workflows. Thus all toxic fumes are treated in full compliance with international safety standards and statutory regulations. By maintaining consistently high quality standards, the department is on par with international players of developed nations such as Europe and America.

The Formulation Department is the creative arm that enables Innovax to design and develop novel oral dosage forms. The department has developed comprehensive range of dosage forms that is sublingual (dissolved under the tongue), dispersible, can be swallowed and chewable. Some dosages have been developed for sustained release or with multiple release profiles over 12 or 24 hours and even over a week. The department has also developed soft gels, oral gels, syrups, suspensions and emulsions. This is facilitated by state-of-the-art instruments such as small-scale tableting, coating and blistering machines to produce an array of prototype tablets, capsules, syrups, creams and gels of laboratory batch sizes of less than 5kgs. In line with the regulatory requirements, all wastes are properly treated before disposal.

CCM's research capabilities are complemented by Duopharma's R&D department made up of experienced and skilled pharmacists, chemists, biotechnologists and microbiologists. Together as a team, they have amassed a wide range of experience in pharmaceutical research, clinical studies, biotechnical research, quality control and assurance and market research. It has also successfully launched an array of home-grown innovations to the locals market. These products include cephalosporin, a third generation antibiotics; depocon, an oil-based injection for contraceptives; domi, an injection used as induction of anaesthetic; and denkan, an injection used as local anaesthetic. In collaboration with local institutes of higher learning, the department has embarked on various clinical bioavailability and bioequivalent studies. An alliance with the Canadian based Dragon Pharmaceuticals has given Duopharma the opportunity to acquire the necessary technical knowledge in a totally new field involving genetic engineering to formulate erythropoietin, a natural hormone that stimulates and regulates the production of red blood cells.

SAFETY, HEALTH & ENVIRONMENT



Like Quality, all matters related to safety, health and the environment (SHE) are managed at the divisional level within the Group. However, a Group SHE (safety, health and environment) coordinator ensures that all policies and agreed actions on SHE are streamlined. Meetings are also held once every three months, bringing together SHE managers and personnel groupwide to share knowledge and information and discuss issues at hand.

Ultimately, CCM subscribes to the notion that SHE is the responsibility of every employee. The SHE culture is inculcated from the very outset as an integral part of the induction programme for all new recruits. The commitment to SHE goes all the way to top management. It is a commitment reinforced by the inclusion of SHE key performance indicators in the Balance Score Card management system, an important tool used by the CCM Group to initiate improvement.

SHE induction, training and retraining programmes, regular audits of plants and customer installations and mock drills to test the effectiveness of our Emergency Response Plan are all standard features in our efforts to establish a leadership role in SHE. All incidents

are reported and thoroughly investigated to prevent recurrence, and proper records are kept to analyse the root cause of such incidents. Ongoing efforts will help ensure the Group achieve zero non-compliance in all relevant SHE legal requirements. During the year in review, various activities and initiatives were launched to improve SHE groupwide.

At CCM Chemicals (CCMC), increased attention was focused on minimising and reducing greenhouse gas emissions in line with the United Framework Convention on Climate Change and the tenets of the Kyoto Protocol. As part of sound environmental management, both CCMC and CCM Fertilizers (CCMF) have implemented projects and initiatives to conserve, recover and recycle wherever possible. In both divisions, natural gas is now being used for boiler operations. Apart from cost-savings, the measure has significantly reduced sulphur, NOx and CO₂-based emissions. CCMC has also introduced benchmarking against the best practice SHE standards, with a view to improve its standing in SHE. The focus will be on the chlor-alkali operations, which have already earned certification to the stringent requirements of the OHSAS 18001 standard.

As yet another manifestation of the emphasis given to SHE, CCMC was the pioneer signatory to the Principles of Responsible Care. The programme underscores the chemical industry's commitment to the public for the responsible management of chemicals and to strive for continual performance improvement in all aspects of SHE management. It spells out six codes of management practices that must be achieved by signatory organisations. In 2005, CCMC received the Merit award for the Distribution Code at the CICM Responsible Care Awards 2004. This follows the Gold Award won the previous year for Pollution Prevention and a Silver award for Community Awareness Emergency Response.

Our efforts in the area of SHE have also received due recognition from various regulatory authorities and industry groups. They include the prestigious Gold Award presented to CCMC at the MSOSH Award presentation ceremony in September 2005.

09 MARCH

CCMF held an appreciation dinner for its Dealers.

12 MARCH

CCM's Group Communication Meeting on Leaping Forward held at the Saujana Hotel Kuala Lumpur.



corporate DIARY 2005



12 APRIL

The Media Nite was held at Sri Carcosa as a show of our appreciation to members of the media.

20-26 APRIL

CCM participated at the MSAM 2005 in Seremban, Negeri Sembilan as a co-sponsor.

12 MAY

CCM held its 43rd Annual General Meeting followed by the Extraordinary General Meeting at the Legend Hotel, Kuala Lumpur.

14 JUNE

A Fund Managers Networking Session was held to give an insight into the company's plans for its growth.



18 JUNE

CCM Pharmaceuticals signed a USD14.6 million turnkey contract with Sembcorp (Malaysia) Sdn Bhd for the construction of its Phase 1 of CCM's new pharmaceutical facility in Bangi.



14 JULY

CCM Pharmaceuticals held a ground breaking ceremony for its Phase 1 of their new facility which is located adjacent to its current site in Bangi which will be in operation by Quarter 2, 2007.



19 JULY

CCM Fertilizers held the Best Oil Palm Growers Prize Presentation and Educational Excellence Award for 2004 at the Saujana Kuala Lumpur Hotel.

20 JULY

CCM signed an agreement with the vendors to acquire 47,934,390 of Duopharma Biotech Bhd shares.

22 AUGUST

CCM participated in a corporate social responsibility programme organized by PNB at Baling.

28 AUGUST

CCM hosted the CCM Pro-Am Golf Tournament in conjunction with the National Day Celebrations at the Impian Golf & Country Club.

11 SEPTEMBER

CCM's participation at the PNB Group of Companies Lawn Bowling Tournament.



20 SEPTEMBER

CCM's Quality Improvement Team Convention (QIT) held at the Sheraton Subang.

19 OCTOBER

CCMF Buka Puasa session with orphans from nearby schools in Padang Jawa.

15 NOVEMBER

CCM became Sahabat Korporat Tabung Haji with our contributions of our pharmaceuticals products to pilgrims.

29 NOVEMBER - 01 DECEMBER

Arch Biocides Regional Sales Conference held at the Sheraton Langkawi Beach Resort.



02 DECEMBER

CCM awarded 7 students for the Yayasan CCM scholarship for 2005 at the Legend Hotel.

10 DECEMBER

CCM-Duopharma Friendly Golf with the Ministry of Health at the Impian Golf & Country Club.

10-14 DECEMBER

CCM participation at the EABEX 2005 exhibition organized in conjunction with the East Asian Summit.

AWARDS



AWARDS WON BY CCMP'S OTC PRODUCTS

CCMP's OTC (Over The Counter) products have been recognized for its excellent brand quality, best-seller brands, products sales and overall top of mind in consumers' preferences. Among the Awards garnered are: The Super Branding Award (Parents Magazine-Hong Kong, 2005) for CHAMPS in the best brand quality of choice, the Guardian Customers' Choice Award for CHAMPS based on sales and customers' preference and the Watson's Health & Beauty Consumers Choice Award for CHAMPS M Multivitamin Supplement and FLAVETTE Sugar-Free Vitamin C.



ARCH BIOCIDES AWARD

At the Arch Biocides Regional Sales Conference held in Langkawi in December 2005 at the Sheraton Langkawi Beach Resort, CCM was made the sole and exclusive agent for Arch Biocides. A leading global bio-chemical supplier from the United States, Arch Biocides specializes in disinfecting, preserving and protecting buildings, and also health and hygiene applications.

The conference saw new products being launched and CCMC received the "Innovative New Business Development" award from Arch Biocides in recognition of its antimicrobial promotions into various industrial sectors in 2005.



CCM FERTILIZERS SDN BHD, WINNER OF NAIMA 2005 BEST PRACTICE AWARDS

The National Award for Management Accounting (NAfMA) aims to promote world-class management accounting techniques and to recognize organizations that adopt the best accounting practices. CCMF ensures that its division and Group maintains the highest excellent standards of financial accounting and management practices that safeguards the assets of the company thus continuously promoting better transparency in all aspects of their operations.

The Company received its due recognition, when it was named the winner of NAfMA Best Practice Awards 2005, which has resulted in notable value creation and enhancement of shareholders' value. This remarkable achievement is an endorsement and confirmation of the Company's competency and effectiveness in the use of management accounting techniques in value creation, which ultimately led to the enhancement of the profit for the Company.



CCMC WINS MSOSH GOLD AWARD

CCMC was the proud recipient of one of the Gold Awards in the Manufacturing and Chemicals Sector for Excellent Performance in the area of Occupational Safety and Health Management by the Malaysian Society for Occupational Safety and Health (MSOSH).

This Award recognizes the noteworthy improvements in occupational safety and health processes implementation and management systems. Winning this prestigious award is a testimony to CCMC's tireless efforts in promoting itself as a leader in corporate responsibility and providing optimal care and health for all its staff and consumers alike.

THE RESPONSIBLE CARE PROGRAMME (RCP)

CCMC was the proud recipient of the Merit Award for Distribution Code, namely for Process Safety and Distribution Code, on 24 March 2005 by The Chemicals Industries Council of Malaysia (CICM). The sole steward of promoting RCP initiatives, CICM initiatives in presenting this award is to promote greater awareness of the RCP Programme. The Programme is the chemical industries' commitment to the public in the responsible management of chemicals and the continuous improvement in all aspect of health, safety and environmental performance.

Adoption of the programme by any chemical industries constitutes the key to long-term viability and transparency of the principles of the RCP initiatives. CCMC has pledged to fully support the programme and will continue to promote and educate the RCP codes amongst chemical companies in the country.

PROFITABILITY

The Group's focus is to continue to improve its business profits. This initiative has reaped rewards with a 85% improvement in business profits before tax in 2005 as compared to the preceding year.

Active customer management, efficient plant utilization and favourable palm oil price were the principal reasons for the near doubling of profit before tax of the Fertilizer Division in 2005 compared to 2004. In the Chemical Division, substantial improvements in regional sales, together with benefits of cost management initiatives assisted in improving profit before tax to RM27 million in 2005 from RM15.1 million in 2004. The pharmaceutical division profits before tax includes partial consolidation of the results of newly acquired subsidiary, Duopharma Biotech Berhad. Profit before tax of this division would be RM44.2 million with full consolidation of the results of Duopharma Biotech Berhad making Pharmaceuticals the highest earning generator for the Group.

The overall strategy of the Group would be to continue to improve the earnings of its core business segments.

	Turnover		Profit Before Tax	
	2005	2004	2005	2004
Fertilizers	396.7	343.6	30.0	17.3
Chemicals	317.8	262.3	27.0	15.1
Pharmaceuticals				
Manufacturing – (Pharmaceuticals)	78.2	71.6	12.5	10.6
– (Duopharma)	14.7	–	8.9	–
Retails	6.1	16.8	(5.2)	(3.6)
	99.0	88.4	16.2	7.0
Others	0.7	2.6	57.1	150.6
Group	814.2	696.9	130.3	190.0

LIQUIDITY

	2005	2004
Cash for Operating Activities	61,057	31,710
Cash for Investing Activities	(196,845)	128,662
Cash for Financing Activities	72,177	(29,887)
Net increase/(decrease) in Cash and Cash Equivalent	(63,611)	130,485
Opening cash	359,132	227,350
Closing cash	295,521	357,835

Cash from operating activities improved in 2005 by over 92% reflecting the better performance of all business divisions.

In line with the Group's strategy to improve its earnings, a sum for RM236.5 million was utilized to fund the purchase of a subsidiary, Duopharma Biotech Berhad. The acquisition was financed from the cash reserves of RM136.6 million and a loan of RM100.00 million.

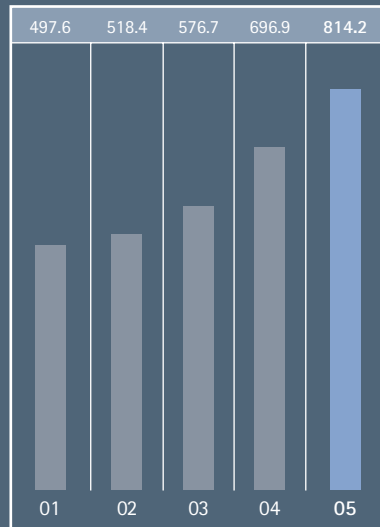
The Group's cash balance of RM295.5 million will be prudently managed and be utilized to fund the Group's expansionary activities in its core businesses.

SHAREHOLDER VALUE

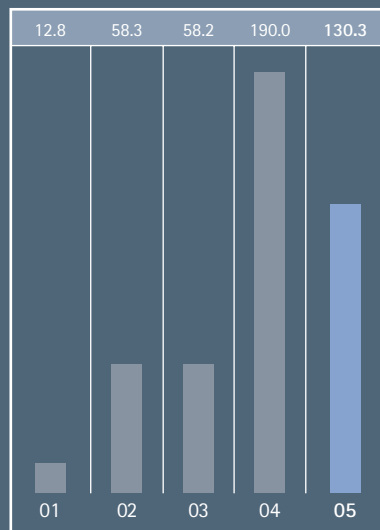
There continues to be improvements in shareholders funds and net asset per share. The Group continues to focus to improve its earnings per share from business profits before tax as reflected in an 85% improvement for the year.

The Group will continue focus on effective utilization of the assets to generate attractive earnings for its shareholders.

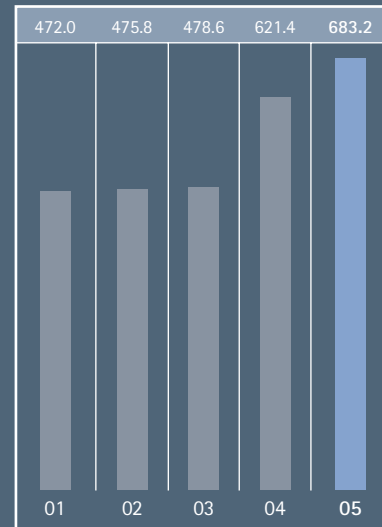
TURNOVER
(RM MILLION)



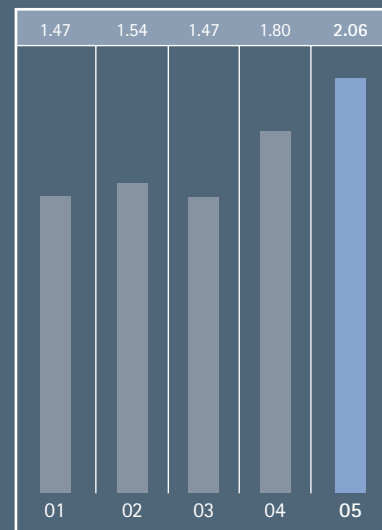
PROFIT BEFORE TAX
(RM MILLION)

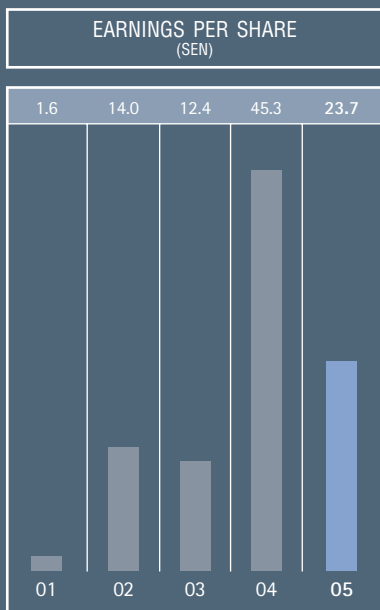


SHAREHOLDERS' FUNDS
(RM MILLION)



NET ASSETS PER SHARE
(RM)





