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**CHEMICAL COMPANY OF MALAYSIA BERHAD** (5236-T)

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CHEMICAL COMPANY OF MALAYSIA BERHAD (5136-T)



Annual Report 2006

REACHING **NEW**  
HEIGHTS

Annual Report 2006



**CHEMICAL COMPANY  
OF MALAYSIA BERHAD**  
(5136-T)





MAKING A  
**DIFFERENCE IN LIFE**

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## Financial Calendar

Financial year end	31 December 2006
Annual General Meeting	28 May 2007

### PROPOSED FINAL AND SPECIAL DIVIDEND

Entitlement date	6 June 2007
Payment date	15 June 2007

### ANNOUNCEMENT OF 2006 TRADING RESULTS

Three months	May 2006
Six months	August 2006
Nine months	November 2006
Full year	February 2007

# CHEMICAL COMPANY OF MALAYSIA BERHAD

## 2006 ANNUAL REPORT



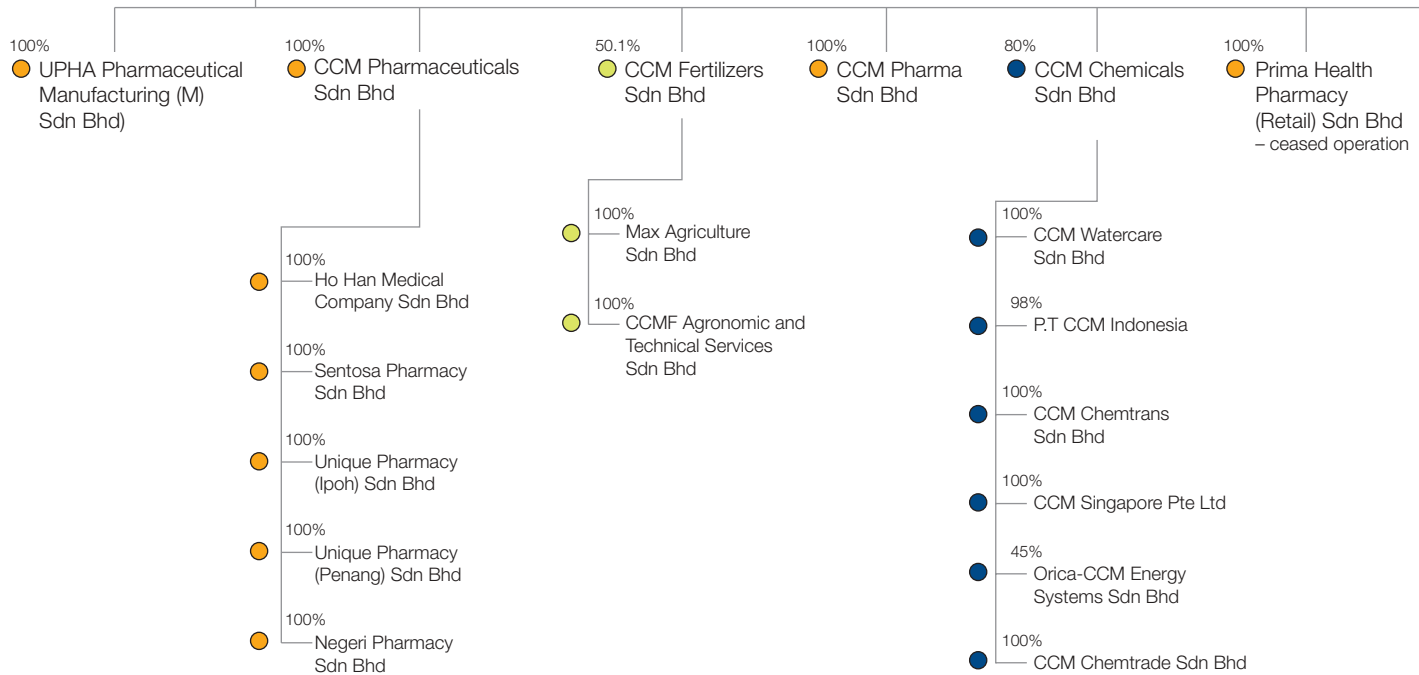
INNOVA

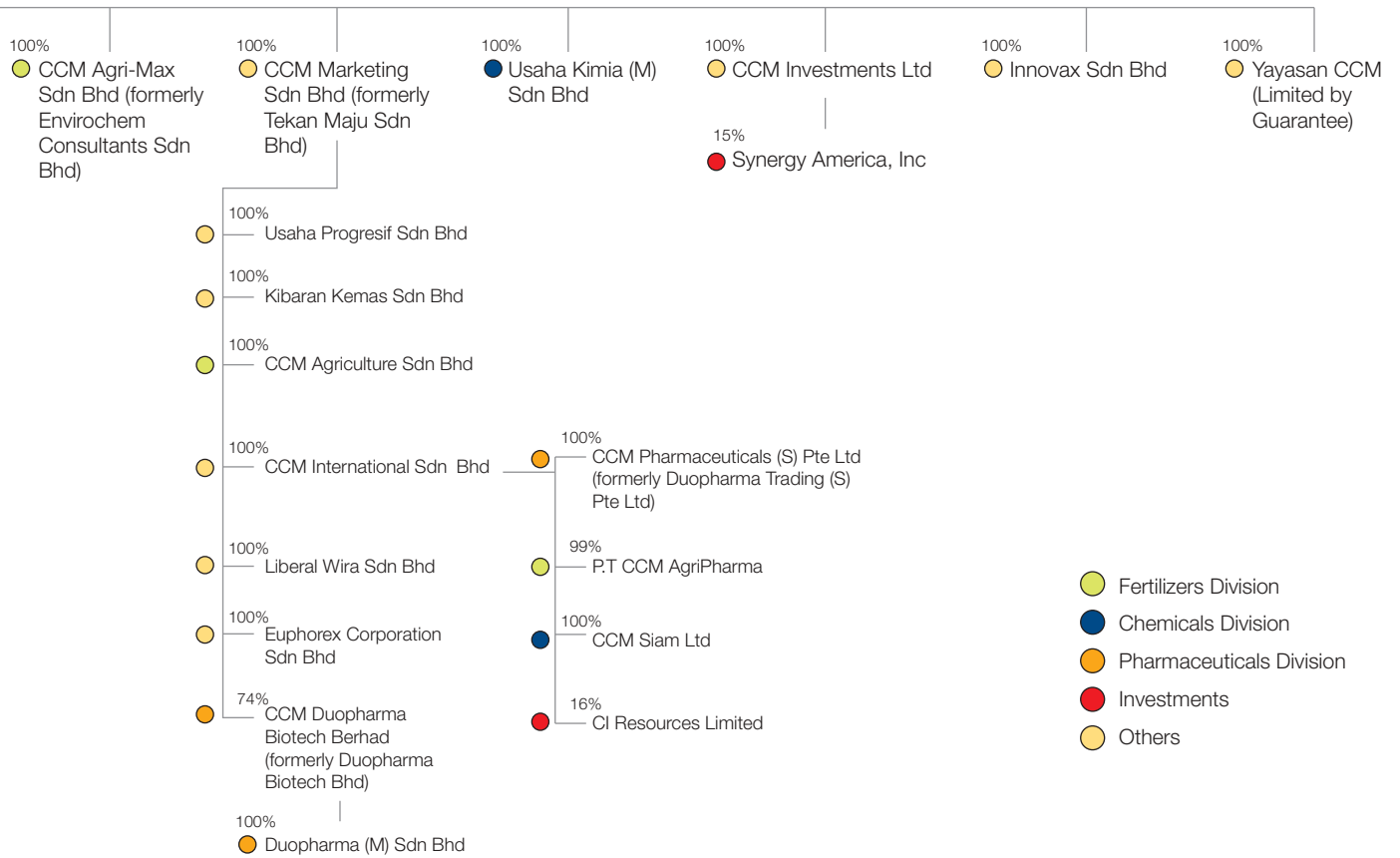
A person wearing a white lab coat and gloves is holding a handful of white pills. In the background, a large industrial pill mill is visible, with a transparent window showing the internal mechanism. The scene is set in a clean, professional environment, likely a pharmaceutical manufacturing facility.