Financial year end 31 December 2005

Annual General Meeting 24 May 2006

PROPOSED FINAL AND SPECIAL DIVIDEND

Entitlement date 1 June 2006

Payment date 8 June 2006

ANNOUNCEMENT OF 2005 TRADING RESULTS

Three months May 2006

Six months August 2006

Nine months November 2006

Full year February 2007

financial
CALENDAR

financial HIGHLIGHTS

AT AS 31 DECEMBER 2005

	2005	2004	2003
	RM'000	RM'000	RM'000
Consolidated Balance Sheets			
Fixed Assets	412,639	325,601	341,267
Other Assets	268,945	99,881	97,520
Current Assets	673,684	677,162	502,293
Total Assets	1,355,268	1,102,644	941,080
Current Liabilities	(241,969)	(202,397)	(183,476)
	1,113,299	900,247	757,604
Financed by:			
Share Capital	383,520	377,895	363,291
Treasury Shares	(11,443)	(11,443)	(11,443)
Non-Distributable Reserves	68,153	50,032	45,123
Retained Profits	242,944	204,943	81,624
Shareholders' Funds	683,174	621,427	478,595
Minority Interests	95,484	47,699	45,969
Loans	100,000	-	-
Bonds	200,000	200,000	200,000
Deferred Tax Liabilities	34,641	31,121	33,040
	1,113,299	900,247	757,604
Consolidated Income Statements			
Turnover	814,219	696,941	576,713
Profit Before Taxation	130,306	189,966	58,242
Taxation	(24,226)	(13,959)	(10,332)
Profit After Taxation	106,080	176,007	47,910
Minority Interests	(15,859)	(8,341)	(4,382)
Profit Attributable to Shareholders	90,221	167,666	43,528
Dividends	(52,220)	(44,497)	(47,699)
Realisations surplus of Revaluation Reserve	15,993	150	-
Transfer (from)/to Retained Profits	53,994	123,319	(4,171)

financialRATIOS

AT AS 31 DECEMBER 2005

	2005	2004	2003
	RM'000	RM'000	RM'000
Profitability			
Turnover Growth Rate (%)	16.83	20.85	11.26
Profit Before Taxation as a Percentage of Turnover (%)	16.00	27.25	10.10
Profit Before Taxation as a Percentage of Shareholders' Funds (%)	19.07	30.57	12.17
Liquidity			
Current Ratio	2.78	3.35	2.74
Liquidity Ratio	2.09	2.72	2.11
Market Ratios			
Net Assets Per Share (RM)	2.06	1.80	1.47
Earnings Per Share (Sen)	23.70	45.30	12.36
Net Dividend Per Share (Sen)	17.48	12.96	15.80
Productivity #			
Turnover Per Employee (RM'000)	636	737	573
Assets Per Employee (RM'000)	964	1,166	935
Number of Employees	1,406	946	1,006
<i># Based on Duopharma's full-year results consolidation</i>			



Inspiring Innovation

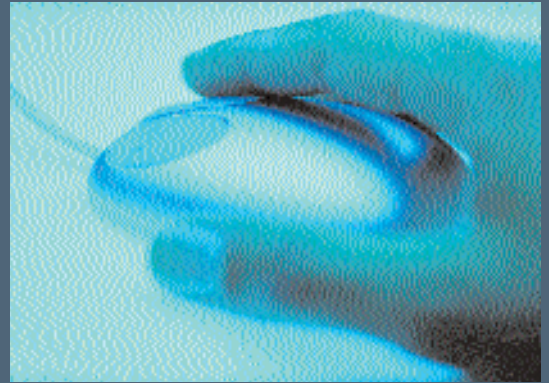
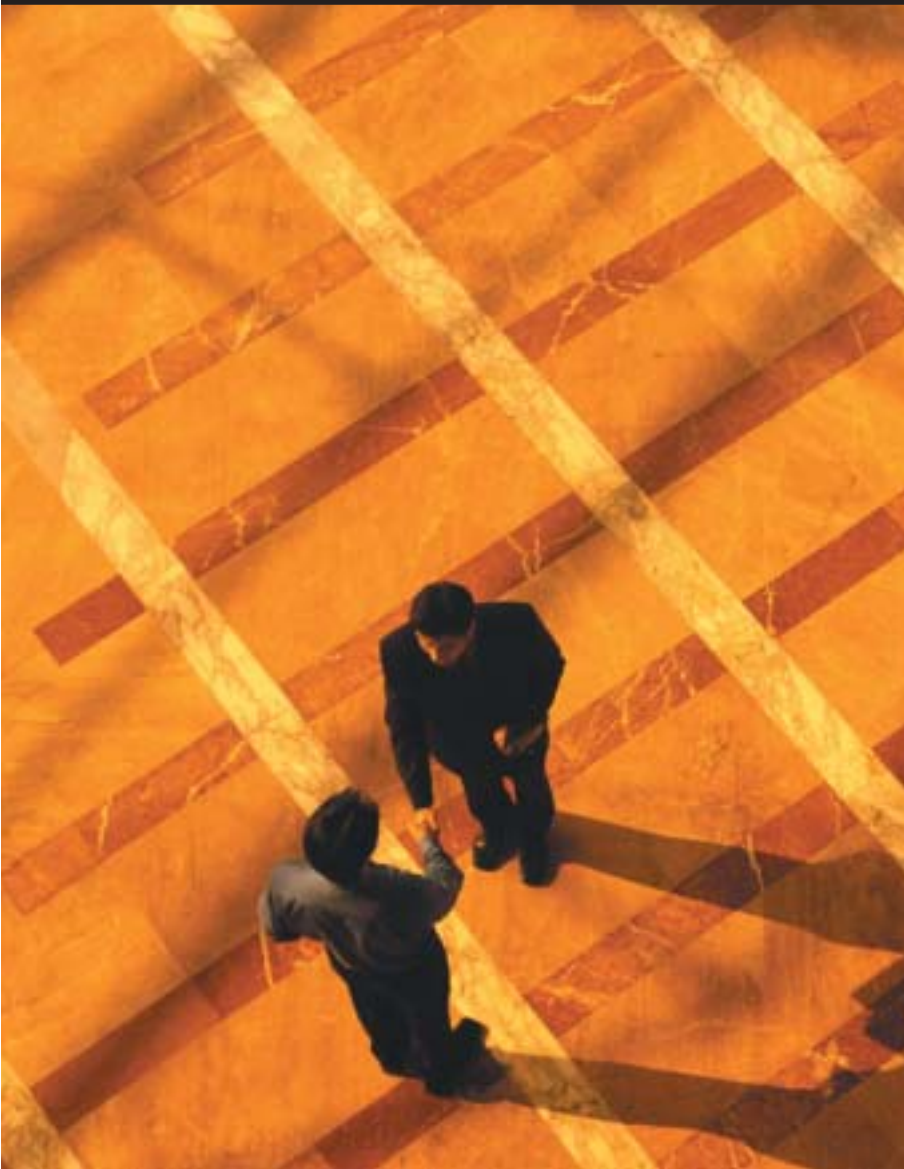
You'll never go anywhere, standing still.

The idea is to always nurture ideas.

And dreams and ambitions.

Only then, can we fly.

corporate GOVERNANCE



03

Statement on Corporate Governance	70-73
Report of the Audit Committee	74-75
Report of the Nomination & Remuneration Committee	76
Report of the Finance & Investment Committee	77
Report on Risk Management	78-79
Statement on Internal Control	80
Statement on Director's Responsibility	81
Other Disclosures	82-83



WE SET OUT THE PRINCIPLES AND PRACTICES THAT ENHANCE CORPORATE ACCOUNTABILITY AND TRANSPARENCY. THIS IS HOW WE HANDLE RESPONSIBILITIES TOWARDS OUR SHAREHOLDERS.

THE MALAYSIAN CODE ON CORPORATE GOVERNANCE SETS OUT THE PRINCIPLES AND BEST PRACTICES ON STRUCTURES AND PROCESSES USED TO DIRECT AND MANAGE THE BUSINESS AND AFFAIRS OF THE COMPANY TOWARDS ENHANCING CORPORATE ACCOUNTABILITY WITH THE OBJECTIVE OF REALISING LONG-TERM SHAREHOLDER VALUE, WHILST TAKING INTO ACCOUNT THE INTERESTS OF OTHER STAKEHOLDERS.

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

The Board is pleased to report on the main corporate governance practices of the Group for the year ended 31 December 2005.

BOARD OF DIRECTORS

Board Responsibilities

The Board reviews and approves the short-term budgets and long-term strategies for the Group. In addition, all acquisitions, major capital expenditure and disposal of investments would have to be approved by the Board. The Limits of Authority govern the authority limits established by the Board for management to manage the businesses of the Group.

The Directors, collectively, have a wide range of relevant experience to enable them to discharge their responsibilities effectively.

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

There is a division of responsibility between the Chairman and Group Managing Director to ensure a balance of power and authority. The Board is chaired by a Non-Independent Non-Executive Chairman and the management of the Group lies with the Group Managing Director.

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

Composition of Board

The Board, as at 31 December 2005, consists of 9 directors, of whom one (1) is an Executive Director, and four (4) out of the eight (8) Non-Executive Directors are independent. A brief profile of each Director is presented on pages 10 to 19 of the Annual Report.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Appointment

The Board appoints its members through a formal process, which is consistent with the Company's Articles of Association.

The proposed appointment of a new member to the Board, as well as the proposed re-appointment and re-election of Director seeking re-election at the Annual General Meeting are recommended by the Nomination and Remuneration Committee (NRC) to the Board for approval.

New members of the Board undergo an in-house company training programme to familiarise themselves with the operations of the Group.

Re-election

In accordance with the Articles of Association of the Company, one-third of the Directors will have to stand for re-election at each Annual General Meeting.

The Articles also provide that all Directors who are appointed by the Board in the course of the year are subject to re-election by shareholders at the next Annual General Meeting after their appointment.

Directors Training

All Board members have attended the Mandatory Accreditation Programme.

The Directors are regularly informed of industry-specific conventions to enable them to understand the industries within which the Group operates.

During the year, the Directors have attended the Continuing Education Training Programme and in-house training organized by the Company on 'Economic Sectoral Overview' and 'Financial Reporting Standards' to keep them updated on the developments in the marketplace and regulatory changes.

STRUCTURE AND PROCESS

Board Meetings

Board meetings are scheduled a year ahead in order to enable full attendance at Board meetings. A minimum of four 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 attendance record of each member during the year is as follows:

	Number of Board Meetings	
	Held	Attended
Tan Sri Ab Rahman bin Omar	8	8
Dr. Mohamad Hashim bin Ahmad Tajudin	8	8
Dato' N Sadasivan	8	7
Paisol bin Ahmad (resigned 3/4/06)	8	7
Tan Sri Dato' David Chiu	8	3
Tan Sri Dato' Dr. Mohamed Yusof bin Hashim	8	7
Dato' Seri Mohd Hussaini bin Haji Abdul Jamil	8	5
E. Sreesanthan	8	7
Dato' Kalsom binti Abdul Rahman	8	5
Lai Chee Leong (resigned 11/4/05)	2	2
Tan Peng Hock (resigned 11/4/05)	2	2
Jamiah binti Abdul Hamid (appointed 3/4/06)	N/A	N/A
Abdul Rahim bin Abdul Hamid (appointed 3/4/06)	N/A	N/A

RELATIONSHIP BETWEEN BOARD AND SENIOR MANAGEMENT

The Chairman, together with the Board, reviews and approves the strategic objectives and key performance indicators for the Group Managing Director.

The Group Managing Director is responsible for overseeing the businesses as well as coordinating and implementing corporate strategies.

Quality/Supply of Information

Board papers are prepared for all agenda items to ensure relevant information is provided to assist decision making.

The Chairman is primarily responsible for ensuring that sufficient information is provided to the Board members to assist them in their deliberation.

Access to Information/Advice

All Directors, have unrestricted access to any information pertaining to the Company. Formal procedures have been established to ensure that Directors, collectively and in their individual capacity, have the ability to seek independent advice at the Company's expense. All Directors have access to the administration and resources of the Company Secretary in carrying out their duties.

Board Committees

The Board of Directors delegates specific responsibilities to the Board Committees, namely the Nomination & Remuneration Committee, Audit Committee, Finance & Investment Committee and Government-Linked Companies Transformation Committee.

All committees have their terms of reference approved by the Board and submit reports of their deliberations and major findings to the Board.

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

DIRECTORS' REMUNERATION

The remuneration of Executive Directors is reviewed by the Nomination & Remuneration Committee and submitted by the Committee to the Board for approval.

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

The aggregate remuneration of Directors categorised into appropriate components for the financial year ended 31 December 2005 is as follows:

Category of Director	Fees RM'000	Allowance RM'000	Salaries RM'000	Benefits in Kind RM'000	Total RM'000
Executive Directors	–	–	605	154	759
Non-Executive Directors	463	59	–	–	522

Range of Remuneration	Executive	Non-Executive
RM1-RM50,000	–	2
RM50,001 to RM100,000	–	8
RM250,000 to RM300,000	–	–
RM700,000 to RM750,000	–	–
RM750.001 to RM800,000	1	–

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

Internal Control

The Statement on Internal Control on page 80 of the Annual Report provides an overview on the state of internal control within the Group.

Risk Management

The report on Risk Management on page 78 to 79 of the Annual Report describes the structure and process of risk management in the Group.

Audit Committee

The details are shown in the accompanying report of the Audit Committee on pages 74 and 75.

Internal Audit

The Group has established an Internal Audit Division that reports to the Audit Committee.

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

The Internal Auditor reports to the Audit Committee.

Whistle-blowing Policy

As part of best practices in good corporate governance, the Group 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 victimization, recrimination, discrimination or disadvantage to the employee reporting the concern. It provides a formal channel to encourage and enable employees to report serious concerns so that such concerns can be properly addressed.

SHAREHOLDERS

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

The Annual General Meeting (AGM) provides a forum for shareholders to ask the Board of Directors questions about the Company's affairs.

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

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

Investors Relations

The Company also holds regular briefings for institutional investors to explain the Group's strategy and major developments, all within the legal and regulatory framework in respect of the release of information.

COMPLIANCE TO CODE

The Group has in all material respects complied with the Code of Corporate Governance throughout the financial year ended 31 December 2005.

report of the **AUDIT** committee

TERMS OF REFERENCE

Membership

- The Audit Committee shall have a minimum of three (3) directors, a majority of whom are independent.
- The Chairman of the Audit Committee shall be an Independent Non-executive Director.
- At least one member of the Committee:-
 - i. must be a member of the Malaysian Institute of Accountants (MIA); or
 - ii. 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.

Meeting

- The quorum shall be two members, who must be Independent Directors.
- The Internal Auditor and a representative of the external auditor shall be invited to attend the meeting.

Authority

The Audit Committee shall have:

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

Responsibilities

- To review the financial reporting to external parties carried out by the Group.
- To review the accounting policies of the Group
- To review the scope and audit programmes of the internal and external auditors and any material issues arising from these audits.
- To review the effectiveness of the Group's systems of accounting and internal controls.
- To recommend to the Board the appointment of the external auditors and the level of their fees.
- To consider any related party transactions that may arise within the Group.

MEMBERS AND MEETINGS

The Audit Committee comprises of three (3) members, all of whom are Non-executive Directors.

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

Name	Status of Directorship	Number of Meeting	
		Held	Attended
Dato' N Sadasivan (Chairman)	Independant Non-Executive	4	4
Tan Sri Dato' Dr. Mohamed Yusof bin Hashim	Independant Non-Executive	4	4
Paisol bin Ahmad (resigned 3/4/06)	Non-Independent Non-Executive	4	4
Abdul Rahim bin Abdul Hamid (appointed 3/4/06)	Independent Non-Executive	N/A	N/A

ACTIVITIES DURING THE YEAR

The following activities were carried out by the Audit Committee during the year:

- i. reviewed and approved the internal audit plan for the year.
- ii. reviewed the audit reports of the Group prepared by the internal and external auditors and consideration of the major findings by the auditors and management responses thereon.
- iii. reviewed the quarterly and annual reports of the Group prior to submission to the Board of Directors for consideration and approval.
- iv. 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.
- v. reviewed the risk profile register to evaluate the management process for identifying, evaluating and managing the significant risks faced by the Group.
- vi. reviewed with the External Auditor; their management letter and the management reports.
- vii. evaluated the performance of the External Auditors and made recommendations to the Board of Directors on their re-appointment and audit fees.

INTERNAL AUDIT

The Company has an internal audit department whose principal responsibility is to undertake regular and systematic risk-based assessments of the systems of internal control so as to provide reasonable assurance that such systems are adequate and continue to operate effectively in managing the key risks of the Company and Group.

Further details of the activities of the internal audit function are set out in the Statement on Internal Control on page 80.

RELATIONSHIP WITH EXTERNAL AUDITORS

The External Auditors are invited to all the meetings of the Audit Committee and they attended all the meetings of the committee during the year.

report of the **NOMINATION & 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 2005.

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 review and approve/ratify policies on the remuneration package of executive directors of the Company and Managing Directors of subsidiary companies;
- (iv) to review and approve/ratify the annual global increment and bonus package for non-unionized employees in the CCM Group of Companies;
- (v) to review the implementation of the Employees' Share Options Scheme of the CCM Group.

MEMBERS AND MEETING

The Nomination and Remuneration Committee consists of three (3) members, all of whom are Independent Non-Executive Directors.

A total of four (4) meetings were held during the year. The attendance record of each member during the year is as follows:

Name	Membership	Number of Meeting	
		Entitled	Attended
Tan Sri Ab Rahman Omar (Chairman)	Non-Independent Non-Executive	4	3
Dato' N. Sadasivan	Independent Non-Executive	4	4
Tan Sri Dato' Dr. Mohamed Yusof bin Hashim	Independent Non-Executive	4	4

ACTIVITIES DURING THE YEAR

During the year, the Committee:

- i. recommended for approval the appointment of new Directors to the Board.
- ii. recommended for approval the remuneration package of the Group Managing Director and Managing Directors of Subsidiary Companies.
- iii. recommended to the Board the appointment of Directors to the Board Committees.
- iv. reviewed and approved the annual global increment and bonus package for non-unionized employees of the Group.
- v. ensured that all Directors received appropriate continuous training programmes in order to keep abreast with developments in the financial industry and with changes in the relevant statutory and regulatory requirements
- vi. reviewed the management's recommendation on appointment or promotions of senior management personnel of the Group.
- vii. reviewed the implementation of the Employees' Share Option Scheme of the Group.

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 2005.

TERMS OF REFERENCE

- To review and approve all capital expenditure in excess of RM1 million and up to RM20 million as proposed by companies within the Group.
- To review and recommend for approval to the Board of Directors all capital expenditure in excess of RM20 million as proposed by companies within the Group.
- To review and recommend to the Board of Directors all acquisitions and divestments of companies (excluding dormant companies) and setting up of new business irrespective of value.
- To advise the management team on suitable plans in respect of investments in Impax Laboratories Inc. and Cardiome Pharma Corp.

COMPOSITION

- Members of the Committee should constitute only Non-Executive Directors.
- The Committee shall have a minimum of three Directors.
- The quorum shall be two members.
- The Company Secretary shall be secretary of the Committee.

MEETINGS

The Committee met nine (9) times in the year. The attendance record of members during the year (in the case of Director appointed after 1 January 2005, since the date of their appointment) is as follows:

Name	Membership	Number of Meeting	
		Held	Attended
Dato' Seri Mohd Hussaini bin Haji Abdul Jamil (Chairman)	Non-Independent Non-Executive	9	7
Dato' Kalsom binti Abdul Rahman	Independent Non-Executive	9	5
E. Sreesanthan	Non-Independent Non-Executive	9	8
Lai Chee Leong (resigned 11/4/05)	Non-Independent Non-Executive	2	2
Tan Sri Dato' David Chiu (appointed 13/9/05)	Non-Independent Non-Executive	4	1
Paisol bin Ahmad (appointed on 13/9/05 and resigned on 3/4/06)	Non-Independent Non-Executive	4	4

report on RISK MANAGEMENT

RISK MANAGEMENT

Risk Management is an integral part of the Group's corporate governance structure and a key management tool. A systematic and integrated risk management process has been formally established across the Group since 2001. The process is overseen by a Risk Management Council, chaired by the Group Managing Director and comprises Senior Management staff of the Group. The Group's Risk Management Facilitation Team reports to the Council and also the CCM Board Audit Committee on the Group's risk profile and the state of measures to manage the Group's significant risks.

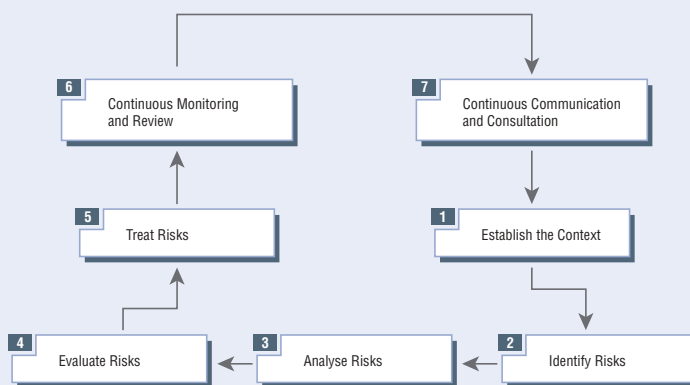
The Group recognises the broad spectrum of risks which it faces along with the opportunities which it seeks in its businesses and operations. It is hence the Group's objective to maintain an effective risk management programme to assess and mitigate these risks and thereby facilitate the Group in meeting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

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

The Group's Annual Risk Management Programme is approved by the Risk Management Council. The risk management activities outlined in the Programme are facilitated by the Risk Management Facilitation Team including updating of risk profiles; "just-in-case" risk scenario planning; and risk analyses of business or operational initiatives/issues emerging in the Group.

RISK MANAGEMENT PROCESS

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



The Group's risk management process is described further in the "Statement on Internal Control" on page 80 of this Annual Report.

RISK ANALYSIS AND MITIGATION

The identified risks are analysed according to their likelihood of occurrence and significance of their consequences. Based on the risk analyses and subsequent evaluation for treatment priority, the appropriate risk mitigation strategies are devised to treat the risks accordingly.

The following illustrates risk profiles in general and describes generally the respective risk mitigation strategies of the Group.

RISK A

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

RISK B

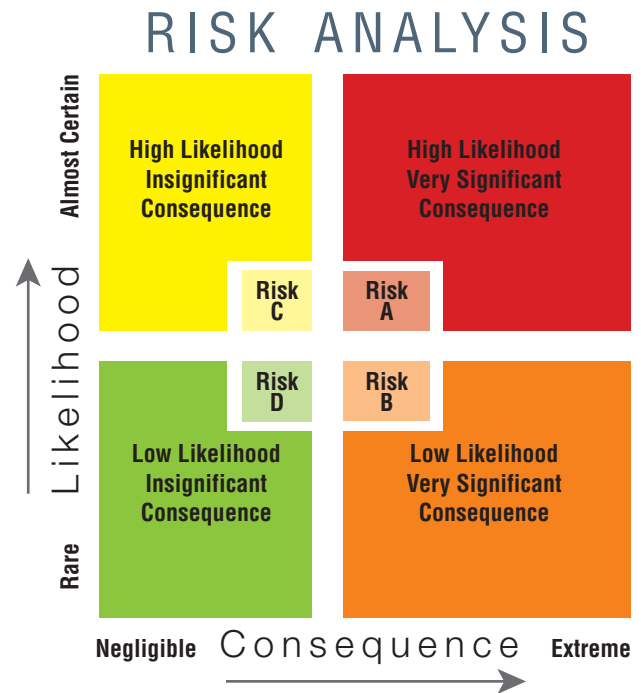
Considerable management attention is required including specifying management responsibility. Given the significant consequences of the risk, preventive control measures must be maintained effectively with regular assessment thereof in order to maintain the likelihood of the risk occurring at a low level.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

RISK C

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

RISK D

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



statement on INTERNAL CONTROL

THE BOARD IS RESPONSIBLE FOR THE GROUP'S SYSTEM OF INTERNAL CONTROL AND FOR REVIEWING ITS ADEQUACY AND INTEGRITY. THE SYSTEM INCLUDES FINANCIAL, OPERATIONAL AND COMPLIANCE CONTROLS AND RISK MANAGEMENT. THE SYSTEM IS DESIGNED TO MANAGE RATHER THAN ELIMINATE THE RISK OF FAILURE TO ACHIEVE BUSINESS OBJECTIVES AND ACCORDINGLY, IT CAN ONLY PROVIDE REASONABLE AND NOT ABSOLUTE ASSURANCE AGAINST MATERIAL MISSTATEMENT OR LOSS.

The Board confirms that as an integral part of the system of internal control, there is an ongoing group-wide risk management process for identifying, evaluating and managing the significant risks faced by the Group. Management has operated this process during the year under review up to the date of approval of the annual report; and the process is subjected to regular review by the Board. The Group has a Risk Management Council which is chaired by the Group Managing Director and comprises Senior Management of the Group, to provide oversight and added impetus to the risk management process.

Management from each business or operations area apply a risk/control self-assessment approach to identify the risks relating to their area; 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 the desired 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 risk registers are eventually compiled to form the Group Risk Profile for reporting to the Risk Management Council and also Audit Committee of the Board. The overall process is facilitated by the Risk Management Facilitators who are dedicated to the role.

The Risk Management Facilitators maintain regular communication and consultation with management and also facilitate risk analysis of business or operational initiatives/issues emerging in the Group; conduct periodic follow-up of the updating of risk profiles and the implementation of risk treatment measures by management; facilitate analysis of "just-in-case" risk scenarios; and conduct risk management training workshops.

The Group Risk Profile enables the Audit Committee to focus on the key risks inherent in the Group's businesses and operations and the system of internal control necessary to manage such risks. Internal Audit independently reviews the adequacy and integrity of the system of internal control in managing the key risks and report accordingly to the Audit Committee on a quarterly basis. Where significant weaknesses have been identified as a result of the reviews, improvement measures are recommended to strengthen controls; and follow-up audits are conducted by Internal Audit to assess the status of implementation thereof by management. In carrying out its work, Internal Audit focuses on areas of priority as determined by risk analysis which are incorporated in the annual audit plan approved each year by the Audit Committee.

The Group has a Project Review Council ("PRC") to provide added assurance in the feasibility evaluation of project/investment proposals and subsequent evaluation of the progress and results of endorsed project/investment through a process of due scrutiny. The PRC reviews and approves all projects to be submitted to the Finance and Investment Committee of the Board.

Management reports are presented to the Board each quarter providing financial information including key performance and risk indicators.

Where areas for improvement are identified including any relating to projects/investments, the Board considers the recommendations made by the Finance and Investment Committee.

There were no material weaknesses in the system of internal control that would require separate disclosure in this Annual Report.

statement on DIRECTOR'S RESPONSIBILITY

As required under the Companies Act 1965 ("Act"), the Directors on pages 85 to 90 of this Annual Report have made a statement expressing an opinion on the financial statements. The Board is of the opinion that the financial statements have been drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of the financial position of the Company and the Group for the financial year ended 31 December 2005.

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

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

This statement is made in accordance with a resolution of the Board of Directors dated 28 February 2006.

Other DISCLOSURES

MATERIAL CONTRACTS

There are no material contract of the Company and subsidiaries involving directors and substantial shareholders.

EMPLOYEES SHARE OPTION SCHEME

During the financial year, there was no allocation of options in relation to Employees' Share Option Scheme.

RECURRENT RELATED PARTY TRANSACTION OF A REVENUE NATURE

As at the Extraordinary General Meeting held on 12 May 2005, the Company had obtained a shareholders mandate to allow the Company to enter into Recurrent Related Party Transactions of a revenue or trading nature.

In accordance to the Bursa Malaysia Securities Berhad Listing Requirements, details of the Recurrent Related Party Transactions audited during the year financial year ended 31 December 2005 pursuant to the shareholders mandate are as follows:

Transaction	Vendor/Provider	Purchaser/Recipient	Aggregate Value (RM'000)	Interested Party
Purchase/Sale of ammonia	CCMC	CCMF	52,740	Permodalan Nasional Berhad ³ Dato' Haji Mizanur Rahman bin SM Abdul Ghani ²
Sale of water-care products ⁶	CCMC	Usaha Kimia Sdn Bhd	8,376	Yeoh Keat Chye ¹
Purchase/sale of Nitric Acid and other chemicals	CCMF	CCMC	3,762	Permodalan Nasional Berhad ³ Dato' Haji Mizanur Rahman bin SM Abdul Ghani ²
Sale of Nitric Acid and other chemicals	CCMC	Ansell N.P Sdn Bhd Group of Companies	3,849	Permodalan Nasional Berhad ³
Sale of Fertilizers	CCMF	Golden Hope Plantations Berhad Group of Companies	94,489	Permodalan Nasional Berhad ³
Sale of Chlor-Alkali and specialty industrial chemicals	CCMC	Titan Chemicals Corp Bhd Group of Companies	3,254	Permodalan Nasional Berhad ³
Sale of Chlor-Alkali and specialty industrial chemicals	CCMC	Fraser & Neave Holding Berhad Group of Companies	9,665	Permodalan Nasional Berhad ³
Sale of Chlor-Alkali and specialty industrial chemicals	CCMC	ICI Paints (M) Sdn Berhad Group of Companies	1,000	Permodalan Nasional Berhad ³
Sale of Fertilizers	CCMF	Sime Darby Berhad Group of Companies	1,591	Permodalan Nasional Berhad ³

Notes:-

- Yeoh Keat Chye is a Director of CCM Chemicals Sdn Bhd and also a shareholder by virtue of his shareholding in Lanjut Setia Sdn Bhd, which holds 10.0% of the issued share capital of CCM Chemicals Sdn Bhd. He is also a shareholder of CCM with a direct holding of 352,000 ordinary shares or 0.09%. He also sits in the Board of Usaha Kimia Sdn Bhd.
- Dato' Haji Mizanur Rahman bin SM Abdul Ghani is a Director of CCM Fertilizers Sdn Bhd and Duopharma Biotech Berhad. He is also a shareholder of CCM Chemicals Sdn Bhd by virtue of his shareholding in Lanjut Setia Sdn Bhd, which holds 10.0% of the issued share capital of CCMC. He is also a Director and shareholder of Usaha Kimia Sdn Bhd. He has direct holding of 209,300 ordinary shares in CCM or 0.05% and indirect holding of 1,000 ordinary shares each under the name of Shazli Ghani bin Mizanur Rahman and Shahreza Ghani bin Mizanur Rahman.
- Permodalan Nasional Berhad ("PNB") is a substantial shareholder of CCM with equity holding of 62.55% as at 31 March 2006. PNB interest is collectively held under Amanah Saham Bumiputra of 180,148,700 ordinary shares (46.79%), Permodalan Nasional Berhad of 59,991,860 ordinary shares (15.58%) and Amanah Saham Wawasan 2020 of 673,900 ordinary shares (0.18%). PNB also has interest in Ansell N.P Sdn Bhd Group of Companies, Golden Hope Plantations Berhad Group of Companies, Titan Chemicals Corp Bhd Group of Companies, Kumpulan Guthrie Berhad Group of Companies, Sime Darby Plantations Berhad and Fraser & Neave Holding Berhad Group of Companies and CCM Chemicals Sdn Bhd.

SHARE BUY-BACK

The Company did not seek a mandate from the shareholder and accordingly has not carried out any to carry out shares buy-back during the year. The Company has 5,888,000 treasury shares as at 31 December 2005.

NON-AUDIT FEES

During the year ended 31 December 2005, the Group has paid a sum of RM62,398 being fee for non-audit work performed.

PROFIT GUARANTEES

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

REVALUATION POLICY OF LANDED PROPERTY

Land & Buildings are stated at Director's valuation based on professional valuations made by M. Nawawi & Co, conducted on the open market basis in November 2005.

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.

UTILISATION OF BOARD PROCEEDS

	Amount	Utilised	Balance as at 31/12/05
	RM'000	RM'000	RM'000
Rationalisation of pharmaceutical manufacturing operations	70,000	19,300	50,700
Refinancing of existing term loans	82,360	82,360	–
Working capital requirements of the Group	47,640	47,640	–
	200,000	149,300	50,700

OPTIONS, WARRANTS EXERCISED DURING THE YEAR

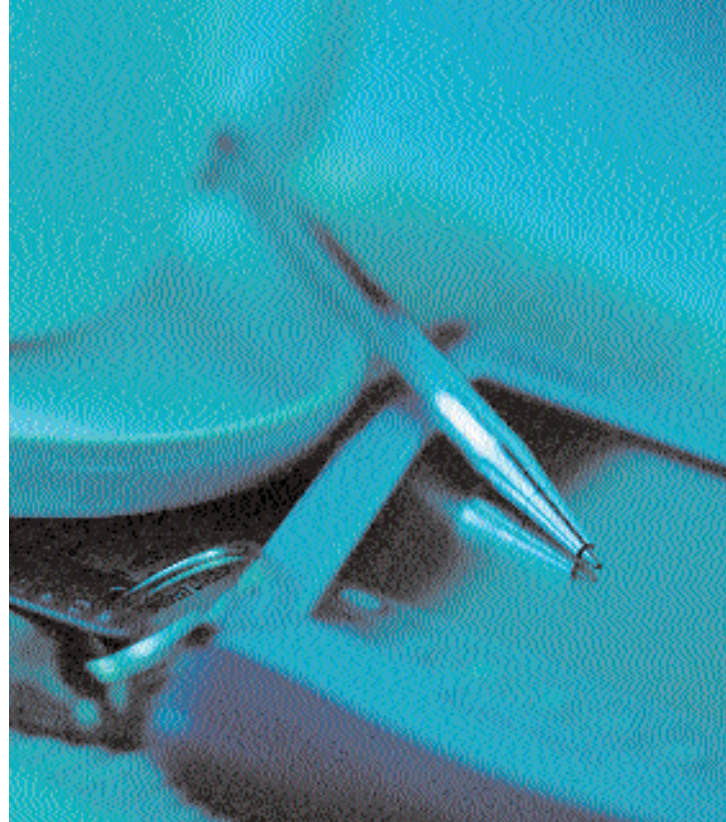
	Balance at 1/1/05	Exercised	Lapsed	Balance as at 31/12/05
	RM'000	RM'000	RM'000	RM'000
Warrant A [#]	88,982	3	–	88,979
Warrant B	77,743	3,636	–	74,107
ESOS*	5,223	1,986	724	2,513

* No options were offered to Non-Executive Directors of the Company.