TION

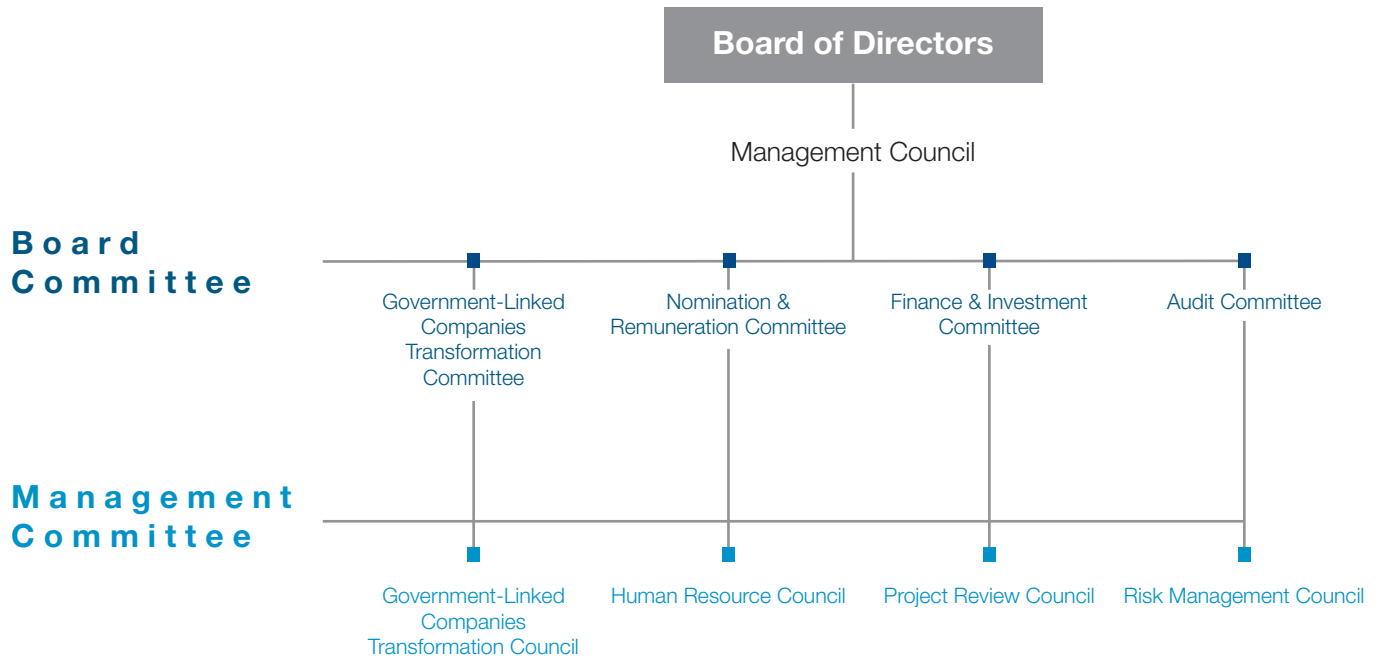
INNOVATION\*

# Group Structure





# Board Structure



# Corporate Information

- **JOINT COMPANY SECRETARIES**

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

- **REGISTERED OFFICE**

9th Floor, Wisma Sime Darby  
14, Jalan Raja Laut  
50350 Kuala Lumpur  
Tel : 03-2612 3888  
Fax : 03-2691 9901

- **WORKS**

Shah Alam, Pasir Gudang, Bangi,  
Petaling Jaya, Glenmarie  
Subang Jaya, Klang

- **REGISTRAR**

Symphony Share Registrars  
Sdn. Bhd.  
Level 26, Menara Multi-Purpose  
Capital Square  
No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Tel : 03-2721 2222  
Fax : 03-2721 2530

- **AUDITORS**

KPMG  
Wisma KPMG, Jalan Dungun  
Damansara Heights  
50490 Kuala Lumpur

- **BANKERS**

Malayan Banking Berhad  
HSBC Bank Malaysia Berhad  
OCBC Bank (Malaysia) Berhad

- **SOLICITORS**

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

Salleh & Haq Associates  
Lot 33 & 35, Level 4  
Jalan Medan Tunku  
50300 Kuala Lumpur



## Board of Directors' profile

### Tan Sri Ab. Rahman bin Omar

**Age:** 60

**Nationality:** Malaysian

**Qualifications:**

Bachelor of Economics (Hons), Universiti Malaya

**Membership of Associations:** None

**Position on the Board:**

Non-Independent Non-Executive Chairman

**Date appointed to the Board:** 27.05.2004

**Working Experience and Occupation:**

Tan Sri Ab. Rahman bin Omar started his career in the Administration and Diplomatic Services in the Statistic Department, Ministry of Commerce & Industry and the Ministry of Primary Industry from 1970 to 1973. He then joined the Pineapple Cannery Malaysia Sdn Bhd (PCM) as its Finance and Admin. Manager in 1973 and was appointed as a Director in April 1980. He then joined Perusahaan Sadur Timah Malaysia (Perstima) Berhad in 1980 as Director/General Manager and is presently its Chairman. He became the Managing Director of Perusahaan Otomobil Kedua Sdn Bhd in 1996.

**Board Committees:**

Member, Nomination & Remuneration Committee

Chairman, Government-Linked Companies Transformation Committee

**Directorships of other public companies:**

DRB-HICOM Berhad

Wah Seong Corporation Berhad

Perusahaan Sadur Timah Malaysia (Perstima) Berhad

Edaran Otomobil Nasional Berhad

**Securities holdings in the Company and its subsidiaries:** None

**Family Relationship with any Director and/or major shareholder:** None

**Conflict of Interest with the Company:** None

**List of convictions for offences within the past 10 years other than traffic offences:** None

**Dato' Dr. Mohamad Hashim bin Ahmad Tajudin**

**Age:** 52

**Nationality:** Malaysian

**Qualifications:**

B.Sc. Agriculture, Universiti Putra Malaysia  
M.Sc. Agriculture (Soil Chemistry and Fertility), Universiti Putra Malaysia  
PhD in Soil Fertility (Soil Chemistry and Plant Nutrition) and Management,  
Universiti Putra Malaysia  
Advanced Management Program, INSEAD, France  
Harvard Premier Business Management Programme

**Membership of Associations:**

Council Member, MARDI Science Council  
Chairman, Planters Editorial Committee for the Incorporated Society of Planters  
Member, R&D Directorate of the National Biotechnology Council  
Council Member, Federation of Malaysian Manufacturers  
Chairman, Branding and Intellectual Property Committee, Federation of Malaysian Manufacturers  
Committee Member, Biotechnology, Pharmaceutical Healthcare Clusters Working Group (CWG) to  
Jawatankuasa Penasihat Pensyarikatan Bumiputera (JPPB) Implementation Coordination Unit,  
Jabatan Perdana Menteri  
Member, Programme Advisory Committee, MPOB

**Position on the Board:**

Group Managing Director

**Date appointed to the Board:** 27.05.2004

**Working Experience and Occupation:**

Prior to his appointment in CCM, he was a Senior Director in the Oils & Fats Division of Golden Hope Plantations Berhad. He held various positions during his 26 years career stint in Golden Hope. Among others were as a Director in the Research and Development Division from 1998 to 2003 and as the Executive Director of Golden Hope Research Sdn Bhd and Golden Hope Agrotech Consultancy Sdn Bhd. He was also the Adjunct Professor of the Agricultural Faculty, Universiti Putra Malaysia.

**Board Committees:** None

**Directorships of other public companies:**

Impian Golf Resort Berhad  
CCM Duopharma Biotech Berhad

**Securities holdings in the Company and its subsidiaries:** None

**Family Relationship with any Director and/or major shareholder:** None

**Conflict of Interest with the Company:** None

**List of convictions for offences within the past 10 years other than traffic offences:** None

**Board of  
Directors' profile**



**Board of  
Directors' profile**



**Dato' N. Sadasivan**

**Age:** 66

**Nationality:** Malaysian

**Qualifications:**

Bachelor of Arts (Hons) in Economics, University Malaya

**Membership of Associations:** None

**Position on the Board:**

Independent Non-Executive Director

**Date appointed to the Board:** 01.03.1995

**Working Experience and Occupation:**

Dato' Sadasivan began his career as an Economist with the Economic Development Board, Singapore in 1963. In 1968, he joined the Malaysian Industrial Development Authority (MIDA) and served as the Deputy Director General from 1976 to 1983. From 1984 until his retirement in 1995, he was the Director-General of MIDA.