[#] The warrants lapsed on 7 February 2006.

FINANCIAL statements

Directors' Report and Statement	85-90
Statutory Declaration	91
Report of the Auditors	92
Income Statements	93
Balance Sheets	94-95
Consolidated Statement of Changes in Equity	96-97
Statement of Changes in Equity	98
Cash Flow Statements	99-101
Notes to the Financial Statements	102-139



DIRECTORS' REPORT AND STATEMENT

Amounts in RM'000 unless otherwise stated

The Directors of Chemical Company of Malaysia Berhad present their forty-fourth annual report together with the audited financial statements of the Group and of the Company for the year ended 31 December 2005. This report and the financial statements will be presented to the shareholders at the Annual General Meeting to be held on 24 May 2006.

PRINCIPAL ACTIVITIES

The Company is principally an investment holding and management company with subsidiaries and associates engaged in the manufacture and marketing of fertilizers, chlor-alkali and coagulant products, pharmaceuticals and healthcare products and the marketing of a wide range of chemicals. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group	Company
Net profit for the year	90,221	203,041

RESERVES AND PROVISIONS

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

DIVIDENDS

Dividends paid by the Company since 31 December 2004 were as follows:-

In respect of the financial year ended 31 December 2004 as shown in the Directors' Report for that year:-

Final dividend of 6.0 sen per share, less tax and a special dividend of 5.0 sen per share, less tax totalling RM29,577,000 paid on 26 May 2005.

In respect of the financial year ended 31 December 2005:-

Interim dividend of 6.0 sen per share, tax exempt totalling RM22,643,000 paid on 23 September 2005.

The Directors now recommend a final dividend of 9.0 sen per share, less tax and a special tax exempt dividend of 5.0 sen per share, which if approved will be paid on 8 June 2006 to shareholders registered at the close of business on 1 June 2006.

DIRECTORS OF THE COMPANY

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

Tan Sri Ab. Rahman bin Omar, Chairman

Dr. Mohamad Hashim bin Ahmad Tajudin, Group Managing Director

DIRECTORS OF THE COMPANY (CONT'D)

Dato' N. Sadasivan
 Tan Sri Dato' David Chiu
 Tan Sri Dato' Dr. Mohamed Yusof bin Hashim
 Dato' Seri Mohd Hussaini bin Haji Abdul Jamil
 Sreesanthan a/l Eliathamby
 Dato' Kalsom Abdul Rahman
 Jamiah binti Abdul Hamid (appointed on 3 April 2006)
 Abdul Rahim bin Abdul Hamid (appointed on 3 April 2006)
 Paisol bin Ahmad (resigned on 3 April 2006)
 Lai Chee Leong (resigned on 11 April 2005)
 Tan Peng Hock (resigned on 11 April 2005)
 Tang Seng Mun (Alternate Director to Tan Sri David Chiu) (appointed on 16 August 2005)
 Hui Yin Fun, Eva (Alternate Director to Tan Sri David Chiu) (resigned on 16 August 2005)

DIRECTORS' INTERESTS IN SHARES

The interests of the Directors in office at the end of the financial year as recorded in the Register of Directors' Shareholdings are as follows:-

	Balance at 1.1.2005	Number of Shares		Balance at 31.12.2005
		Bought	Sold	
Shareholdings in the Company				
Direct interest				
Dato' N. Sadasivan	200,000	–	–	200,000
Indirect interest				
Tan Sri Dato' David Chiu	36,000,000	–	18,000,000	18,000,000

By virtue of their interests in the shares of the Company, the Directors are also deemed interested in the shares of the subsidiaries during the financial year to the extent that Chemical Company of Malaysia Berhad has an interest.

	Balance at 1.1.2005	Number of Warrants		Balance at 31.12.2005
		Bought	Sold	
Warrants in Company				
Direct/Indirect interest				
<i>Warrant B</i>				
Dato' N. Sadasivan	50,000	–	–	50,000
Tan Sri Dato' David Chiu	9,000,000	–	9,000,000	–

No other Directors holding office at the end of the financial year held any interest in the shares of the Company and its related corporations.

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) 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, except for certain Directors who may be deemed to derive a benefit by virtue of those transactions in the normal course of business between the Company and its related corporations or corporations in which the Directors are deemed to have interests.

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 apart from the issue of warrants.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued 5,625,000 ordinary shares of RM1.00 each at par for cash arising from:-

- (i) conversion of 3,000 Warrants-A on the basis of one ordinary share of the price of RM2.86 per ordinary share for every warrant held;
- (ii) conversion of 3,636,000 Warrants-B on the basis of one ordinary shares at the price of RM1.36 per ordinary share for every warrant held; and
- (iii) subscription of 1,986,000 ordinary shares at the price of RM1.36 per ordinary share through the Employee's Share Option Scheme ("ESOS").

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

OPTIONS GRANTED OVER UNISSUED SHARES/WARRANTS

No options were granted to any person to take up unissued shares or warrants of the Company during the financial year apart from the issue of shares or warrants pursuant to the Employees' Share Option Scheme, 3% Redeemable Non-Guaranteed Unsecured Bonds 1996/2001 and 3% Fixed Rate Bonds with Warrants issue 2002/2009.

1) Employees' Share Option Scheme

Pursuant to the ESOS which became effective on 18 December 2002, options to subscribe for up to 17,608,000 ordinary shares of the Company are available to eligible Directors and employees of the Group. The Executive Directors have opted not to participate in this ESOS.

The salient features of the Scheme are as follows:-

- (i) Eligible employees are those who have been confirmed in writing as an employee of the Group prior to the date of the offer.
- (ii) The option is personal to the grantee and is non-assignable.
- (iii) The option price was determined by the average of the mean market quotation of the Company's ordinary shares as shown in the Daily Official List issued by the Bursa Malaysia Securities Berhad for the five (5) trading days preceding the date of the offer in writing to the grantee or at the par value of the ordinary shares of the Company, whichever is higher.

OPTIONS GRANTED OVER UNISSUED SHARES/WARRANTS (CONT'D)

1) Employees' Share Option Scheme (Cont'd)

- (iv) The options granted may be exercised at any time within a period of five years from the date of the offer of the option.
- (v) The options granted may be exercised according to the following scale in respect of a maximum of the following:-

Length of service	Percentage of options exercisable
3 years	50%
4 years	75%
5 years	100%

The outstanding offered options to take up issued ordinary shares of RM1.00 each and the option price are as follows:-

Date of Offer	Options over number of ordinary shares of RM1 each				Balance at 31.12.2005
	Option Price (RM)	Balance at 1.1.2005	Exercised	Lapsed	
18.12.2002	1.36	5,223,000	1,986,000	724,000	2,513,000

2) Warrants

On 8 February 1996, the Company issued RM150,000,000 nominal amount of 3% Redeemable Non-Guaranteed Unsecured Bonds 1996/2001 together with 44,539,350 (adjusted to 89,078,700 after the bonus issue) detachable warrants (hereinafter termed "Warrants-A") at 100% of the nominal value of the Bonds to Bumiputra Merchant Bankers Berhad as primary subscriber.

On 26 April 1996, the primary subscriber offered for sale 44,539,350 (adjusted to 89,078,700 after the bonus issue in 2000) Warrants-A at an offer price of RM0.426 per warrant on a non-renounceable basis to the shareholders of the Company on the basis of one (1) warrant for every four (4) existing ordinary shares held.

These Warrants-A confer upon the registered holder the right to subscribe for one ordinary share ("New Share") of RM1.00 each in the Company at an exercisable price of RM5.90 (adjusted to RM2.95 after the bonus issue) for each New Share, subject to adjustments under certain circumstances in accordance with the Deed Poll dated 5 February 1996, at any time during the period of three (3) years and nine (9) months commencing from the date of the first anniversary of issue of the warrants.

The Company obtained approval from the shareholders and Warrant-A holders at an extraordinary general meeting and warrant holders' meeting held on 22 April 1999 to extend the duration and exercise period of the Company's warrants to ten (10) years, up to and including 7 February 2006.

In accordance with the Deed Poll of the 88,982,134 Warrants-A 1996/2006, the exercise price of the outstanding warrants was adjusted from RM2.95 to RM2.86.

OPTIONS GRANTED OVER UNISSUED SHARES/WARRANTS (CONT'D)

2) Warrants (Cont'd)

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

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

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

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) all current assets have been stated at the lower of cost and net realisable value.

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 Group and in the Company financial statements 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.

OTHER STATUTORY INFORMATION (CONT'D)

In the opinion of the Directors, except for change in accounting policy on goodwill adopted since the last report as disclosed in the financial statements, the results of the operations of the Group and of the Company for the financial year ended 31 December 2005 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.

The Directors of Chemical Company of Malaysia Berhad are of the opinion that the financial statements set out on pages 93 to 139, are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2005 and of the results of their operations and cash flows for the year ended on that date.

EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

Subsequent to the balance sheet date, the subscription period of the Warrants-A of 44,539,350 (adjusted to 89,078,700 after the bonus issue in 2000) at an exercise price of RM2.86 has expired on 7 February 2006. Accordingly, the outstanding warrants as at 7 February 2006 of 88,979,134 has lapsed.

HOLDING COMPANY

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

AUDITORS

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

Signed in accordance with a resolution of the Board of Directors:-

Tan Sri Ab. Rahman bin Omar

Dr. Mohamad Hashim bin Ahmad Tajudin

Kuala Lumpur,

Date: 4 April 2006

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Rama Devi Nair, 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 93 to 139 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 on 4 April 2006.

Rama Devi Nair

Before me:

REPORT OF THE AUDITORS

TO THE MEMBERS OF CHEMICAL COMPANY OF MALAYSIA BERHAD

We have audited the financial statements set out on pages 93 to 139. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:-

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:-
 - i) the state of affairs of the Group and of the Company at 31 December 2005 and the results of their operations and cash flows for the year ended on that date; and
 - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 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 said Act.

The subsidiaries in respect of which we have not acted as auditors are identified in Note 8 to the financial statements and we have considered their financial statements and the auditors' reports thereon. We have also considered the unaudited financial statements of CCM Investment Limited.

We are satisfied that the financial statements 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 consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

KPMG

Firm Number: AF 0758
Chartered Accountants

Kuala Lumpur,

Date: 4 April 2006

Chen Foo Siong

Partner
Approval Number: 1547/11/06(J/PH)

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

Amounts in RM'000 unless otherwise stated

	Note	2005	Group 2004	2005	Company 2004
Revenue		814,219	696,941	4,525	6,115
Operating profit	2	125,676	186,668	204,397	9,527
Interest income	3	10,836	10,736	10,450	8,982
Interest expense	4	(10,103)	(8,679)	(6,800)	(6,053)
		126,409	188,725	208,047	12,456
Share of profit of associates		3,897	1,241	–	–
Profit before taxation		130,306	189,966	208,047	12,456
Tax expense	5	(24,226)	(13,959)	(5,006)	(8,604)
Profit after taxation		106,080	176,007	203,041	3,852
Less : Minority shareholders' interests		(15,859)	(8,341)	–	–
Net profit for the year		90,221	167,666	203,041	3,852
Basic earnings per share (sen)	6	23.7	45.3		
Diluted earnings per share (sen)	6	17.9	32.4		
Gross dividend per share (sen)					
Interim paid 6.0 sen per share, tax exempt (2004 – 7.0 sen per share, less 28% tax)		6.0	7.0	6.0	7.0
Final proposed and not appropriated in the financial statements, 9.0 sen per share, less 28% tax (2004 – 6.0 sen per share, less 28% tax)		9.0	6.0	9.0	6.0
Special proposed and not appropriated in the financial statements, 5.0 sen per share, tax exempt (2004 – 5.0 sen per share, less 28% tax)		5.0	5.0	5.0	5.0
		20.0	18.0	20.0	18.0

The notes set out on pages 102 to 139 form an integral part of, and should be read in conjunction with, these financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER 2005

Amounts in RM'000 unless otherwise stated

	Note	Group		Company	
		2005	2004	2005	2004
Property, plant and equipment	7	412,639	325,601	180,019	166,755
Investment in subsidiaries	8	–	–	161,593	161,593
Investment in associates	9	4,241	2,629	119	119
Other investments	10	74,906	95,268	60,034	65,470
Development expenditure	11	–	–	–	–
Intangible assets	12	189,722	–	63	–
Deferred tax assets	23	76	1,984	–	–
Current assets					
Inventories	13	167,839	126,512	–	–
Trade and other receivables	14	210,324	191,518	394,107	144,925
Cash and cash equivalents	15	295,521	359,132	208,605	186,701
		673,684	677,162	602,712	331,626
Current liabilities					
Trade and other payables	16	121,991	108,262	53,779	45,356
Borrowings (unsecured)	17	109,714	88,652	–	–
Taxation		9,172	5,483	–	–
Provision	18	1,092	–	–	–
		241,969	202,397	53,779	45,356
Net current assets		431,715	474,765	548,933	286,270
		1,113,299	900,247	950,761	680,207

BALANCE SHEETS

AS AT 31 DECEMBER 2005

Amounts in RM'000 unless otherwise stated

	Note	2005	Group 2004	2005	Company 2004
Financed by:-					
Capital and reserves					
Share capital	19	383,520	377,895	383,520	377,895
Treasury shares	19	(11,443)	(11,443)	(11,443)	(11,443)
Reserves	20	311,097	254,975	256,821	92,213
Shareholders' funds		683,174	621,427	628,898	458,665
Minority shareholders' interests	21	95,484	47,699	–	–
Long term and deferred liabilities					
Bonds (unsecured)	22	200,000	200,000	200,000	200,000
Borrowings (unsecured)	17	100,000	–	100,000	–
Deferred tax liabilities	23	34,641	31,121	21,863	21,542
		334,641	231,121	321,863	221,542
		1,113,299	900,247	950,761	680,207

The financial statements were approved and authorised for issue by the Board of Directors on 4 April 2006.

The notes set out on pages 102 to 139 form an integral part of, and should be read in conjunction with, these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2005

Amounts in RM'000 unless otherwise stated

	←		Non-distributable			→		Total
	Share capital	Share premium	Capital redemption reserve	Revaluation reserve	Other capital reserve	Foreign translation reserve	Distributable Retained profits	
Group								
At 1 January 2004	363,291	2,529	73	39,543	2,982	(4)	81,624	490,038
Issue of shares:-								
Exercise of share options	4,667	1,680	–	–	–	–	–	6,347
Conversion of warrants	9,937	3,578	–	–	–	–	–	13,515
Net gains and losses not recognised in the income statement								
- Currency translation differences	–	–	–	–	–	(199)	–	(199)
- Realisation of revaluation reserve	–	–	–	(150)	–	–	150	–
Net profit for the year	–	–	–	–	–	–	167,666	167,666
Final and special dividend for 2003 (10.0 sen per share, less tax)	–	–	–	–	–	–	(25,968)	(25,968)
Interim dividend for 2004 (7.0 sen per share, less tax)	–	–	–	–	–	–	(18,529)	(18,529)
At 31 December 2004	377,895	7,787	73	39,393	2,982	(203)	204,943	632,870
	Note 19	Note 20	Note 20	Note 20	Note 20	Note 20	Note 20	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2005

Amounts in RM'000 unless otherwise stated

	←		Non-distributable			→		Total
	Share capital	Share premium	Capital redemption reserve	Revaluation reserve	Other capital reserve	Foreign translation reserve	Distributable Retained profits	
Group								
At 1 January 2005	377,895	7,787	73	39,393	2,982	(203)	204,943	632,870
Issue of shares:-								
Exercise of share options	1,986	715	-	-	-	-	-	2,701
Conversion of warrants	3,639	1,310	-	-	-	-	-	4,949
Net gains and losses not recognised in the income statement								
- Currency translation differences	-	-	-	-	-	103	-	103
Net profit for the year	-	-	-	-	-	-	90,221	90,221
Final and special dividend for 2004 (11.0 sen per share, less tax)	-	-	-	-	-	-	(29,577)	(29,577)
Interim dividend for 2005 (6.0 sen per share, tax exempt)	-	-	-	-	-	-	(22,643)	(22,643)
Surplus on revaluation of properties	-	-	-	15,993	-	-	-	15,993
At 31 December 2005	383,520	9,812	73	55,386	2,982	(100)	242,944	694,617
	Note 19	Note 20	Note 20	Note 20	Note 20	Note 20	Note 20	

The notes set out on pages 102 to 139 form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2005

Amounts in RM'000 unless otherwise stated

	← Non-distributable Capital →				Distributable	Total
	Share capital	Share premium	redemption reserve	Revaluation reserve	Retained profits	
Company						
At 1 January 2004	363,291	2,529	73	33,524	91,474	490,891
Issue of shares:-						
Exercise of share options	4,667	1,680	–	–	–	6,347
Conversion of warrants	9,937	3,578	–	–	–	13,515
Net profit for the year	–	–	–	–	3,852	3,852
Final and special dividend for 2003 (10.0 sen per share, less tax)	–	–	–	–	(25,968)	(25,968)
Interim dividend for 2004 (7.0 sen per share, less tax)	–	–	–	–	(18,529)	(18,529)
Realisation of revaluation reserve	–	–	–	(150)	150	–
At 31 December 2004	377,895	7,787	73	33,374	50,979	470,108
Issue of shares:-						
Exercise of share options	1,986	715	–	–	–	2,701
Conversion of warrants	3,639	1,310	–	–	–	4,949
Net profit for the year	–	–	–	–	203,041	203,041
Final and special dividend for 2004 (11.0 sen per share, less tax)	–	–	–	–	(29,577)	(29,577)
Interim dividend for 2005 (6.0 sen per share, tax exempt)	–	–	–	–	(22,643)	(22,643)
Surplus on revaluation of properties	–	–	–	11,762	–	11,762
At 31 December 2005	383,520	9,812	73	45,136	201,800	640,341
	Note 19	Note 20	Note 20	Note 20	Note 20	

The notes set out on pages 102 to 139 form an integral part of, and should be read in conjunction with, these financial statements.

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

Amounts in RM'000 unless otherwise stated

	Group		Company	
	2005	2004	2005	2004
Cash flows from operating activities				
Profit before taxation	130,306	189,966	208,047	12,456
Adjustments for:-				
Allowance for diminution in value of investment	-	-	-	1,200
Amortisation of development expenditure	-	1,621	-	-
Development expenditure written off	-	6,793	-	-
Depreciation and amortisation of property, plant and equipment	22,701	25,539	962	727
Gain on disposal of investments	(56,106)	(151,097)	(21,357)	(8,272)
(Gain)/Loss on disposal of property, plant and equipment	(289)	470	16	519
Property, plant and equipment written off	281	67	-	-
Share of profits in associates	(3,897)	(1,241)	-	-
Translation adjustment	103	(199)	-	-
Dividends income	-	-	(190,106)	(27,122)
Surplus on revaluation of property, plant and equipment	(140)	-	(196)	-
Operating profit/(loss) before working capital changes	92,959	71,919	(2,634)	(20,492)
Changes in working capital:-				
Inventories	(25,806)	(11,837)	-	-
Trade and other receivables	8,040	(31,380)	(248,056)	28,845
Trade and other payables	8,538	16,267	8,423	(2,418)
Cash generated from/(used in) operations	83,731	44,969	(242,267)	5,935
Income taxes paid	(22,674)	(13,259)	(2,300)	(2,027)
Net cash generated from/(used in) operating activities	61,057	31,710	(244,567)	3,908

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

Amounts in RM'000 unless otherwise stated

	Group		Company	
	2005	2004	2005	2004
Cash flows from investing activities				
Purchase of other investments	–	(28)	–	–
Proceeds from disposal of property, plant and equipment	644	1,170	13	561
Proceeds from disposal of other investments	81,350	177,439	31,793	19,231
Acquisition of subsidiaries	(236,519)	–	–	–
Purchase of intangible assets	(63)	–	(63)	–
Purchase of property, plant and equipment	(37,257)	(13,180)	(1,774)	(1,126)
Development expenditure	–	(1,621)	–	–
Dividends received	–	–	186,072	20,213
Purchase of commercial papers	(5,000)	(35,118)	(5,000)	(35,118)
Net cash generated (used in)/from investing activities	(196,845)	128,662	211,041	3,761
Cash flows from financing activities				
Dividends paid to shareholders of the Company	(52,220)	(44,497)	(52,220)	(44,497)
Dividends paid to minority shareholders	(4,315)	(6,610)	–	–
Proceeds from exercise of ESOS	2,701	6,347	2,701	6,347
Proceeds from exercise of warrants	4,949	13,515	4,949	13,515
Proceeds from borrowings	21,062	17,698	–	–
Proceeds from term loan	100,000	–	100,000	–
Repayment of loans	–	(16,340)	–	–
Net cash generated from/(used in) financing activities	72,177	(29,887)	55,430	(24,635)
(Decrease)/Increase in cash and cash equivalents	(63,611)	130,485	21,904	(16,966)
Cash and cash equivalents at beginning of year	359,132	227,350	186,701	203,667
Cash and cash equivalents at end of year	(i) 295,521	357,835	208,605	186,701

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

Amounts in RM'000 unless otherwise stated

(i) Cash and cash equivalents

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:-

	Group		Company	
	2005	2004	2005	2004
Cash and bank balances	43,236	28,158	444	5,495
Short term deposits	252,285	330,974	208,161	181,206
Bank overdrafts	–	(1,297)	–	–
	295,521	357,835	208,605	186,701

The notes set out on pages 102 to 139 form an integral part of, and should be read in conjunction with, these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Amounts in RM'000 unless otherwise stated

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies are adopted by the Group and by the Company and are consistent with those adopted in previous years except for the accounting policy on goodwill.

During the year, the Group recognised goodwill acquired from business combination at cost less any impairment losses. Goodwill is subject to impairment review on an annual basis. In previous years, the goodwill was written off to the income statement immediately.

The effect of the change in accounting policy together with the reason for the change is disclosed in Note 34.

(a) Basis of accounting

The financial statements of the Group and of the Company are prepared on the historical cost basis except as disclosed in the notes to the financial statements and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

(b) Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

A subsidiary is excluded from consolidation when either control is intended to be temporary if the subsidiary is acquired and held exclusively with a view of its subsequent disposal in the near future and it has not previously been consolidated or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the Company. Subsidiaries excluded on these grounds are accounted for as investments.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill as appropriate.

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

(c) Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies.

The consolidated financial statements include the total recognised gains and losses of associates on an equity accounted basis from the date that significant influence effectively commences until the date that significant influence effectively ceases.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Associates (cont'd)

Unrealised profits arising on transactions between the Group and its associates which are included in the carrying amount of the related assets and liabilities are eliminated partially to the extent of the Group's interests in the associates. Unrealised losses on such transactions are also eliminated partially unless cost cannot be recovered.

(d) Property, plant and equipment

Land and buildings are stated at cost or Directors' valuation (based on open market valuations by professional firms of valuers) less accumulated depreciation. Additions to land and buildings subsequent to the valuations and other plant and equipment are stated at cost.

The Group revalues its properties at regular intervals of not less than five years. Surpluses arising from revaluation are dealt with in the property revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to the income statement.

Plant and equipment are stated at cost less accumulated depreciation.

Depreciation

No amortisation is provided on leasehold land with unexpired lease terms of more than fifty years. The effect of this non-amortisation is not material in the context of the Group's and Company's financial statements.

Leasehold land with unexpired lease terms of less than fifty years are amortised in equal instalments over the remaining period of their leases.

Other property, plant and equipment are depreciated on a straight line basis to write off the cost of the assets over the term of their estimated useful lives at the following principal annual rates:-

Building and site fixtures	2% to 10%
Plant, machinery and equipment	7 ¹ / ₂ % to 25%
Motor vehicles	25%

(e) Intangibles

(i) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair values of the net identifiable assets acquired and is stated at cost less accumulated amortisation and accumulated impairment losses (refer Note 1(n)).

Goodwill is subject to impairment review on an annual basis.

(ii) Trademark

Trademark is stated at cost, less impairment loss, where applicable.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Development expenditure

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

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group have sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statements as an expense as incurred.

Capitalised development expenditure is amortised and recognised as an expense on a systematic basis so as to reflect the pattern in which the related economic benefits are recognised over 5 to 10 years.

(g) Investments

Long term investments are stated at cost. An allowance is made when the Directors are of the view that there is a diminution in their value which is other than temporary.

(h) Trade and other receivables

Trade and other receivables are stated at cost less allowance for doubtful debts.

(i) Employee benefits

(i) Short term employee benefits

Wages, salaries and bonuses are recognised as expenses in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

(ii) Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

(iii) Equity compensation benefits

The Employees' Share Option Scheme ("ESOS") allows Group employees to acquire shares of the Company. When the options are exercised, equity is increased by the amount of the proceeds received.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Provisions

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation (legal or constructive) as a result of a past event and a reliable estimate can be made of the amount.

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

(k) Liabilities

Borrowings and trade and other payables are stated at cost.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and consists of materials, and where applicable, direct labour and an appropriate proportion of fixed and variable production overheads.

(m) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments with insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

(n) Impairment

The carrying amount of assets, other than inventories, deferred tax assets and financial assets (other than investments in subsidiaries and associates), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to equity.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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 has been recognised. The reversal is recognised in the income statement, unless it reverses an impairment loss on a revalued asset, in which case it is taken to equity.

(o) Investment in a subsidiary

Investment in a subsidiary in the Company is stated at cost, less impairment losses where applicable.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Repurchase of shares

When shares are repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are reclassified as treasury shares and presented as a deduction from total equity.

(q) Capitalisation of borrowing costs

Borrowing costs on expenditure incurred on capital work-in-progress and property, plant and equipment that require a substantial period of time to get ready for their intended use are capitalised. Capitalisation of borrowing costs will cease when the assets are ready for their intended use.

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of financing a specific capital work-in-progress or property under development, in which case the actual borrowing cost incurred on that borrowing less any investment income on the temporary investment of that borrowing will be capitalised.

Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

(r) Income tax

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that at the time of transaction affects neither accounting nor taxable profits. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

(s) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Foreign currency (cont'd)

(ii) Financial statements of foreign operations

The Group's foreign operations are not considered an integral part of the Company's operations. Accordingly, the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Ringgit Malaysia at exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Ringgit Malaysia at average exchange rates applicable throughout the year. Foreign exchange differences arising on translation are recognised directly in equity.

The closing rates used in translation of foreign currency monetary assets and liabilities and the financial statements of foreign operations are as follows:-

1USD	RM3.78	(2004 : 1USD	RM3.80)
1SGD	RM2.27	(2004 : 1SGD	RM2.32)
1CAD	RM3.20	(2004 : 1CAD	RM3.15)
1,000IDR	RM0.38	(2004 : 1,000IDR	RM0.41)

(t) Revenue recognition

(i) Goods sold

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

(i) Services

Revenue from services rendered is recognised upon completion of the services.

(iii) Rental and interest income

Rental and interest income are recognised in the income statement on an accrual basis.

(iv) Dividend income

Dividend income is recognised when the right to receive payment is established.

(u) Expenses

(i) Operating lease payments

Payment made under operating leases are recognised in the income statement on a straight line basis over the term of the lease.

(ii) Financing costs

All interest and other costs incurred in connection with borrowings, other than that capitalised in accordance with Note 1(q), are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS

2. OPERATING PROFIT

	Group		Company	
	2005	2004	2005	2004
Revenue				
Sale of goods	813,497	694,403	–	–
Rental income	722	2,538	4,525	6,115
	814,219	696,941	4,525	6,115
Cost of sales	(668,117)	(593,897)	(1,055)	(988)
Gross profit	146,102	103,044	3,470	5,127
Other operating income	59,040	153,098	211,870	35,527
Distribution cost	(12,799)	(7,666)	–	–
Administration expenses	(47,597)	(40,143)	(6,891)	(4,312)
Other operating expenses	(19,070)	(21,665)	(4,052)	(26,815)
Operating profit	125,676	186,668	204,397	9,527

Operating profit is arrived at after charging/(crediting):-

Allowance for doubtful debts	3,495	1,324	–	–
Amortisation of development expenditure	–	1,621	–	–
Auditors' remuneration	234	159	24	20
Bad debts written back	(166)	(120)	–	–
Depreciation and amortisation of property, plant and equipment	22,701	25,539	962	727
Development expenditure written off	–	6,793	–	6,793
Directors' remuneration				
- fees	522	635	522	618
- emoluments	759	951	304	380
Inter-company advances written off	–	–	3,480	19,472
Inventories (write back)/written down	(4)	420	–	–
Inventories written-off	502	1,447	–	–
Rental of premises	6,656	5,982	731	424
Rental of equipment	190	–	–	–
Property, plant and equipment written off	281	67	–	–
Loss/(Gain) on disposal of property, plant and equipment	(289)	470	16	519
Surplus on revaluation of property, plant and equipment	(140)	–	(196)	–
Rental income	(108)	–	–	–
Research and development expenditure	91	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

2. OPERATING PROFIT (CONT'D)

	Group		Company	
	2005	2004	2005	2004
Operating profit is arrived at after charging/(crediting): (cont'd)				
Allowance for diminution in value of investment in subsidiary	–	–	–	1,200
Dividends income (gross) from:-				
Unquoted subsidiaries	–	–	(190,106)	(27,116)
Shares quoted in Malaysia	–	(25)	–	–
Unquoted associate	–	–	–	(6)
Foreign exchange gain – realised	536	3	–	–
Gain on disposal of other investments	(56,106)	(151,097)	(21,357)	(8,272)
Royalty income	–	–	(197)	(132)

Benefits provided to Directors:-

The estimated monetary value of Directors' benefits-in-kind is RM154,000 (2004 – RM91,000) for the Group and RM62,000 (2004 – RM37,000) for the Company.

3. INTEREST INCOME

	Group		Company	
	2005	2004	2005	2004
Interest receivable from subsidiaries	–	–	928	202
Interest receivable from associate	5	99	–	–
Other interest income	10,831	10,637	9,522	8,780
	10,836	10,736	10,450	8,982

NOTES TO THE FINANCIAL STATEMENTS

4. INTEREST EXPENSE

	Group		Company	
	2005	2004	2005	2004
Interest expense	10,103	8,679	6,778	5,969
Interest payable to subsidiaries	–	–	22	84
	10,103	8,679	6,800	6,053

5. TAX EXPENSE

	Group		Company	
	2005	2004	2005	2004
Current tax in respect of the profit for the year	22,211	14,087	5,287	9,615
Under/(over) provision in respect of previous years	427	901	(79)	–
Deferred tax expense/(income)				
Origination and reversal of temporary differences	449	(1,314)	(202)	(953)
Realisation of revaluation reserves	–	(58)	–	(58)
Tax expense on share of profit of associates	1,139	343	–	–
	24,226	13,959	5,006	8,604

Reconciliation of effective tax rate

	Group		Company	
	2005 %	2004 %	2005 %	2004 %
Profit before taxation	100	100	100	100
Income tax using Malaysian tax rates	28	28	28	28
Non-deductible expenses	3	5	–	62
Tax exempt income	(13)	(23)	(27)	(21)
Utilisation of unrecognised tax credit	–	(3)	–	–
Other items	1	–	1	–
Tax expense	19	7	2	69

NOTES TO THE FINANCIAL STATEMENTS

6. EARNINGS PER SHARE

	Group	
	2005	2004
Basic earnings per share:-		
Net profit after tax and minority shareholders' interests	90,221	167,666
Issued ordinary shares at beginning of the year ('000)	377,895	363,291
Effects of shares issued in 2005/2004 ('000)	2,721	6,528
Weighted average number of shares ('000)	380,616	369,819
Basic earnings per share (sen)	23.7	45.3

Diluted earnings per share for year ended 31 December 2005 is calculated as follows:-

	Group	
	2005	2004
Net profit after tax and minority shareholders' interests	90,221	167,666
After tax effect of notional interest savings	7,942	8,107
Net profit attributable to ordinary shareholders (diluted)	98,163	175,773
Weighted average number of shares as above	380,616	369,819
Effect of Warrants – A	88,979	88,982
Effect of Warrants – B	74,107	77,743
Effect of ESOS	3,237	5,223
	546,939	541,767
Diluted earnings per share (sen)	17.9	32.4