**Board Committees:**

Member, Audit Committee

Chairman, Nomination & Remuneration Committee

**Directorships of other public companies:**

Petronas Gas Berhad

APM Automotive Holdings Berhad

Leader Universal Holdings Berhad

Malaysian Airline System Berhad

Malaysian Industrial Development Finance Berhad

Yeo Hiap Seng (Malaysia) Berhad

Bank Negara Malaysia

**Securities holdings in the Company and its subsidiaries:** As disclosed on pages 151 to 156

**Family Relationship with any Director and/or major shareholder:** None

**Conflict of Interest with the Company:** None

**List of convictions for offences within the past 10 years other than traffic offences:** None

**Tan Sri Dato' Dr. Mohamed Yusof bin Hashim**

**Age:** 68

**Nationality:** Malaysian

**Qualifications:**

PhD in Agricultural Science

Fellow of the Academy of Science

**Membership of Associations:** None

**Position on the Board:**

Independent Non-Executive Director

**Date appointed to the Board:** 21.08.2002

**Working Experience and Occupation:**

Tan Sri Dato' Dr. Mohamed Yusof bin Hashim was a lecturer at the Faculty of Agriculture, Universiti Malaya between 1970-1973 before joining the Malaysian Agriculture Research and Development Institute (MARDI) as a research officer. He became the Deputy Director-General from 1979 to 1983 and then the Director-General till 1993. Between 1984 and 2000, he served on the Australian Council of International Research in Canberra, International Service for National Agricultural Research in Hague, Holland, Asia-Pacific Association of Agricultural Research Institutions, Food and Agricultural Organisation of Bangkok, Universiti Kebangsaan Malaysia and Universiti Putra Malaysia. He was also the CEO of the Malaysian Palm Oil Promotion Council from 1994 to 2000.

**Board Committees:**

Chairman, Audit Committee

Member, Nomination & Remuneration Committee

**Directorships of other public companies:**

Abric Berhad

SAAG Consolidated (M) Bhd

**Securities holdings in the Company and its subsidiaries:** None

**Family Relationship with any Director and/or major shareholder:** None

**Conflict of Interest with the Company:** None

**List of convictions for offences within the past 10 years other than traffic offences:** None

**Board of  
Directors' profile**



**Board of  
Directors' profile**



**Dato' Seri Mohd Hussaini bin Haji Abdul Jamil**

**Age:** 70

**Nationality:** Malaysian

**Qualifications:**

Bachelor of Arts (Hons), Universiti Malaya

Diploma in DP, London

**Membership of Associations:** None

**Position on the Board:**

Non-Independent Non-Executive Director

**Date appointed to the Board:** 29.08.2003

**Working Experience and Occupation:**

Dato' Seri Mohd Hussaini joined the Malaysian Home and Foreign Administrative office in 1961. In his 30 years in government service, he had served in the Prime Minister's Department, the Ministry of Home Affairs, Kuala Lumpur City Hall and the Ministry of Finance before retiring in September 1991 as the Secretary General of the Ministry of Health, Malaysia.

**Board Committees:**

Chairman, Finance and Investment Committee

Member, Government-Linked Companies Transformation Committee

**Directorships of other public companies:**

Pelaburan Hartanah Nasional Berhad

**Securities holdings in the Company and its subsidiaries:** None

**Family Relationship with any Director and/or major shareholder:** None

**Conflict of Interest with the Company:** None

**List of convictions for offences within the past 10 years other than traffic offences:** None

**E Sreesanthan**

**Age:** 46

**Nationality:** Malaysian

**Qualifications:**

LLB (Hons), Universiti Malaya  
B.C.L., University of Oxford, UK.

**Membership of Associations:**

Member, Bursa Malaysia Central Depository Advisory Committee

**Position on the Board:**

Non-Independent Non-Executive Director

**Date appointed to the Board:** 11.09.2003

**Working Experience and Occupation:**

An advocate and solicitor, Mr E Sreesanthan is a partner at Messrs Kadir, Andri and Partners. He sits on the Investment Committee of the Amanah Saham Wawasan 2020 Fund and is also an accredited mediator of the Malaysian Mediation Centre and Investigating Tribunal Panel of the Advocates and Solicitors' Disciplinary Board.

**Board Committees:**

Member, Finance and Investment Committee  
Member, Government-Linked Companies Transformation Committee

**Directorships of other public companies:**

Scomi Group Berhad

**Securities holdings in the Company and its subsidiaries:** None

**Family Relationship with any Director and/or major shareholder:** None

**Conflict of Interest with the Company:** None

**List of convictions for offences within the past 10 years other than traffic offences:** None

**Board of  
Directors' profile**



**Board of  
Directors' profile**



**Dato' Kalsom binti Abdul Rahman**

**Age:** 58

**Nationality:** Malaysian

**Qualifications:**

Bachelor of Economics (Hons), Universiti Malaya

Masters in Business Administration (Finance), University of Oregon, USA

**Membership of Associations:** None

**Position on the Board:**

Independent Non-Executive Director

**Date appointed to the Board:** 27.05.2004

**Working Experience and Occupation:**

Dato' Kalsom is the Chairman of the Executive Committee of Invest Penang. She had served in various capacities in the Ministry of International Trade and Industry (MITI) both at Headquarters and overseas as well as the Chief Executive Officer and Chairman of SMIDEC.

**Board Committees:**

Member, Finance and Investment Committee

Member, Government-Linked Companies Transformation Committee

**Directorships of other public companies:**

Malaysian Industrial Development Finance Berhad

Malaysian International Shipping Corporation Berhad

Lion Forest Industries Berhad

**Securities holdings in the Company and its subsidiaries:** None

**Family Relationship with any Director and/or major shareholder:** None

**Conflict of Interest with the Company:** None

**List of convictions for offences within the past 10 years other than traffic offences:** None

**Jamiah binti Abdul Hamid**

**Age:** 52

**Nationality:** Malaysian

**Qualifications:**

Diploma in Public Administration, Mara Institute of Technology  
Bachelor of Science (Finance), University of Northern Illinois, US  
Master of Business Administration, Universiti Kebangsaan Malaysia  
Non-Degrees courses, Harvard Business School, US  
and the Asian Institute of Management, Manila  
Holder of fund management representative licence and  
certified financial planner.

**Membership of Associations:**

Member, Kelab Asian Institute of Management Malaysia

**Position on the Board:**

Non-Independent Non-Executive Director

**Date appointed to the Board:** 03.04.2006

**Working Experience and Occupation:**

Puan Jamiah has an extensive career in investment spanning 28 years. She began her career working as an Administrative Assistant in the Mara Institute of Technology before joining Permodalan Nasional Berhad (PNB). In PNB, Puan Jamiah was a Trainee Analyst in the Research Department and soon rose from her position to assume several posts such as Senior Manager of PNB's Investment Operations Department to her current position as Executive Vice President I for the Corporate Finance, Communications & International Division and Human Resource Division. She also sits as director on the Board of several companies.

**Board Committees:**

Member, Finance & Investment Committee  
Member, Government-Linked Companies Transformation Committee

**Directorships of other public companies:**

Pernec Corporation Berhad  
Pelangi Berhad

**Securities holdings in the Company and its subsidiaries:** None

**Family Relationship with any Director and/or major shareholder:** None

**Conflict of Interest with the Company:** None

**List of convictions for offences within the past 10 years other than traffic offences:** None

**Board of  
Directors' profile**



**Board of  
Directors' profile**



**Abdul Rahim bin Abdul Hamid**

**Age:** 57

**Nationality:** Malaysian

**Qualifications:**

Fellow of the Association of Chartered Certified Accountants

Member of the Malaysian Institute of Certified Public Accountants

**Membership of Associations:** None

**Position on the Board:**

Independent Non-Executive Director

**Date appointed to the Board:** 03.04.2006

**Working Experience and Occupation:**

En. Abdul Rahim is a qualified certified Accountant and joined Coopers and Lybrand as its Audit Assistant in 1971. He began his climb up the company's corporate ladder and became the Managing Partner/Chief Executive in 1993. In 1998, he assumed the responsibility as Deputy Executive Chairman of PricewaterhouseCoopers and retired in 2004. He is also the Adjunct Professor in the Faculty of Accountancy, UiTM, member of the Advisory Panel in the Economics & Business Faculty, Universiti Kebangsaan Malaysia and Professional Development Panel, INCEIF. He is presently the President of Malaysian Institute of Accountants.