NOTES TO THE FINANCIAL STATEMENTS

7. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	Long term leasehold land and buildings	Short term leasehold land and buildings	Plant machinery and equipment	Total
Group					
Cost/valuation					
At 1 January 2005	46,924	215,811	355	367,374	630,464
Additions	–	447	12	36,798	37,257
Acquisition of subsidiary	35,077	–	–	41,562	76,639
Disposals	–	(28)	–	(2,410)	(2,438)
Write off	–	–	–	(2,404)	(2,404)
Reclassification	1,253	(1,253)	–	–	–
Adjustments for revaluation	(1,094)	(33,675)	–	–	(34,769)
Revaluation	12,739	5,336	–	–	18,075
At 31 December 2005	94,899	186,638	367	440,920	722,824
Representing items at:-					
Cost	–	–	367	440,920	441,287
Directors' valuation					
– 2005	94,899	186,638	–	–	281,537
At 31 December 2005	94,899	186,638	367	440,920	722,824
Accumulated depreciation					
At 1 January 2005	940	31,394	161	272,368	304,863
Charge for the year	178	2,439	35	20,049	22,701
Acquisition of subsidiary	–	–	–	21,736	21,736
Disposals	–	(28)	–	(2,195)	(2,223)
Write off	–	–	–	(2,123)	(2,123)
Reclassification	92	(92)	–	–	–
Adjustments for revaluation	(1,094)	(33,675)	–	–	(34,769)
At 31 December 2005	116	38	196	309,835	310,185

NOTES TO THE FINANCIAL STATEMENTS

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land and buildings	Long term leasehold land and buildings	Short term leasehold land and buildings	Plant machinery and equipment	Total
Group (cont'd)					
<i>Net book value</i>					
At 31 December 2005	94,783	186,600	171	131,085	412,639
At 31 December 2004	45,984	184,417	194	95,006	325,601
Depreciation charge for the year ended 31 December 2004	62	2,399	30	23,048	25,539
Company					
<i>Cost/valuation</i>					
At 1 January 2005		46,460	132,505	4,489	183,454
Additions		–	415	1,359	1,774
Disposals		–	–	(80)	(80)
Adjustments on revaluation		(965)	(13,621)	–	(14,586)
Revaluation		12,577	(96)	–	12,481
At 31 December 2005		58,072	119,203	5,768	183,043
Representing items at:-					
Cost		–	–	5,768	5,768
Directors' valuation					
– 2005		58,072	119,203	–	177,275
At 31 December 2005		58,072	119,203	5,768	183,043

NOTES TO THE FINANCIAL STATEMENTS

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land and buildings	Long term leasehold land and buildings	Plant machinery and equipment	Total
Company				
Accumulated depreciation				
At 1 January 2005	912	13,210	2,577	16,699
Charge for the year	53	411	498	962
Disposals	–	–	(51)	(51)
Adjustments on revaluation	(965)	(13,621)	–	(14,586)
At 31 December 2005	–	–	3,024	3,024
Net book value				
At 31 December 2005	58,072	119,203	2,744	180,019
At 31 December 2004	45,548	119,295	1,912	166,755
Depreciation charge for the year ended 31 December 2004	53	412	262	727

Land and buildings are stated at Directors' valuation based on professional valuations made by Mr. Dev Kumar Nair, a registered surveyor (V482) in M. Nawawi & Co. Sdn. Bhd., conducted on the open market basis in November 2005.

Had the land and buildings been carried at historical cost less accumulated depreciation, the carrying amount of the revalued assets that would have been included in the financial statements at the end of the year would be as follows:-

	Group		Company	
	2005	2004	2005	2004
Freehold land and buildings	23,855	12,195	11,524	11,577
Long term leasehold land and buildings	71,882	70,661	53,814	54,225
	95,737	82,856	65,338	65,802

NOTES TO THE FINANCIAL STATEMENTS

8. INVESTMENT IN SUBSIDIARIES

	Company	
	2005	2004
Unquoted shares	165,793	165,793
Less: Impairment loss	(4,200)	(4,200)
	161,593	161,593

The principal activities of the subsidiaries, their places of incorporation and the interest of Chemical Company of Malaysia Berhad are as follows:-

Subsidiaries	Principal activities	Country of incorporation	Effective ownership interest	
			2005 %	2004 %
CCM Fertilizers Sdn. Bhd. and its subsidiaries:-	Manufacture and marketing of fertilizers	Malaysia	50.1	50.1
Max Agriculture Sdn. Bhd.	Dormant	Malaysia	50.1	50.1
CCMF Agronomic and Technical Services Sdn. Bhd.*	Dormant	Malaysia	50.1	50.1
CCM Chemicals Sdn. Bhd. and its subsidiaries:-	Manufacture and marketing of chlor-alkali products and coagulant products and marketing of industrial and specialty chemicals	Malaysia	80.0	80.0
CCM Watercare Sdn. Bhd.	Marketing of water treatment products	Malaysia	80.0	80.0
CCM Singapore Pte. Ltd.*	Marketing of chlor-alkali products and chemicals	Singapore	80.0	80.0
CCM Chemtrans Sdn. Bhd.	Dormant	Malaysia	80.0	80.0
PT CCM Indonesia*	Marketing of chemicals	Indonesia	80.0	80.0
CCM Chemtrade Sdn. Bhd.	Dormant	Malaysia	80.0	80.0
CCM Pharma Sdn. Bhd.	Manufacture of pharmaceutical and healthcare products	Malaysia	100.0	100.0

8. INVESTMENT IN SUBSIDIARIES (CONT'D)

The principal activities of the subsidiaries, their places of incorporation and the interest of Chemical Company of Malaysia Berhad are as follows:- (cont'd)

Subsidiaries	Principal activities	Country of incorporation	Effective ownership interest	
			2005 %	2004 %
Prima Health Pharmacy (Retail) Sdn. Bhd.	Marketing and retailing of pharmaceutical and healthcare products	Malaysia	100.0	100.0
Tekan Maju Sdn. Bhd. and its subsidiaries:-	Investment holding	Malaysia	100.0	100.0
Duopharma Biotech Berhad and its subsidiary:-	Investment holding	Malaysia	73.4	–
Duopharma (M) Sendirian Berhad	Manufacturing, distributing, importing and exporting of pharmaceutical products and medicines	Malaysia	73.4	–
Euphorex Corporation Sdn. Bhd.	Investment holding	Malaysia	100.0	100.0
Kibaran Kemas Sdn. Bhd.	Investment holding	Malaysia	100.0	100.0
Liberal Wira Sdn. Bhd.	Investment holding	Malaysia	100.0	100.0
CCM Agriculture Sdn. Bhd. (formerly known as Orineum Corporation Sdn. Bhd.)	Investment holding	Malaysia	100.0	100.0
CCM International Sdn. Bhd. (formerly known as Perconic Resources Sdn. Bhd.)	Investment holding	Malaysia	100.0	100.0
P.T. CCM Agripharma	The company has yet to commence operations	Indonesia	100.0	–
Usaha Progresif Sdn. Bhd.	Investment holding	Malaysia	100.0	100.0
UPHA Pharmaceutical Manufacturing (M) Sdn. Bhd.	Manufacture of pharmaceutical and healthcare products	Malaysia	100.0	100.0

8. INVESTMENT IN SUBSIDIARIES (CONT'D)

The principal activities of the subsidiaries, their places of incorporation and the interest of Chemical Company of Malaysia Berhad are as follows:- (cont'd)

Subsidiaries	Principal activities	Country of incorporation	Effective ownership interest	
			2005 %	2004 %
CCM Pharmaceuticals Sdn. Bhd. (formerly known as UPHA Corpn. (M) Sdn. Bhd.) and its subsidiaries:	Marketing of pharmaceutical and healthcare products	Malaysia	100.0	100.0
Ho Han Medical Company Sdn. Bhd.	Manufacture and marketing of pharmaceutical and healthcare products	Malaysia	100.0	100.0
Sentosa Pharmacy Sdn. Bhd.	Marketing of pharmaceutical and healthcare products	Malaysia	61.7	61.7
Unique Pharmacy (Ipoh) Sdn. Bhd.	Marketing of pharmaceutical and healthcare products	Malaysia	73.3	73.3
Unique Pharmacy (Penang) Sdn. Bhd.	Marketing of pharmaceutical and healthcare products	Malaysia	72.0	72.0
Negeri Pharmacy Sdn. Bhd.	Marketing of pharmaceutical and healthcare products	Malaysia	100.0	100.0
Envirochem Consultants Sdn. Bhd.	Dormant	Malaysia	100.0	100.0
Innovax Sdn. Bhd.	Research and development of pharmaceutical products	Malaysia	100.0	100.0
CCM Investments Limited**	Investment holding	British Virgin Islands	100.0	100.0
Yayasan CCM	Listed by guarantee	Malaysia	100.0	100.0

* Not audited by KPMG

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

NOTES TO THE FINANCIAL STATEMENTS

9. INVESTMENT IN ASSOCIATES

	Group		Company	
	2005	2004	2005	2004
Unquoted shares at cost	2,891	1,598	119	119
Group's share of post acquisition profits less losses	1,350	1,031	–	–
	4,241	2,629	119	119
Group's share of net assets	4,241	2,629		

The associates of the Group are as follows:-

Associates	Principal activities	Country of incorporation	Effective ownership interest	
			2005 %	2004 %
Orica-CCM Energy Systems Sdn. Bhd.*	Manufacturing/blending of bulk emulsions and trading of blasting products and provision of blasting related services and technology	Malaysia	36.0	36.0
Usaha Kimia (Malaysia) Sdn. Bhd.*	Marketing of chlor-alkali and chemical products	Malaysia	30.0	30.0
Altratec Sdn. Bhd.*	Contract packing for food industries	Malaysia	29.4	–

* Equity accounted for based on management financial statements

NOTES TO THE FINANCIAL STATEMENTS

10. OTHER INVESTMENTS

	Group		Company	
	2005	2004	2005	2004
At Cost				
Quoted shares				
– in Malaysia	–	7,213	–	–
– outside Malaysia	34,788	47,522	19,916	24,937
	34,788	54,735	19,916	24,937
Unquoted shares	–	5,415	–	5,415
Commercial papers	40,118	35,118	40,118	35,118
	74,906	95,268	60,034	65,470
Market value:-				
– quoted shares in Malaysia	–	7,057	–	–
– quoted shares outside Malaysia	127,505	246,775	88,413	157,043
– commercial papers	40,373	35,235	40,373	35,235

11. DEVELOPMENT EXPENDITURE

	Group		Company	
	2005	2004	2005	2004
Cost				
At 1 January	5,239	10,411	–	–
Acquisition during the year	–	–	–	6,793
Incurred during the year	–	1,621	–	–
Written off	–	(6,793)	–	(6,793)
At 31 December	5,239	5,239	–	–
Accumulated amortisation				
At 1 January	5,239	3,618	–	–
Amortisation charge for the year	–	1,621	–	–
At 31 December	5,239	5,239	–	–
Net book value				
At 31 December	–	–	–	–

In 2004, the Company acquired development expenditure from one of its subsidiary, at cost. The Company would receive a fee for any future products sale from the subsidiary. In view of the long term recovery of development expenditure cost, the Company has prudently written off the value of the development expenditure in the year of acquisition.

12. INTANGIBLE ASSETS

	Goodwill	Trademark	Total
Group			
Cost			
Opening balance	–	–	–
Acquisition of subsidiary	189,659	–	189,659
Acquisition during the year	–	63	63
Closing balance	189,659	63	189,722
Impairment losses			
Opening balance	–	–	–
Impairment loss for the year	–	–	–
Closing balance	–	–	–
Net book value			
At 31 December 2005	189,659	63	189,722

	Trademark
Company	
Cost	
Opening balance	–
Acquisition during the year	63
Closing balance	63
Impairment losses	
Opening balance	–
Impairment loss for the year	–
Closing balance	–
Net book value	
At 31 December 2005	63

The Group is in the process of identifying the separate fair values of intangibles assets presently included in Goodwill, in accordance with MASB 21: Business Combinations.

NOTES TO THE FINANCIAL STATEMENTS

13. INVENTORIES

	Group	
	2005	2004
At cost		
Raw materials	36,711	24,903
Work-in-progress	4,270	4,238
Finished products	101,978	81,858
Spares and consumables	24,880	15,513
	167,839	126,512

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2005	2004	2005	2004
Trade receivables	178,860	141,552	–	–
Other receivables, deposits and prepayments	25,633	45,373	1,259	35,601
Subsidiaries	–	–	389,903	107,522
Associates	295	656	142	125
Tax recoverable	5,536	3,937	2,803	1,677
	210,324	191,518	394,107	144,925

In 2004, other receivables, deposits and prepayments include:-

- An amount due from a previous subsidiary, Columbia Pacific Healthcare Sdn Bhd (“CPH”) amounting to RM27.3 million. The new shareholder of CPH has signed an agreement to settle the amounts due from CPH (originally RM35.1 million) and the amount was duly settled in April 2005 together with interest at 6.8% per annum from the date of the agreement.
- The Company received RM5.0 million from the disposal of the CPH Group. The amount was held in trust by the solicitors pending the finalisation of the exercise of the call and put options for the remaining 19% stake at any time before 22 April 2005.

The amount of RM5.0 million was received from the solicitors during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

14. TRADE AND OTHER RECEIVABLES (CONT'D)

During the year, the Company wrote off an amount owing by one of the subsidiary amounting to RM3,480,000 (2004 – RM19,472,000).

The amounts owing by subsidiaries are unsecured, interest free and has no fixed terms of repayment except for Nil (2004 – RM2,000,000) which bears interest at rates of Nil (2004 – up to 4.50%).

The amounts owing by associates consists of balances arising from trade transactions.

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2005	2004	2005	2004
Short term deposits with				
– licensed banks	242,488	200,480	199,364	51,712
– licensed finance companies	2,197	126,194	1,197	125,194
– discount houses	7,600	4,300	7,600	4,300
Cash and bank balances	43,236	28,158	444	5,495
	295,521	359,132	208,605	186,701

16. TRADE AND OTHER PAYABLES

	Group		Company	
	2005	2004	2005	2004
Trade payables	88,700	89,189	–	–
Other payables and accrued expense	33,291	19,073	3,301	1,796
Subsidiaries	–	–	50,478	43,560
	121,991	108,262	53,779	45,356

The amounts owing to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

17. BORROWINGS (UNSECURED)

	Group		Company	
	2005	2004	2005	2004
Current				
Bank overdrafts	1,979	1,297	–	–
Bankers acceptances	86,908	35,735	–	–
Revolving credit	20,000	20,000	–	–
Foreign currency loan in US dollars (USD)	827	31,620	–	–
	109,714	88,652	–	–
Non-current				
Term loan	100,000	–	100,000	–

The bank overdrafts bear interest at rates ranging from 7.40% to 7.70% (2004 – 7.40% to 7.70%) per annum.

The bankers acceptances bear interest at rates ranging from 2.89% to 3.50% (2004 – 3.13% to 3.30%) per annum.

The revolving credit bears interest at 3.50% (2004 – 3.50%) per annum.

The foreign currency loan bears interest at 4.06% (2004 – 2.34%) per annum.

The term loan is subject to rates ranging from 3.85% to 4.35% (2004 – Nil) per annum. The term loan is split into 4 series determined by different tenor period and is repayable through one bullet payment at the end of each tenor period.

NOTES TO THE FINANCIAL STATEMENTS

18. PROVISION

	Group	
	2005	2004
At 1 January	1,194	–
Provision made during the year	–	–
Provision used during the year	(102)	–
At 31 December	1,092	–

Warranties

The provision in respect of warranties relates to pharmaceutical products sold. The provision is based on estimates made from historical warranty data associated with similar products. The Group expects to incur the liability over the next 2 years.

19. SHARE CAPITAL

	Group and Company	
	2005	2004
Authorised:		
Ordinary shares of RM1 each	800,000	800,000
Issued and fully paid:-		
Ordinary shares of RM1 each		
Opening balance	377,895	363,291
Shares issued under share options	1,986	4,667
Conversion of warrants to new ordinary shares of RM1 each during the year	3,639	9,937
Closing balance	383,520	377,895

19. SHARE CAPITAL (CONT'D)

On 8 February 1996, the Company issued RM150,000,000 nominal amount of 3% Redeemable Non-Guaranteed Unsecured Bonds 1996/2001 together with 44,539,350 (adjusted to 89,078,700 after the bonus issue) detachable Warrants-A at 100% of the nominal value of the bonds to Bumiputra Merchant Bankers Berhad as primary subscriber.

On 26 April 1996, the primary subscriber offered for sale 44,539,350 (adjusted to 89,078,700 after the bonus issue) Warrants-A at an offer price of RM0.851 (adjusted to RM0.426 after the bonus issue) per warrant on a non-renounceable basis to the shareholders of the Company on the basis of one (1) warrant for every four (4) existing ordinary shares held.

These Warrants-A confer upon the registered holder the right to subscribe for one ordinary share ("New Share") of RM1.00 each in the Company at an exercise price of RM5.90 (adjusted to RM2.95 after the bonus issue) for each New Share, subject to adjustments under certain circumstances in accordance with the Deed Poll dated 5 February 1996, at any time during the period of three (3) years and nine (9) months commencing from the date of the first anniversary of issue of the warrants.

The Company obtained approval from the shareholders and Warrant-A holders at an extraordinary general meeting and warrant holders' meeting held on 22 April 1999 to extend the duration and exercise period of the Company's warrants to ten (10) years, up to and including 7 February 2006.

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

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

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

The last repurchased of its issued and paid up shares from the open market by the Company was in 2003. The repurchase transactions were financed by internally generated funds. The shares purchased are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act 1965 and carried at cost. The number of outstanding shares in issue after deducting treasury shares held is 377,632,200 (2004 – 372,007,000) ordinary shares of RM1 each. Treasury shares have no rights to voting, dividends and participation in other distributions. No (2004 – Nil) treasury shares were sold during the financial year.

20. RESERVES

	Group		Company	
	2005	2004	2005	2004
Non-distributable				
Share premium	9,812	7,787	9,812	7,787
Capital redemption reserve	73	73	73	73
Revaluation reserve	55,386	39,393	45,136	33,374
Other capital reserve	2,982	2,982	–	–
Foreign translation reserve	(100)	(203)	–	–
Distributable				
Retained profits	242,944	204,943	201,800	50,979
	311,097	254,975	256,821	92,213

Subject to agreement with the Inland Revenue Board, the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 ('the Act') to frank the payment of dividends out of its retained profits at 31 December 2005, net of taxation, up to approximately RM53 million (2004 – RM67 million). In addition, the Company can frank payment of tax exempt dividends of approximately RM192 million (2004 – RM16 million) arising from the waived income of 1999 pursuant to the Income Tax (Amendments) Acts, 1999 which was gazetted on 8 July 1999.

21. MINORITY SHAREHOLDERS' INTERESTS

This consists of minority shareholders' proportion of share capital and reserves of subsidiaries.

22. BONDS (UNSECURED)

On 27 December 2002, the Company issued RM200,000,000 nominal amount of 7-year 3% Fixed Rate Bonds ("Bonds") together with 88,040,592 detachable warrants ("Warrants") at 100% of the nominal amount of the Bonds.

NOTES TO THE FINANCIAL STATEMENTS

23. DEFERRED TAX

The amounts, determined after appropriate offsetting, are as follows:-

	Group		Company	
	2005	2004	2005	2004
Deferred tax liabilities	34,641	31,121	21,863	21,542
Deferred tax assets	(76)	(1,984)	–	–
	34,565	29,137	21,863	21,542

The recognised deferred tax assets and liabilities (before offsetting) are as follows:-

	Group		Company	
	2005	2004	2005	2004
Property, plant and equipment				
– capital allowances	15,121	8,134	377	–
– revaluation	25,169	23,602	21,998	21,488
Allowances	(3,561)	(374)	(420)	–
Unabsorbed capital allowances	(1,161)	–	(359)	–
Unutilised tax losses	(1,270)	(1,711)	–	–
Others	267	(514)	267	54
	34,565	29,137	21,863	21,542

Deferred tax liabilities and assets are offset above where there is a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes relate to the same taxation authority.

23. DEFERRED TAX (CONT'D)

No deferred tax is recognised for the following items:-

	Group	
	2005	2004
Deductible temporary differences	286	(315)
Unabsorbed capital allowances	1,536	1,811
Unutilised tax losses	5,004	2,362
	6,826	3,858

The unutilised tax losses, unabsorbed capital allowances and 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.

24. EMPLOYEE INFORMATION

	Group		Company	
	2005	2004	2005	2004
Staff costs	54,054	44,772	4,082	2,617

The number of employees of the Group and of the Company (including Executive Directors) at the end of the year was 1,406 (2004 – 946) and 42 (2004 – 22) respectively.

Included in staff costs are contributions to Employees Provident Fund of the Group and the Company amounting to RM8,108,000 (2004 – RM5,400,000 million) and RM499,000 (2004 – RM344,870), respectively.

25. EMPLOYEE BENEFITS

Equity compensation benefits

Employee's Share Option Scheme

The Group offers vested share options over ordinary shares to Directors and other employees who have been confirmed in writing as employees of the Group. The Executive Directors have opted not to participate in this ESOS. Movements in the number of share option held by employees are as follows:-

	Group and Company	
	2005	2004
Outstanding at 1 January	5,223	10,242
Exercised	(1,986)	(4,667)
Lapsed	(724)	(352)
Outstanding at 31 December	2,513	5,223

Details of share options exercised during the year

Expiry date	16.12.2007	16.12.2007
Exercise price per ordinary share (RM)	1.36	1.36
Aggregate proceeds from issued shares (RM'000)	2,701	6,347
Fair value at date of issue (RM'000)	5,213	11,201
Term of the options outstanding at 31 December		

		Group and Company	
		2005	2004
Expiry date	Exercise price	Number	Number
16.12.2007	1.36	2,513	5,223

The Group and Company received proceeds of RM2,701,000 in respect of the 1,986,000 options exercised during the year of which RM1,986,000 was credited to share capital and RM715,000 was credited to share premium.

NOTES TO THE FINANCIAL STATEMENTS

26. RELATED PARTIES

Controlling related party relationships are as follows:-

- (a) Its subsidiaries as disclosed in Note 8.
- (b) Its associates as disclosed in Note 9.

Significant related party transactions other than those disclosed elsewhere in the financial statements are as follows:-

	Group		Company	
	2005	2004	2005	2004
Rental income on land and buildings received from subsidiaries	–	–	3,589	3,577
Sale of products to associate, Usaha Kimia (Malaysia) Sdn. Bhd.	–	5,143	–	–
Sale to Permodalan Nasional Berhad Group of Companies	115,330	–	–	–
Inter-company advances written off	–	–	3,480	19,472
Sale of products to shareholder of the Company's subsidiary	33,543	68,401	–	–
Shared costs received from subsidiaries	–	–	4,610	4,355
Acquisition of development expenditure	–	–	–	6,793

The Directors of the Company are of the opinion that the transactions with subsidiaries/associates have been entered into in the normal course of business under negotiated terms.

27. SEGMENTAL INFORMATION

Segment information is presented in respect of the Group's business segments.

Inter-segment pricing is determined based on negotiated terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

All geographical segments are mostly Malaysian based.

Business segments

The Group comprises the following main business segments:-

Fertilizers	Manufacture and marketing of fertilizers
Chemicals	Manufacture and marketing of chlor-alkali and coagulant products, chemicals and water treatment products.
Pharmaceuticals	Manufacture and marketing of pharmaceutical and healthcare products.
Others	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

27. SEGMENTAL INFORMATION (CONT'D)

	Fertilizers		Chemicals		Pharmaceuticals		Others		Eliminations		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Business Segments												
Revenue from external customers	396,667	343,652	317,804	262,345	99,026	88,406	722	2,538	-	-	814,219	696,941
Inter-segment revenue	608	3,924	53,700	48,161	944	1,473	3,803	3,577	(59,055)	(57,135)	-	-
Total revenue	397,275	347,576	371,504	310,506	99,970	89,879	4,525	6,115	(59,055)	(57,135)	814,219	696,941
Segment result	32,035	17,918	28,450	15,643	12,939	7,187	52,252	145,920	-	-	125,676	186,668
Unallocated expenses											-	-
Operating profit											125,676	186,668
Interest expense											(10,103)	(8,679)
Interest income											10,836	10,736
Share of profit of associates											3,897	1,241
Profit before taxation											130,306	189,966
Tax expense											(24,226)	(13,959)
Minority shareholder interests											(15,859)	(8,341)
Net profit for the year											90,221	167,666
Segment assets	172,594	136,270	236,281	212,351	475,601	117,971	1,088,745	954,104	(622,194)	(320,681)	1,351,027	1,100,015
Investment in associates	-	-	2,709	2,439	1,342	-	119	119	71	71	4,241	2,629
Total assets											1,355,268	1,102,644
Segment liabilities	50,219	45,961	47,818	43,476	53,987	14,095	372,962	1,821	(402,995)	2,909	121,991	108,262
Unallocated liabilities											454,619	325,256
Total liabilities											576,610	433,518
Capital expenditure	1,192	2,008	15,508	4,829	18,785	5,468	1,772	875	-	-	37,257	13,180
Depreciation and amortisation	2,016	2,015	13,696	17,690	6,027	5,107	962	727	-	-	22,701	25,539
Non-cash item other than depreciation	-	-	-	-	-	19,472	-	(26,265)	-	-	-	(6,793)

28. COMMITMENTS

	Group		Company	
	2005	2004	2005	2004
Capital commitments:-				
Approved and contracted for	656	3,106	179	1,306
Approved and not contracted for	24,237	20,230	2,000	–
	24,893	23,336	2,179	1,306

29. HOLDING COMPANY

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

30. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

Exposure to credit, interest rate and currency risk arises in the normal course of the Group business. The Group has written risk management policies and guidelines which sets out their overall business strategies, their tolerance to risk and their general risk management philosophy. Such written policies are reviewed periodically by the Board of Directors.

Credit risk

The Group has a credit policy and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on trade customers.

At balance sheet date, there were no significant concentrations of credit risk except for an amount owing from a plantation customer amounting to RM10.9 million (2004 – RM5.3 million). The maximum exposure to credit risk for the Group is the carrying amount of each financial asset.

Interest rate risk

The Group and the Company adopt a prudent policy in minimising risk to changes in interest rates in accordance with the risk management policy.

Foreign currency risk

The Group and the Company incur foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than Ringgit Malaysia. The principal currency giving rise to this risk is US dollars. Currently, the Group and the Company do not hedge these exposures. However, the management keep this policy under review.

30. FINANCIAL INSTRUMENTS (CONT'D)
Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or mature, whichever is earlier.

	Effective interest rates %	Total	Within 1 year	1 – 5 years	After 5 years
Group					
2005					
Financial assets					
Cash and cash equivalents	2.85	295,521	295,521	–	–
Commercial papers	5.70	40,118	40,118	–	–
Financial liabilities					
Unsecured overdrafts	7.50	1,979	1,979	–	–
Unsecured bankers' acceptances	3.50	86,908	86,908	–	–
Unsecured revolving credit	3.50	20,000	20,000	–	–
Foreign currency loan (USD)	4.06	827	827	–	–
Bonds	4.75	200,000	–	200,000	–
Unsecured fixed rate term loan	4.11	100,000	–	100,000	–
2004					
Financial assets					
Cash and cash equivalents	2.85	359,132	359,132	–	–
Commercial papers	3.10	35,118	35,118	–	–
Financial liabilities					
Unsecured overdrafts	7.50	1,297	1,297	–	–
Unsecured bankers' acceptances	3.30	35,735	35,735	–	–
Unsecured revolving credit	3.50	20,000	20,000	–	–
Foreign currency loan (USD)	2.34	31,620	31,620	–	–
Bonds	6.00	200,000	–	–	200,000

30. FINANCIAL INSTRUMENTS (CONT'D)

	Effective interest rates %	Total	Within 1 year	1 – 5 years	After 5 years
Company					
2005					
Financial assets					
Cash and cash equivalents	2.66	208,605	208,605	–	–
Commercial papers	5.70	40,118	40,118	–	–
Financial liabilities					
Bonds	4.75	200,000	–	200,000	–
Unsecured fixed rate term loan	4.11	100,000	–	100,000	–
2004					
Financial assets					
Cash and cash equivalents	2.85	186,701	186,701	–	–
Commercial papers	3.10	35,118	35,118	–	–
Financial liabilities					
Bonds	6.00	200,000	–	–	200,000

Fair values

Recognised financial instruments

The fair value of quoted shares is their quoted bid price at the balance sheet date. In respect of cash and cash equivalents, trade and other receivables, trade and other payables and short term borrowings, the carrying amounts approximate fair value due to the relatively short term nature of these financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS (CONT'D)

Recognised financial instruments (cont'd)

The carrying amounts of the other financial assets and liabilities of the Group and the Company as at 31 December approximate their fair values except as set out below:-

	2005 Carrying amount	2005 Fair value	2004 Carrying amount	2004 Fair value
Group				
Financial assets				
Investments in quoted shares	34,788	127,505	54,735	253,832
Commercial papers	40,118	40,373	35,118	35,235
	74,906	167,878	89,853	289,067
Financial liabilities				
Bonds	200,000	187,517	200,000	174,672
Unsecured fixed rate term loan	100,000	97,532	–	–
	300,000	285,049	200,000	174,672
Company				
Financial assets				
Investments in quoted shares	19,916	88,413	24,937	157,043
Commercial papers	40,118	40,373	35,118	35,235
	60,034	128,786	60,055	192,278
Financial liabilities				
Bonds	200,000	189,000	200,000	174,672
Unsecured fixed rate term loan	100,000	96,774	–	–
	300,000	285,774	200,000	174,672

31. SIGNIFICANT EVENT DURING THE YEAR

On 16 September 2004, the Company entered into an agreement to dispose of identified assets of Prima Health Pharmacy (Retail) Sdn Bhd. The Purchaser is Guardian Pharmacy (M) Sdn Bhd, member of Dairy Farm Group. The disposal is subject to the approval of the Ministry of Domestic Trade and Consumer Affairs (“MDTCA”) and Foreign Investment Committee (“FIC”).

On 17 May 2005, the agreement has lapsed and ceased to have any further effect due to the conditions precedent which has not been fulfilled.

32. ACQUISITION OF SUBSIDIARY

On 20 July 2005, the Group through its wholly owned subsidiary, Tekan Maju Sdn. Bhd. entered (“TMSB”) into a sale and purchase agreement to acquire 36% stake in Duopharma Biotech Berhad (“Duopharma”) which represents 47,934,390 ordinary shares for a consideration of RM134,216,000. The purchase of 36% stake was completed on 29 August 2005.

Subsequently, the Group was obliged to undertake a mandatory offer up to 92,490,610 remaining Duopharma’s ordinary shares not already owned by the Group in accordance with the Provisions of the Malaysian Code on Take-overs and Mergers, 1998.

On 26 August 2005, an ordinary resolution set out in the Notice of Extraordinary General Meeting dated 11 August 2005 for the mandatory offer, was duly passed by the shareholders of the Company.

On 21 October 2005, the mandatory offer was closed and the Group acquired additional 54,398,502 ordinary shares for a consideration of RM152,180,000 satisfied by cash.

In aggregate, at the balance sheet date, the Group holds a total of 102,332,892 ordinary shares of RM0.50 each in Duopharma, representing 73.43% of the issued and paid up share capital of the subsidiary. The acquisition was accounted for using the acquisition method of accounting.

32. ACQUISITION OF SUBSIDIARY (CONT'D)

The fair values of assets and liabilities assumed in the acquisition of Duopharma and the cash flow effects are as follows:-

	Acquisition 2005
Non current assets	
Property, plant and equipment	54,903
Investments	1,323
	56,226
Current assets	91,887
Current liabilities	(9,262)
Long term liabilities	(2,118)
	136,733
Net assets	136,733
Minority interest	(36,330)
	100,403
Goodwill and other intangible assets acquired	189,659
Share of profit as an associate	(2,439)
	287,623
Consideration paid, satisfied in cash	287,623
Cash acquired	(51,104)
	236,519
Net cash outflow	236,519

32. ACQUISITION OF SUBSIDIARY (CONT'D)

Effect of acquisition

The acquisition of Duopharma had the following effect on the Group's assets and liabilities as at 31 December 2005.

	2 months ended 31 December 2005
Income statement:-	
Revenue	14,671
Operating cost	(9,118)
Profit before taxation	5,553
Tax expense	(1,531)
Profit after taxation	4,022
Less: Minority interest	(1,149)
Increase in the Group's net profit at the end of financial year end	2,873
	2005
Balance sheet:-	
Property, plant and equipment	56,971
Investment	1,342
Current assets	93,441
Current liabilities	(7,980)
Long term liabilities	(2,838)
Net assets acquired	140,936
Minority interest	(37,480)
Net assets acquired/group's share of net assets	103,456
Goodwill and other intangible assets acquired	189,659
Share of profit during the period of associate	(2,439)
Increase in Group's net assets	290,676

33. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

Subsequent to the balance sheet date, the subscription period of the Warrants-A of 44,539,350 (adjusted to 89,078,700 after the bonus issue in 2000) at an exercise price of RM2.86 has expired on 7 February 2006. Accordingly, the applicable outstanding warrants as at 7 February 2006 of 88,979,134 has lapsed.

34. CHANGES IN ACCOUNTING POLICY

The Group's overall strategy required a change in its accounting policies on acquisition and treatment of goodwill on acquisition. The Group recognised goodwill acquired from business combination at cost less any impairment losses if any and subject to impairment review on an annual basis. In previous years, the goodwill was written off to the income statement immediately. The Board is of the view that the change will result in a more appropriate presentation of events or transactions in the financial statements.

	Group		Company	
	2005	2004	2005	2004
Opening retained profit before change in accounting policy	204,943	81,624	50,979	91,474
Effect of adopting new accounting policy				
Goodwill written back	–	83,905	–	–
Accumulated impairment losses on Goodwill	–	(83,905)	–	–
	204,943	81,624	50,979	91,474

There is no impact on the previous financial statements in respect of the change in accounting policy.