**Board Committees:**

Member, Audit Committee

**Directorships of other public companies:**

MIMOS Berhad

Pelangi Berhad

**Securities holdings in the Company and its subsidiaries:** None

**Family Relationship with any Director and/or major shareholder:** None

**Conflict of Interest with the Company:** None

**List of convictions for offences within the past 10 years other than traffic offences:** None

# Senior Management's Profile

*from left to right*

**Y C Lee, Ahmad Mustaffa Abdul Manaf, Billy Urudra, Yeoh Keat Chye,  
Dato' Haji Mizanur Rahman Ghani and Haji Mohd Ali Sabri**



# Senior Management's Profile

## **Dato' Haji Mizanur Rahman Ghani**

*Managing Director, CCM Duopharma Biotech Berhad*

**Age:** 60

**Nationality:** Malaysian

### **Qualifications:**

BA (Hons), University of Malaya  
Business Administration, University of Leuven, Belgium  
Marketing Management, Harvard Business School, USA

### **Membership of Associations:**

Founder President, Business Council for Sustainable Development in Malaysia (BCSDM)  
Council Member, International Fertilizer Association (IFA)  
Chairman, Fertilizer Industry Association of Malaysia (FIAM)  
Council Member, Federation of Malaysian Manufacturers (FMM)  
Executive Committee Member, Chemical Industry Council of Malaysia (CICM)  
Member, Malaysian International Chamber of Commerce and Industry (MICCI)  
Member, Malaysian Economic Association (MEA)  
Member, Malaysian Institute of Human Resource Management (MIHRM)  
Member, Institute of Strategic and International Studies (ISIS)  
Member, Harvard Club of Malaysia

### **Working Experience and Occupation:**

Dato' Haji Mizanur Rahman Ghani joined the Malaysian Industrial Development Authority (MIDA) in 1968 and subsequently was appointed as a Director before leaving in 1976 to join the ICI/CCM Group. Since 1983, he has been the Managing Director of CCM Fertilizers Sdn Bhd and Chairman of Tioxide (Malaysia) Sdn Bhd. He was appointed Managing Director of CCM Duopharma Biotech Berhad on 28 November 2005.

## **Yeoh Keat Chye**

*Managing Director, CCM Chemicals Sdn Bhd*

**Age:** 56

**Nationality:** Malaysian

### **Qualifications:**

Bachelor in Chemical Engineering (1st Class), University of Canterbury, Christchurch, New Zealand

### **Membership of Associations:**

Member, Institution of Chemical Engineers  
Chartered Engineer, Council of Engineering Institution  
Exco Member, Chemical Industries Council of Malaysia (CICM)

### **Working Experience and Occupation:**

Mr. Yeoh has 32 years of experience in ICI/CCM. He begun his illustrious career as a trainee Plant Manager in October 1974 and has been seconded to ICI UK in 1979 and ICI Singapore in 1989. He has worked in various capacities in Production, Projects, Human Resources as well as Sales & Marketing before becoming the Managing Director of CCM Chemicals Sdn Bhd in 1995.

## **Y C Lee**

*Managing Director, CCM Pharmaceuticals Sdn Bhd*

**Age:** 51

**Nationality:** Malaysian

### **Qualifications:**

BSc (Hons) Electrical & Electronic Engineering, University of Manchester Institute of Science & Technology (UMIST), UK  
Master of Business Administration, Cranfield Institute of Technology, UK  
Advanced Course in Production Methods and Management, University of Cambridge  
ICI International Managers Course, UK  
Senior Managers Development Program (SMDP), Harvard Business School  
Currently pursuing a Doctorate Degree in Business Administration (DBA) with the University of South Australia (UniSA)

### **Membership in Associations:**

Fellow member, Chartered Institute of Management Accountants, UK  
Member, Malaysian Institute of Accountants (MIA), Organizing Chairman, World Congress of Accountant (WCOA 2010),  
Immediate Past President, CIMA Malaysia Division  
Immediate Past President, Malaysian Organization of Pharmaceutical Industries

### **Working Experience and Occupation:**

Recruited by ICI Paints UK in 1979, Mr Lee joined ICI Paints (M) Sdn Bhd in 1982 and held various senior positions within the Group as Assistant Chief Accountant of ICI Malaysia Holdings, Manager of Information Technology, ICI Polyurethanes Asia Pacific's Business Controller, General Manager, Finance & IT of ICI Malaysia and was appointed the Managing Director of CCM Pharmaceuticals Sdn Bhd on 1 April 1997.

**Haji Mohd Ali Sabri**

*Chief Operating Officer, CCM Fertilizers Sdn Bhd*

**Age:** 48

**Nationality:** Malaysian

**Qualifications:**

Bachelor of Agricultural Science,  
Universiti Putra Malaysia  
Master of Business Administration,  
ITM-Ohio University  
Currently pursuing Doctorate in Business  
Administration, Multimedia University, Cyberjaya

**Membership of Associations:**

Member, Incorporated Society of Planters (ISP)  
Member, Malaysian Society of Soil Science (MSSS)  
Member, Malaysian Agriculture Plant Protection Society  
(MAPPS)

**Working Experience and Occupation:**

Haji Mohd Ali Sabri is currently the Chief Operating Officer of CCM Fertilizers Sdn Bhd. He started his career with Monsanto (M) Sdn Bhd and joined CCM Group in 1989. He has held several positions during his career with CCM Fertilizers Sdn Bhd mainly in the Sales, Marketing and Operations. He is also a Director of CCM Fertilizers Sdn Bhd since 1995. Prior to his appointment as the Chief Operating Officer, he was the National Sales and Marketing Manager of CCM Fertilizers Sdn Bhd.

**Billy Urudra**

*Senior General Manager Group Strategic Planning & Business Development*

**Age:** 46

**Nationality:** Malaysian

**Qualifications:**

B.Sc (Hons) Degree in Mechanical Engineering,  
Middlesex University, UK

**Membership of Associations:** None

**Working Experience and Occupation:**

Mr. Urudra joined the ICI/CCM Group on 2 June 1983 as Plant Engineer for ICI Fertilizers (now known as CCM Fertilizers). On 1 July 1989, he was transferred to ICI Industrial Chemicals (now known as CCM Chemicals Sdn Bhd) as Product Manager. Subsequently, on 1 October 1990, he was appointed Personnel Planning Manager of ICI/CCM Group. He was transferred back to CCM Chemicals on 1 April 1992 and promoted to Business Manager, Chlor Alkali. On 7 March 1996, he was appointed Director of CCM Chemicals Sdn Bhd. On 1 February 2003, he was transferred to UPHA Corp. (M) Sdn Bhd (now known as CCM Pharmaceuticals Sdn Bhd) as Director and General Manager, Marketing. On 1 July 2004, he was transferred to CCM Berhad as Group Business Development Manager. Subsequently on 1 January 2006, he was appointed as Senior General Manager, Group Strategic Planning and Business Development, a position he currently holds.

**Ahmad Mustaffa Abdul Manaf**

*Head Finance*

**Age:** 55

**Nationality:** Malaysian

**Qualifications:**

Bachelor of Economics,  
Australia National University

**Membership of Associations:**

Member, Malaysian Institute of Accountants  
Member, CPA Australia

**Working Experience and Occupation:**

En. Ahmad Mustaffa has 28 years of experience in accounting and finance. He joined the CCM Group of Companies in December 2005 and currently heads the Group Finance portfolio.



RELIABI

A female scientist wearing a hijab and safety glasses is in a laboratory, holding a flask with a liquid inside. She is looking intently at the flask. A male scientist in safety glasses is standing next to her, looking on. The scene is set in a laboratory with various glassware and equipment visible.