ANALYSIS OF SHAREHOLDINGS

Authorized Share Capital	:	RM800,000,000
Issued and Paid-up Share Capital	:	RM385,056,464
Class of Shares	:	Ordinary Shares of RM1.00 each
Voting Rights	:	One vote per ordinary share

Distribution of Shareholdings As At 31 March 2006

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	164	3.79	4,151	0.00
100 – 1,000	685	15.85	569,697	0.15
1,001 – 10,000	2,602	60.20	11,125,887	2.89
10,001 – 100,000	805	18.63	21,687,516	5.63
100,001 to less than 5% of issued shares	63	1.46	64,503,353	16.75
5% and above of issued shares	3	0.07	287,165,860	74.58
	4,322	100.00	385,056,464	100.00

Substantial Shareholders As At 31 March 2006

Names	Direct Holdings		Indirect Holdings	
	No.	%	No.	%
1. Amanah Raya Nominees (Tempatan) Sdn Bhd Skim Amanah Saham Bumiputera	180,148,700	46.79	–	–
2. Permodalan Nasional Berhad	59,991,860	15.58	–	–
3. Yayasan Pelaburan Bumiputra ^a	–	–	59,991,860	15.58
4. Employees Provident Fund Board	47,025,300	12.21	–	–

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

Directors' Shareholdings

Names	Direct Holdings		Indirect Holdings	
	No.	%	No.	%
1. Dato' N. Sadasivan	200,000	0.05	–	–
2. Tan Sri David Chiu	–	–	18,000,000 ^a	4.67

^a Deemed interest by virtue of his substantial interest in Billion Victory Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

ANALYSIS OF SHAREHOLDINGS

Thirty (30) Largest Shareholders

As At 31 March 2006

Names	Holdings	
	No.	%
1. Amanah Raya Nominees (Tempatan) Sdn Bhd Skim Amanah Saham Bumiputera	180,148,700	46.79
2. Permodalan Nasional Berhad	59,991,860	15.58
3. Employees Provident Fund Board	47,025,300	12.21
4. Citigroup Nominees (Tempatan) Sdn Bhd UBS Ag Hong Kong for Billion Victory Sdn Bhd	18,000,000	4.67
5. Lembaga Tabung Haji	15,499,000	4.03
6. Chemical Company of Malaysia Berhad Share Buy Back Account	5,888,000	1.53
7. Chan Suet Tho	3,224,000	0.84
8. HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Prudential Equity Income Fund (4801)	2,724,300	0.71
9. Universal Trustee (Malaysia) Berhad SBB Emerging Companies Growth Fund	1,887,600	0.49
10. HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Prudential Dynamic Fund (4496)	1,100,000	0.29
11. Menteri Kewangan Malaysia Section 29 (SICDA)	1,085,345	0.28
12. BHLB Trustee Berhad Prusmall-Cap Fund	1,025,300	0.27
13. Affin Nominees (Asing) Sdn Bhd UOB Kay Hian Pte Ltd for Cheng Good Hiang	848,332	0.22
14. Malaysian Reinsurance Berhad	800,000	0.21

ANALYSIS OF SHAREHOLDINGS

Thirty (30) Largest Shareholders As At 31 March 2006

Names	Holdings	
	No.	%
15. Universiti Malaya	704,664	0.18
16. Amanah Raya Nominees (Tempatan) Sdn Bhd Amanah Saham Wawasan 2020	673,900	0.18
17. HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Prudential Dana Al-Ilham (4173)	650,000	0.17
18. ECM Libra Securities Nominees (Tempatan) Sdn Bhd Petroliam Nasional Berhad	640,000	0.17
19. Ke-Zan Nominees (Tempatan) Sdn Bhd Kim Eng Securities Pte Ltd for Chang Joo Chiang	460,300	0.12
20. ECM Libra Securities Nominees (Tempatan) Sdn Bhd Petroleum Research Fund	441,000	0.11
21. Malaysian Nominees (Tempatan) Sendirian Berhad Lee Foundation States of Malaya (00-00197-000)	420,000	0.11
22. Equity Heights Sdn Bhd	400,000	0.10
23. Yeoh Keat Chye	352,000	0.09
24. Lim Hoe Hup Sendirian Berhad	322,000	0.08
25. Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Fund	311,000	0.08
26. Bumiputra – Commerce Trustee Berhad Amanah Saham Darul Iman	310,000	0.08
27. ECM Libra Securities Nominees (Tempatan) Sdn Bhd Petronas Retirement Benefit Scheme	309,500	0.08
28. Wong Cheng Boon	250,000	0.06
29. Kumpulan Wang Simpanan Guru-Guru	238,000	0.06
30. Ancom Berhad	236,000	0.06

ANALYSIS OF WARRANT HOLDINGS – as at 31/3/06

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

Distribution of Warrant Holders

Size of Warrant Holdings	No. of Warrant-B Holders	% of Warrant-B Holders	No. of Warrant-B	% of Total Warrant-B
Less than 100	27	3.30	1,098	0.00
100 – 1,000	267	32.68	227,779	0.31
1,001 – 10,000	423	51.77	1,790,591	2.45
10,001 – 100,000	91	11.14	2,459,637	3.36
100,001 to less than 5% of issued shares	7	0.86	1,421,700	1.94
5% and above of issued shares	2	0.24	67,268,653	91.94
	817	100.00	73,169,458	100.00

Substantial Warrant Holders

Names	Direct		Indirect	
	No. of Warrant-B held	%	No. of Warrant-B held	%
1. Permodalan Nasional Berhad	62,709,303	85.70	–	–
2. Employees Provident Fund Board	4,559,350	6.23	–	–
3. Yayasan Pelaburan Bumiputra ^a	–	–	62,709,303	85.70

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

Directors' Warrant Holdings

Name	Direct Holdings		Indirect Holdings	
	No.	%	No.	%
1. Dato' N. Sadasivan	50,000	0.07	–	–

Thirty (30) Largest Warrant-B Holders

As At 31 March 2006

Names	Holdings	
	No.	%
1. Permodalan Nasional Berhad	62,709,303	85.70
2. Employees Provident Fund Board	4,559,350	6.23
3. Hiu Woong Choong	300,000	0.41
4. Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ann Huat & Brothers Sdn Bhd (E-IMO/BCM)	251,900	0.34
5. Affin Nominees (Asing) Sdn Bhd UOB Kay Hian Pte Ltd for Cheng Good Hiang	219,000	0.30
6. HDM Nominees (Asing) Sdn Bhd UOB Kay Hian Pte Ltd for Lim Kim Leong	205,000	0.28
7. OSK Nominees (Asing) Sdn Bhd Pledged Securities Account for Tan Boon Chiang	180,000	0.25
8. Wan Fauziah binti Wan Ja'afar	140,800	0.19
9. Lim Eik Hoy	125,000	0.17
10. Ramanathan A/L E.S. Krishnan	90,000	0.12
11. Inter Pacific Equity Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yeo Chwee Poh	70,000	0.10
12. Yong You Won	65,000	0.09
13. Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yap Soon Heng (E-TSA)	59,500	0.08

Thirty (30) Largest Warrant-B Holders
As At 31 March 2006

Names	Holdings	
	No.	%
14. Tan Ah Kee	57,000	0.08
15. PM Nominees (Tempatan) Sdn Bhd PCB Asset Management Sdn Bhd for Mary Tan @ Tan Hui Ngoh (Shan)	53,000	0.07
16. Tan Kok Keng	51,000	0.07
17. T A Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tong Chin Hen	50,500	0.07
18. Lim Sew Eng	50,000	0.07
19. Soo Choon Swee	50,000	0.07
20. N. Sadasivan A/L NN Pillay	50,000	0.07
21. Soo Choon Swee	50,000	0.07
22. Cimsec Nominees (Tempatan) Sdn Bhd CIMB for Loh Man Dee (PB)	50,000	0.07
23. Tan Kwee Hua	50,000	0.07
24. Boo Kwie Liang	50,000	0.07
25. Winnie Hamzah Sendut	42,000	0.06
26. Ding Yu Lee	40,000	0.05
27. Tan Ah Kee	40,000	0.05
28. Lim Teh Realty Sdn Berhad	40,000	0.05
29. Lim Seng Kee	40,000	0.05
30. Teh Swee Lip	37,000	0.05

PROPERTIES HELD

AT AS 31 DECEMBER 2005

Location	Tenure	Lease Period	Area (square metre)	Description	Approximate Age of Building	Net Book Value (RM million)	Date of Acquisition/Valuation
Shah Alam Works Padang Jawa, Klang Selangor Darul Ehsan	Leasehold	99 years (1973 - 2072)	286,992	Industrial land, factory and offices	5 - 34 years	79.20	December 2005
Explosive Megazine Meru Selangor Darul Ehsan	Freehold	–	20,276	Commercial – explosive megazine	27 years	2.30	December 2005
No 16A Jalan Tun Ismail Kuala Lumpur	Freehold	–	8,498	Residential land and buildings	35 years	16.00	December 2005
No 18 & 18A Jalan Tun Ismail Kuala Lumpur	Freehold	–	8,878	Residential land and buildings	35 years	17.00	December 2005
No 1, 3, 5 & 7 Lorong Tinggian Tunku Kuala Lumpur	Freehold	–	12,393	Residential land and buildings	41 years	22.80	December 2005
Nilai Industrial Land P.T. No. 6055 & 6056 Bandar Baru Nilai	Leasehold	99 years (1993 - 2092)	138,236	Industrial land	–	17.00	December 2005
Lot PT 3609 Mukim Teluk Panglima Garang Kuala Langat	Leasehold	99 years (1992 - 2091)	195,509	Industrial land	–	22.90	December 2005
Pasir Gudang Works Pasir Gudang Johor Darul Takzim	Leasehold	60 years (1991 - 2051)	104,599	Industrial land	12 years	29.85	December 2005
UPHA Factory Lot 11454, 11458, 11459 Mukim of Kajang	Leasehold	99 years (1987 - 2086)	22,041	Industrial land, factory and offices	13 years	23.80	December 2005
No. 1, Jalan 4/3 Section 4, Bandar Baru Bangi	Leasehold	99 years (1987 - 2086)	1,565	Residential land	–	0.44	December 2005
No. 9, Jalan SS13/30 Subang Jaya	Freehold	–	987	Industrial land, factory and offices	23 years	1.35	December 2005
CCM Pharma Lot No 2 Jalan 13/4A Petaling Jaya	Leasehold	99 years (1972 - 2059)	8,352	Industrial land, factory and offices	26 years	10.00	December 2005
Lot 1, Phase 1 Technology Park Malaysia	Leasehold	30 years (2001 - 2031)	7,487	Industrial land	–	3.20	December 2005
PTD 100951 Johor Bahru	Freehold	–	278	Industrial land	4 years	0.38	December 2005

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-Fourth Annual General Meeting of the Company will be held at Nirwana 1 Ballroom, Crowne Plaza Mutiara Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 24 May 2006 at 11.30 a.m. for the following purposes:-

ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2005 and the Reports of the Directors and Auditors thereon. **(Resolution 1)**
2. To approve a gross final dividend of 9 sen (less 28% tax) and a special tax exempt dividend of 5 sen for the financial year ended 31 December 2005. **(Resolution 2)**
3. To re-elect the following Directors retiring by rotation pursuant to Article 91 of the Company's Articles of Association:-
 - (a) Tan Sri Dato' Mohamed Yusof bin Hashim **(Resolution 3)**
 - (b) Dato' Seri Mohd Hussaini bin Haji Abdul Jamil **(Resolution 4)**
 - (c) Mr Sreesanthan a/l Eliathamby **(Resolution 5)**
4. To re-elect the following Directors retiring by rotation pursuant to Article 96 of the Company's Articles of Association:-
 - (a) Pn Jamiah binti Abdul Hamid **(Resolution 6)**
 - (a) En Abdul Rahim bin Abdul Hamid **(Resolution 7)**
5. To approve the directors' fees of RM463,000.00 for the financial year ended 31 December 2005. **(Resolution 8)**
6. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 9)**
7. To transact any other business of which due notice shall have been received.

Notes:

1. A member of the Company, entitled to attend and vote at the meeting, is entitled to appoint a proxy or proxies (but not more than two) to attend and vote instead of him. A proxy need not be a member of the Company.
2. Where a member of the Company appoints two proxies, the appointment shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy.

CLOSURE OF BOOKS

NOTICE IS HEREBY GIVEN that subject to the approval of the Shareholders at the forthcoming Annual General Meeting, the proposed gross final dividend of 9 sen (less 28% tax) and special tax exempt dividend of 5 sen per RM1.00 ordinary share unit in respect of the Company's financial year ended 31 December 2005 will be paid on 8 June 2006 to shareholders whose names appear in the Record of Depositors on 1 June 2006.

A Depositor shall qualify for dividend entitlement only in respect of:-

- (a) Shares deposited into the Depositor's Securities account before 12.30 p.m. on 30 May 2006 in respect of shares which are exempted from mandatory deposit.
- (b) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 1 June 2006 in respect of transfer; and
- (c) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By order of the Board

RAMA DEVI NAIR (MIA No. 5664)
Company Secretary

Kuala Lumpur
2 May 2006

3. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy must be deposited with the Company's Registrar, Symphony Share Registrars Sdn Bhd, Level 26, Menara Multi Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, not less than forty-eight hours (48) before the time appointed for holding the meeting.

NOTICE OF ANNUAL GENERAL MEETING

Statement Accompanying the Notice of the Forty-Fourth Annual General Meeting of Chemical Company of Malaysia Berhad

Pursuant to Paragraph 8.28(2) of the listing requirements of Bursa Malaysia Securities Berhad

1. The name of individuals who are standing for re-election:

Pursuant to Article 91 of the Company's Articles of Association

- (a) Tan Sri Dato' Mohamed Yusof bin Hashim **(Resolution 3)**
- (b) Dato' Seri Mohd Hussaini bin Haji Abdul Jamil **(Resolution 4)**
- (c) Mr Sreesanthan a/l Eliathamby **(Resolution 5)**

Pursuant to Article 96 of the Company's Articles of Association

- (a) Pn Jamiah binti Abdul Hamid **(Resolution 6)**
- (b) En Abdul Rahim bin Abdul Hamid **(Resolution 7)**

2. Details of Directors standing for re-election

The details of directors standing for re-election can be found on pages 10 to 19 of the Annual Report.

3. Directors' attendance at board meetings for the year ended 31 December 2005

The information can be found on page 71 of the Annual Report.

4. The date, time and venue of Meeting held during the financial year

Wednesday, 24 May 2006 at 11.30 a.m. at Nirwana 1 Ballroom, Crowne Plaza Mutiara Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur.

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Number of shares held

I/We _____
(Full name in capital letters)

of _____
(Address)

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

(Full name in capital letters)

of _____
(Full address)

as my/our proxy to vote for me/us at the Forty-Fourth Annual General Meeting of the Company to be held at Nirwana 1 Ballroom, Crowne Plaza Mutiara Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 24th May 2006 at 11.30 a.m. and at any adjournment thereof.

Please indicate with an "X" in the space provided below how you wish your votes to be cast. Unless otherwise instructed, the Proxy vote as he thinks fit.

		For	Against
Resolution 1	To receive and adopt the Audited Financial Statements and Reports.		
Resolution 2	To approve gross final dividend of 9 sen (less 28% tax) and special tax exempt dividend of 5 sen.		
Resolution 3	To re-elect Tan Sri Dato' Mohamed Yusof bin Hashim.		
Resolution 4	To re-elect Dato' Seri Mohd Hussaini bin Haji Abdul Jamil.		
Resolution 5	To re-elect Mr Sreesanthan a/l Eliathamby.		
Resolution 6	To re-elect Pn Jamiah binti Abdul Hamid.		
Resolution 7	To re-elect En Abdul Rahim bin Abdul Hamid.		
Resolution 8	To approve the directors' fees for financial year ended 31 December 2005.		
Resolution 9	To re-appoint Messrs KPMG as Auditors.		

Signed this _____ day of _____ 2006

Signature of Shareholder

Notes:

1. A member of the Company, entitled to attend and vote at the meeting, is entitled to appoint a proxy or proxies (but not more than two) to attend and vote instead of him. A proxy need not be a member of the Company.
2. Where a member of the Company appoints two proxies, the appointment shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy must be deposited with the Company's Registrar, Symphony Share Registrars Sdn Bhd, Level 26, Menara Multi Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, not less than forty-eight hours (48) before the time appointed for holding the meeting.

Please fold here to seal

Please fold here to seal

The Registrar
CHEMICAL COMPANY OF MALAYSIA BERHAD (5136-T)
Level 26, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Malaysia

Affix
postage
stamp