LITY

RELIABILITY



TAN SRI AB. RAHMAN BIN OMAR  
Chairman

## **Chairman's Statement**

THE CCM GROUP IS THE LARGEST GENERIC PHARMACEUTICAL COMPANY IN MALAYSIA, WITH CCM'S PHARMACEUTICALS DIVISION GENERATING A TOTAL TURNOVER OF RM204.1 MILLION.

# dear shareholders,

Chemical Company of Malaysia Berhad (CCM) is soaring to greater heights. For the first time, the CCM Group's turnover has breached the RM1.0 billion mark for the financial year ended 31 December 2006 (FY 2006), a hefty 36.3% increase from the previous year. These results incorporated the first full-year's contribution of CCMD to the Group's financial performance. Today, the CCM Group is the largest generic pharmaceutical company in Malaysia with CCM's pharmaceuticals division generating a total turnover of RM204.1 million.

The unveiling of the CCM Group's First 3-Year Strategic Plan in 2005 has served as an effective road map for the Group in moving forward. The main thrust of the plan is a 3-pronged strategy to:

- Continue to grow CCM's three core businesses in Malaysia
- Accelerate regional growth, especially in the ASEAN region
- Improve earnings through mergers and acquisitions

Evidenced by the Group's performance on both the financial and operational fronts, the plan is working and we are already reaping tangible results. Although much has been achieved the past year, I personally feel that we are still beginning to unlock the full potential of the newly enlarged CCM Group. We are fortunate to be in an industry that is rapidly expanding and to be operating in a region whose increasing prosperity will guarantee a growing demand for our products. Our strategies placed the Group on a stronger footing to become a major player in the healthcare segment, one of the fastest growing industries of the 21st Century.

## BUSINESS ENVIRONMENT

According to Bank Negara Malaysia, the nation's gross domestic product (GDP) grew by 5.9% in 2006, buoyed by sustained global growth and resilient domestic demand. However, the overall operating environment has had varying impacts on CCM's core Chemicals, Fertilizers and Pharmaceuticals businesses.

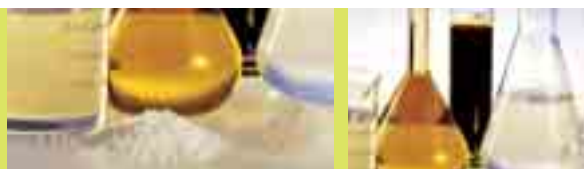
For CCM's Chemicals Division, 2006 was another challenging year. Record high oil prices resulted in rising costs of production, while our chlor-alkali business had to grapple with hikes in salt prices and electricity tariff.

In the case of CCM's Fertilizers Division, the demand for fertilizers is largely determined by domestic and international prices for agricultural products and commodities. Since oil palm is the dominant plantation crop in Malaysia, the international crude palm oil (CPO) prices are the key determinants for fertilizer consumption in the country. During 2006, sustainable CPO prices have translated into a buoyant demand for fertilizers.

Although the pharmaceutical industry has registered annual growth rates of between 8% and 10%, CCM's Pharmaceuticals division has to deal with intense competition from local pharmaceutical companies and contend with cheaper generic imports from India and China.

## FINANCIAL PERFORMANCE

The overall financial performance of the CCM Group over the past five years has been very encouraging. Over this period, the Group achieved a double-digit average revenue growth that exceeded the country's average GDP growth of about 5% per annum.



For the FY 2006, the CCM Group achieved a turnover of RM1.1 billion, an increase of 36% from RM814.2 million (restated) posted the previous year. Correspondingly, profit before tax rose by 7.1% to RM138.4 million, compared to RM129.2 million achieved previously. On the strength of the Group's improved bottom line, basic earnings per share rose to 26.9 sen, against 24.0 sen a year ago.

### DIVIDENDS

As part of the Company's good governance and in line with the recommendation of the Purple Book on Optimising Capital Management Practices under the GLC Transformation Programme, the Company has adopted a dividend policy of 50% – 75% of the Group's Consolidated Profit After Tax And Minority Interests for the year, taking into account growth targets and funding requirements of the Group and the availability of appropriate tax credit to provide the dividends.

On the strength of the CCM Group's commendable financial performance, we are pleased to extend our long-standing record of rewarding our shareholders. The Board is recommending total dividends of 24 sen per share (gross) in respect of the FY 2006, compared to 20 sen per share (gross) paid for the FY 2005.

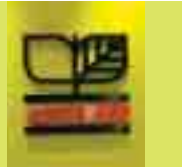
### CORPORATE DEVELOPMENTS

The FY 2006 was no less busy and eventful on the corporate front. Closing the chapter on the acquisition exercise that began in early 2005, CCMD assumed its present name on 8 June 2006. The name-change is in line with our strategy to enhance brand imaging and identification. Consequently, the CCM logo has now been incorporated on all CCMD's packaging materials. The change management process has also entailed a review and subsequent upgrading of structures, systems, methods and procedures and this has proceeded smoothly with no disruptions to operations.

In line with CCM's long-term aspirations of becoming a regional player, we will continue to forge strategic partnerships with foreign companies, leveraging on their expertise and strengths to gain further inroads into ASEAN and global markets. Thus, in September 2006, CCM through its wholly-owned subsidiary CCM International Sdn Bhd, has entered into a Share Subscription Deed with the Perth-based CI Resources Ltd (CII) to purchase 12 million ordinary shares or about 16% equity in the Australian company. CII has a 39.06% stake in Phosphate Resources Ltd (PRL), which operates the largest phosphate mine in Australia. As CCM is already PRL's biggest customer, our investment in CII is strategic and will ensure an uninterrupted and cost-competitive supply of phosphates, a raw material for the fertilizers industry.

The Board believes that investment in R&D is imperative to ensure a successful and sustainable future. In October 2006, our wholly-owned subsidiary, CCM Investments Ltd concluded a Stock Purchase and Marketing Rights Agreement in October 2006 to purchase a strategic equity of 15% in Synergy America, Inc. (SynAm) enlarged share capital for USD5.0 million. SynAm is a private company based in Maryland, USA and has a strong scientific team with extensive experience in vaccine R&D. It is currently undertaking R&D on a new and innovative vaccine that will be effective against pneumococcal diseases such as pneumonia and meningitis.

CCM is confident that our investments in SynAm and CII will bring excellent value to the Group. SynAm has completed the pre-clinical laboratory studies for a new vaccine against pneumococcal diseases and has been given US and global patent approval. The company is now moving towards full-scale pre-clinical studies and hopes to obtain approval from the US Federal Drugs Authority (FDA) by end-2007. The potential global market for this vaccine is about USD10.0 billion, and with our investment, CCM has been given exclusive rights to market this vaccine in Asia, with the exception of Japan.



In another major corporate development, CCM International Sdn Bhd has signed a Share Purchase Agreement to acquire the entire stake of Singapore-based, Duopharma Trading (S) Pte Ltd (DTSB). The company is engaged in the retailing of pharmaceutical chemicals, veterinary and agricultural products. It has control over 100 pharmaceuticals products registered in Singapore and trades in about 70 active pharmaceutical products. With DTSB now called CCM Pharmaceuticals (S) Pte Ltd, part of our corporate stable, CCM can consolidate the marketing activities of its pharmaceutical business in Singapore.

#### OPERATIONAL HIGHLIGHTS

CCM Pharma Sdn Bhd, a wholly-owned subsidiary of the Company, has entered into a Sale and Purchase Agreement with Malayan Pharmaceuticals Sdn Bhd (MPSB) in respect of the purchase of brands, product rights and fixed assets of MPSB. Among MPSB's leading brands include *Chewies* children's chewable vitamins, *Milidon* paracetamol analgesics, Cosmos dietary supplements and *Cosmoplast* medicated plasters and first-aid dressing.

The acquisition of MPSB's established leading brands and assets would enrich CCM's Over-the-Counter product pipeline and enable the Group to leverage the combined strength and capture a bigger share of the market. With the acquisition, CCM plans to convert the site to a dedicated Cephalosporin manufacturing facility for the Group and also to house its research and development centre. The acquisition is expected to give CCM a better synergy between the Group's pharmaceutical units.

CCM's wholly-owned subsidiary, Prima Health Pharmacy (Retail) Sdn Bhd, which is involved in the pharmaceutical retail business has ceased operations on 30 March 2007.

All of our three core operating divisions have further consolidated their positions in Malaysia. On the international front, CCM continued to make good progress to establish itself as a regional player of repute, while spreading its wings into markets further afield.

Despite significant challenges, CCMC ended the FY 2006 on a satisfactory note. The division achieved a record turnover on the back of commendable performances from its manufacturing and trading businesses.

In the Group's fertilizer business, CCMF achieved a turnover of RM535.6 million for the FY 2006, as compared to RM396.7 million posted the preceding year. Two new products, 99 Plus and FERT 300, were launched during the year.

For the Group's pharmaceutical business, the FY 2006 was both rewarding and satisfying. The acquisition of CCMD has met all our expectations, and this was reflected most emphatically in the financial performance of the Group. For CCMP, FY 2006 also represented its sixth consecutive year of record-breaking sales and profitability. Revenue generated from the pharmaceuticals division in 2006 rose 106% to RM204.1 million, accounting for 18.4% of Group turnover.

Several new products were launched during the year, including a range of herbal products. As reported last year, CCMD is also the only company in Malaysia permitted to produce SLN 30 and SLN 40. It began supplying these 3-in-1 anti-retroviral drugs to the Ministry of Health (MoH) in 2006. With the extension of a pilot programme for the use of Methadone for the treatment of narcotic withdrawal, CCMD has now secured the tender award to supply the drug to the MoH up to the year 2009.

While such awards and recognition are gratifying, CCM is not about to rest on its laurels. We will continually review our structures, systems, policies and procedures in place to see where there can be room for improvement. In our efforts to improve corporate governance, for instance, we are continually improving the terms of reference of the respective Board Committees. Our directors also attend relevant training sessions to keep them updated with the latest industry and regulatory developments. We also recognise training as an important platform for CCM to achieve its goals. During the year, we embarked on developing our own leadership programme to ensure leadership continuity for key positions. This is a prerequisite in our quest to reach new heights.

#### EXPANDING OUR HORIZONS

Guided by CCM's First 3-Year Strategic Plan, all three business divisions are on course to achieve set targets and objectives. FY 2007 will see the opening of a new CCM trading office in Manila, Philippines. This will complete the loop in CCM's regional expansion plans, with operations in all the key ASEAN markets to tap into the region's critical mass of 570 million people. Meanwhile, CCMC's Vietnam representative office in Ho Chi Minh City commenced operations in January 2006. In neighbouring Thailand, CCM Siam Ltd was incorporated in August 2006 and its Bangkok office is operational from early 2007.

CCM is Malaysia's largest producer of compound fertilizers as well as generic drugs and a leading producer of chlor-alkali. Our products are currently exported to over 20 countries, with the Singapore and Hong Kong markets being our biggest customers. In our ambition to be a global player, we are accelerating our efforts to penetrate new markets, particularly in the Middle East and Africa. CCMP has already established a foothold in these markets, and is set to build on its presence there leveraging on its *halal* pharmaceutical products. On our part, we have set up a new market development department at the headquarters to spearhead our marketing activities and to penetrate new markets.

The Group's multi-million Ringgit plant expansion programme remains on track. Three new plants have been planned to support CCM's growing fertilizers business, one each in Bintulu (Sarawak), Lahad Datu (Sabah) and Medan (Indonesia). When all three plants are commissioned, this will increase CCM's total manufacturing capacity to 730,000 tonnes of compound fertilizers per annum. This will undoubtedly make CCM one of the biggest fertilizer companies in ASEAN.

To support the expansion of the Group's pharmaceutical business, CCM is in the midst of constructing a RM60.0 million state-of-the-art pharmaceutical plant adjacent to its existing oral dosage plant in Bangi. The Group is also evaluating plans to grow its chemical business with the expansion of its chlor-alkali facility in Pasir Gudang.

#### A LOOK AHEAD

Bank Negara Malaysia is confident that the nation's economy will remain resilient to register a healthy growth of 6.0% for FY 2007. Malaysia's sustained economic expansion will translate into growth opportunities for all three core businesses of CCM. However, if the operating scenario is the same as FY 2006, persistently high oil prices and resulting inflationary pressures will in turn impact on costs and result in reduced margins. Our operating divisions are taking these challenges in their stride, and are responding in various ways, such as increasing plant efficiency or by operating the plant at above design capacity. Since CCM buys its raw materials in US Dollars, we are also hopeful that the strengthening of the Ringgit would mitigate rising operational costs at the factory level.

CCM remains upbeat about the local pharmaceutical market, which is growing at around 8% to 10% annually. Following the acquisition of CCMD, our pharmaceuticals business has increased its contribution to Group turnover to 18.4% from 12.2% in 2005. In the coming year, CCMD will be launching more OTC, ethical and herbal-based drugs and medication. Meanwhile, we will be stepping up our export drive to ASEAN



countries, which will remain at the forefront of the Company's plans. Simultaneously, we will be aggressively pursuing new markets in the South Pacific, West Asia, the African continent and Organisation of Islamic Countries (OIC).

In Malaysia and Indonesia, the present demand for fertilizers already outstrips supply. The Ninth Malaysia Plan's (9MP) focus on agriculture as the third growth engine of the economy augurs well for our fertilizer business. Indonesia's plan to expand its oil palm hectareage from 5 million hectares to 10 million hectares will also offer opportunities for CCM to expand its fertilizer business. There is also an increased usage of palm oil for bio-diesel, thereby indirectly ensuring that the demand for fertilizers will be sustained.

In the chemical business, the demand for chlorine is expected to remain stable given Malaysia's need for a clean source of water supply. CCMC already supplies chemicals and engineering services to a majority of state water authorities for the treatment of potable water. CCM plans to expand its chemical business regionally, where CCMC is already operating in Thailand, Vietnam and Singapore.

CCM is presently developing the Second 3-Year Strategic Plan, which will chart the Group's future direction and set the road map from 2008 to 2010. Under the plan that will be subject to approval by the Board, we will build on the momentum already established to better position CCM as a reputable regional player in the three core businesses.

## ACKNOWLEDGEMENTS

It may sound like a cliché, but at CCM, we really mean it when we say that our people are the Group's greatest assets. They are truly the driving force of the organisation. We have a great team, fortified by new members from CCMD who have quickly integrated into our corporate culture and work ethics. I salute all of you for your professionalism, commitment and support of all that CCM is trying to achieve.

CCM has been fortunate in getting the full cooperation and support from the various government agencies, suppliers, principals and business partners. Our shareholders and the millions from all over the world who make up our growing customer base deserve special mention. To all of you, I extend my sincere gratitude and appreciation.

Last but not least, I thank my fellow members of the Board. Your astute insights and unstinting support have been a tremendous help.

Thank you.

**TAN SRI AB. RAHMAN BIN OMAR**

*Chairman*



TECHNOL

A woman in a white lab coat and gloves is working in a biosafety cabinet. She is focused on her task, and the scene is lit with soft, natural light from a window with vertical blinds in the background. The overall tone is professional and scientific.

OGY

TECHNOLOGY



# Chemicals Division

THE CHEMICALS DIVISION RECORDED A 12% GROWTH. THE IMPROVED RESULTS WERE ATTRIBUTED MAINLY TO THE PERFORMANCE OF BOTH THE MANUFACTURING AND TRADING BUSINESS.



CCMC continues to consolidate its position as the leading chlor-alkali producer in Malaysia.



CCM's Chemicals Division (CCMC) ended the year under review on a very satisfactory note. The division achieved a record of RM369.3 million in turnover for the FY 2006 as compared to RM317.8 million posted previously. Overall, the chemicals business recorded a growth of 16%. The improved results were attributed mainly to a sterling performance turned in by both manufacturing and trading businesses. Total exports of manufactured products reached record volumes in 2006, amidst a scenario of rising production costs as a direct result of higher oil prices. CCMC's chlor-alkali business had to cope with increases in electricity tariffs as well as salt prices, and this has had some impact on profitability. However, CCMC has offset these impacts by increasing plant efficiencies. Various cost-containment measures were also instituted during the year.

Significant progress was made on both the domestic and international fronts. CCMC continues to consolidate its position as the leading chlor-alkali producer in Malaysia. Hence, we are currently evaluating plans to expand our chlor-alkali facility in Pasir Gudang. In line with its aspiration to be a leading total solutions provider in the water industry, CCMC has also ventured into water engineering complementing the services it already provides to the potable and industrial water sectors. In the trading area, we have gained new grounds in the regional metals and electronic chemicals businesses. CCMC is also developing new product lines to capitalise on the rapid growth of the oleochemical and bio-diesel industries.

Like the rest of the Group, CCMC has taken on the challenge of the growing internationalisation of its business activities. In FY 2006, about 28% of CCMC's turnover were derived from exports and sales outside Malaysia, an increase from 23% in 2005. Over the next few years, CCMC aspires to be a regional company with 40% of its revenue derived from its overseas operations. Under the CCMC Regionalisation strategy, our operations in Singapore and Indonesia are performing well, with record sales and turnover. Our new Vietnamese operations are also meeting expectations. We are on track in setting up our Thai operations, which begins operations in 2007.



CCMF is the only compound fertilizer manufacturer in Malaysia to have received both the SIRIM MS49:1994 product certification and MS ISO 9001:2000 quality system.



# Fertilizers Division

CCMF IS A LEADING COMPOUND FERTILIZER MANUFACTURER IN THE COUNTRY, TRADING UNDER ITS POPULAR 'COCK'S HEAD' BRAND SINCE 1967.





CCM's Fertilizers Division (CCMF) faced several challenges in FY 2006. The most pronounced ones being the volatile raw material costs, and increased competition from lower quality NPK compound fertilizers. To mitigate the effects of cost volatility, several initiatives in relation to the use of different sources of raw materials were introduced. However, we ensured that these initiatives did not in any way affect the premium quality of our products. CCMF is the only compound fertilizer manufacturer in Malaysia to have received both the SIRIM MS49:1994 product certification and MS ISO 9001:2000 quality system. The division continued to emphasize on technical selling to protect our market share.

Notwithstanding these daunting challenges, the division achieved a turnover of RM535.6 million for the FY 2006. This was RM138.9 million or 35% higher than the turnover registered the previous year. However, escalating raw material costs have impacted margins. As a result, the division registered a profit before tax of RM13.0 million for FY 2006, against RM30.0 million the previous year.

CCMF is a leading compound fertilizer manufacturer in the country, trading under its popular 'Cock's Head' brand since 1967. In addition to compound fertilizers, the division trades in a wide range of other straight fertilizers, mixture fertilizers and specialty products like organic and foliar fertilizers. During the year, two new products namely CHB 99 Plus, and FERT 300 were launched. Our premium CHB compound fertilizer has proven agronomically sound and economically viable for any given crop. The premium CHB 99 Plus contains magnesium, which is





essential in boosting latex yields. By continually introducing innovative and better fertilizers, CCM is playing its part in helping revitalise the agriculture sector and improve the economic well-being of farmers.

CCMF advocates a 'Total Care' concept by educating its customers to achieve better yields through proper and accurate use of its fertilizers. Each year, CCMF publishes 20,000 copies of its Agrinfo magazine, which are distributed to farmers through its Golden Growers Club.

The division continues to make good progress in support of the Group's plan to be a regional player. Inroads continued to be made into the Indonesian market, where trading activities have already commenced and several warehousing facilities have been strategically established at major ports. As covered earlier in this report, CCM is also planning to set up three new fertilizer plants. The Bintulu plant which is under construction is expected to come on stream some time in 2008, while the other two plants are planned to be commissioned in 2010. The division has plans to further grow its business regionally in 2007, targeting neighbouring countries such as Indonesia, Thailand and the Philippines.



# Pharmaceuticals Division

CCM'S RISE TO IT LEADERSHIP POSITION IS PREDICATED ON A KEEN SENSE OF INSIGHTS AND UNDERSTANDING OF THE PHARMACEUTICAL INDUSTRY AND ABILITY TO MEET THE MARKET DEMAND.

CCM is also filling a void in the pharmaceuticals industry within the Islamic world. There is a growing demand for halal certified herbal-based pharmaceuticals products and medication.



CCM is strengthening its pharmaceuticals division to be the Group's major revenue contributor within the next few years. The acquisition of CCMD in 2005 was a major step in this direction and has lived up to CCM's expectations in terms of its contribution to the Group's financial performance as well as the synergies derived from the combined entity with the existing pharmaceuticals business. Today, the CCM Group is the leading generic pharmaceutical company in Malaysia, generating a total turnover of RM204.1 million in FY 2006, or 18.4% of the CCM Group's revenue.

The pharmaceutical industry has been growing at around 8 to 10% annually, a trend that is expected to continue with the population's increasing affluence and becoming more conscious about their own health. With intensifying competition from cheaper generic drugs from India and China, regulatory authorities in Malaysia have also adopted higher standards for the pharmaceuticals industry, in line with the Pharmaceutical Inspection Co-operation Scheme (PICS). Malaysia is one of two ASEAN countries that have been accepted as a member of the PICS. The benefits of membership include global acceptance of the quality of pharmaceutical products manufactured in Malaysia, making it easier for our products to penetrate export markets.

CCM's rise to its leadership position is predicated on a keen sense of insights and understanding of the pharmaceutical industry and ability to meet the market demand. Through significant investment in research and development, CCM was able to maintain an edge in a highly competitive business environment. Among some of the more innovative products launched in 2006 included Mizolam, a psychotropic drug used for the treatment of psychiatric problems, and an oral gel aid for relieving mouth ulcers. CCM is also filling a void in the pharmaceutical industry within the Islamic world. There is a growing demand for halal certified herbal-based pharmaceutical products and medications.



During the year under review, CCMD further increased its product range with the roll out of 3 new ethical products. Among these were ACE inhibitors for reducing blood pressure, anesthetics, contraceptives and anti-retroviral drugs for the treatment of HIV-infected patients.

CCMD also launched 5 new OTC herbal products used traditionally to maintain general health and well being. Taking its cue from the ancient Ayurvedic treatment for the lowering of blood sugar levels, CCMD took two years to develop Diamelon, which was launched on 8 December 2006. The product is derived from bitter melon (bitter gourd), long believed to have the natural curative and preventive elements to keep diabetes at bay. Three other herbal products were launched by the Deputy Prime Minister, YAB Dato' Sri Mohamad Najib Tun Abdul Razak in September 2006. Sunlax is a food supplement that rejuvenates, refreshes and relaxes through an active ingredient commonly found in green tea. The other two products, Pygenol, nourishes the skin while Lipasu Plus is a herbal fat blocker containing flavanols extracted from plants.



As reported last year, CCMD won a tender award to supply SLN 30 and SLN 40 tablets and Methadone to the Ministry of Health. We are the only company in Malaysia permitted by the patent holder to produce SLN 30 and SLN 40, and supplies of these 3-in-1 anti-retroviral drugs for the treatment of HIV/AIDS patients commencing 2006. Methadone is a well-tested medication used for the treatment of narcotic withdrawal and has proven highly successful in an initial 6-month government pilot programme to wean drug users from their addiction. The Government has decided to extend this programme to three years and CCMD has secured the tender award to supply Methadone to the MoH up to the year 2009.

On the domestic front, the pharmaceuticals division continued to penetrate new markets for the concessionary, non-concessionary and private segment businesses. Reputable bumiputra agents have been engaged to participate actively in government tenders. Besides participating in nationwide media publicity and promotion campaigns, CCM have also reached out to a larger customers and consumers base through road shows and direct sales activities in rural areas.

On the international front, CCM pharmaceuticals' products already enjoy a strong presence in ASEAN markets. ASEAN markets will continue to be the mainstay of our export business. Export sales to new markets in the Middle East and Africa started during the year. Meanwhile, markets in Central Europe, Central Asia and Organisation of Islamic Countries (OIC) are being developed.

# Corporate Social Responsibility

Corporate social responsibility is integrally tied up with CCM's business activities. As a corporate entity, we owe it to our many stakeholders to ensure growing returns. But in fulfilling this objective, we also touch the lives of millions of Malaysians, and in so doing, help raise the quality of life, improve living standards and help keep the wheels of the Malaysian economy rolling.

CCM supplies the Malaysian market with a whole array of pharmaceutical products at competitive prices. Over time, many of our products have already become household names as a brand to be trusted and an assurance of quality. Through our SLN 30, SLN 40 and Methadone programmes, we are giving hope to the less fortunate, helping these people live a healthier and more productive life. The chlorine we produce and supply to almost all the water authorities in the country ensure that Malaysian water supply is among the cleanest in the region. And by ensuring a stable supply of fertilizers at competitive prices, we help improve the lot of farmers and plantation owners alike, while meeting the national objective of promoting agriculture as one of the main engines of growth.

In addition to all that has been described, the CCM Group has long supported many charitable organisations and worthy causes. During the year, CCM donated 37,000 sets of first-aid kits worth RM750,000.00 for Malaysian pilgrims departing for the Haj. These easy-to-carry kits were specially packed to enable pilgrims to treat common ailments, thereby enabling them to fulfil their religious obligations in relative comfort. On 16 September 2006, CCM signed a two-year Memorandum of Understanding with Yayasan Rahah to complement the foundation's

community service projects. By our contribution of medicines and pharmaceuticals, Yayasan Rahah will be able to provide free medical care to the needy. In conjunction with the launch of Diamelon on 8 December 2006, CCM made a donation to support the National Diabetes Institute's (NADI) educational and awareness programmes. CCMD has also undertaken to donate 50 sen from the sale of every box of the herbal product to NADI for a full year ending November 2007. Motorists heading back to Kuala Lumpur after the Deepavali and Hari Raya festivals in October last year, were pleasantly surprised to receive health and food supplements from CCM staff at major toll plazas. These are some of the ways of showing our appreciation to Malaysians for their loyalty and support.

As a Group that is closely associated with health products, it is perhaps natural that CCM should gravitate towards promoting sports as a healthy way of life. CCM was the main sponsor for the CCM 2nd Selangor International Open Bowling Championship, an event that has produced a crop of internationally recognised bowlers for the last 30 years. The 2006 Championship attracted 300 participants from Malaysia as well as Asia, United Kingdom and the United States of America. The Group also contributes to other sports such as golf, cricket and lawn bowling.

Education continued to be one of the focus areas in CCM's corporate sponsorship programmes. During the year, CCMF collaborated with the Malaysian Palm Oil Board to develop an educational VCD to help smallholders adopt 'Good Agronomic Practices on Oil Palm Planting'. The VCD contains important information and advice to help the smallholder community improve the yields of their palm oil cultivation. It covers topics ranging from seed selection, maintenance and management of ditches, fertilizing to harvesting. The VCD was distributed free to 4,100 registered smallholders who are members of the Golden Growers Club, set up by CCMF in 1998.

We support the Government's initiatives to inculcate the reading habit among schoolchildren. As our contribution to the campaign on 'Enhancing Knowledge Among Rural Primary School Students in Perak Darul Ridzuan', CCM donated RM100,000.00 worth of books which was distributed among 18 schools throughout the state of Perak.

Ultimately, one of CCM's most enduring legacies will be the many students who have benefited from our scholarship programmes. To date, CCM has awarded more than 100 scholarships worth over RM2.8 million to deserving students pursuing undergraduate studies at local institutions of higher learning. Every year, 10 CCM scholars receive an annual grant of RM7,000.00 each and are given industrial training during their semester breaks at any of CCM's wholly-owned subsidiaries. Upon graduation, the candidates are absorbed into CCM's workforce.





**HumanResource**

# Development

REQUIRES WORLD CLASS HUMAN CAPITAL THAT IS KNOWLEDGEABLE,  
HIGHLY SKILLED, FLEXIBLE AND ABOVE ALL, CREATIVE.

People drive the organisation. And if we are to scale new heights, CCM knows that it must depend on the combined knowledge, skills and experience of its human capital. That is why the development of our human resources has always been, and will continue to be a key priority in our operating philosophy. This is especially important if we are to achieve our longer-term vision of being a global player. We have no illusions that it can be tough out there. It will require world class human capital that is knowledgeable, highly skilled, flexible and above all, creative.

CCM's training programmes are tailored to meet both functional and development needs of staff. Wherever possible, we try to accommodate individual needs and encourage positive attitudes towards lifelong learning. In layman's terms, functional training helps to bridge the skill gap for an employee to perform more effectively in his or her specific area. It would cover the operational and technical knowledge in areas such as quality, engineering, safety or finance. On the other hand, developmental training revolves around the soft skills, and is designed to enhance one's personal effectiveness in dealings with other employees. It addresses aspects of how individuals relate to others, involving interpersonal skills, people management and motivation.

Training is organised at both the Group and subsidiary levels for greater effectiveness. CCMC for example, organises programmes catering to its specific needs such as courses on sales and marketing, ISO Lead Assessor training, internal quality audit, safe handling of chemicals, emergency response planning and water processing technology, among others. Most of the developmental training to enhance technical and scientific knowledge is conducted by external trainers. However, CCM has from time to time sent staff to attend R&D workshops in Europe to sharpen their skills and acquire leading-edge knowledge.

The vast majority of CCM employees have invested their future with the Company. We have therefore established a succession planning programme that will enable management to identify and groom high-flyers to take over the helm as and when there is a vacancy to fill. About 80% of the current key management positions are occupied by internally developed talents with an average service record of more than 10 years. As the Group continues to pursue its expansion plans at home and abroad, we have also put in place a flexible business structure that will allow for employee progression in line with business and market expansion.

Responding to the Government's call to intensify leadership development, the year in review saw CCM developing its own leadership programme to ensure leadership continuity for key positions. Among others, this programme aims to develop the qualities required of a leader – the development of critical thinking and problem solving skills, capability to think innovatively, drive execution of business results and engage the team members effectively and rally them towards achieving organisational goals. These are all pre-requisites in CCM's quest to reach new heights.



## Research & Development



As a leading and progressive pharmaceutical company, CCM believes that investment in R&D is imperative in ensuring a successful and sustainable future. CCM has therefore established strategic partnerships with global leaders to tap into their R&D expertise and markets. Following the success of our investment experiences with Impax Laboratories (USA) and Cardiome Pharma Corp (Canada), CCM has decided to acquire a strategic 15% equity in Synergy America, Inc. (SynAm). SynAm is a US-based private R&D company that is undertaking research and development on a new and innovative vaccine that could prove effective against pneumococcal diseases such as pneumonia and meningitis. The company has already completed pre-clinical laboratory studies and hopes to obtain FDA approval for this new vaccine by the end of 2007. The potential global market for this vaccine is about USD10 billion and CCM has been given the exclusive rights to market this vaccine throughout Asia, except Japan.

On 18 May 2006, CCM through its wholly-owned company, Innovax Sdn Bhd, signed a Memorandum of Understanding (MoU) with Golden Hope Research Sdn Bhd (GHR's) to jointly undertake R&D and commercialisation of herbal healthcare and wellbeing products. Like CCM, GHR's parent company, Golden Hope Plantations Berhad, comes under the corporate umbrella of Permodalan Nasional Berhad. The MoU covers four main areas: herbal oil palm phytonutrients healthcare; guava phytonutrients; nutraceuticals, health supplements, cosmeceuticals and therapeutics as secondary dosage forms; and herbal healthcare. Each party contributes their respective expertise in the

pharmaceutical and agro-based industries to nurture R&D activities and commercialise healthcare and wellbeing products. The herbal nutraceuticals and cosmeceuticals sectors are still largely untapped and provide tremendous potential for growth.

CCMD is already producing herbal products to meet the growing demand for such items. Among its latest offerings is Diamelon, derived from bitter gourd or bitter melon, traditionally believed to have the natural curative and preventive elements to help control blood glucose levels. CCMD took two years to develop Diamelon, which was carefully formulated to replicate the function of a whole bitter gourd fruit, complete with all three naturally available chemical constituents.

# Safety, Health & Environment



Where issues of Safety, Health and Environment (SHE) are concerned, CCM insists that there is neither room for complacency or compromise. Since its early days, a great deal of emphasis has been placed on SHE issues in the conduct of the Company's business. CCM is a pioneer signatory of the Responsible Care Programme and has played a significant role in striving for continual performance improvement in all aspects of SHE management.

In the course of 2006, CCM has continued to reinforce its commitment to SHE by launching the following initiatives:

- A contractor passport programme, which also involves induction, training and familiarisation of contractors on various aspects of SHE. Upon completion of the programme, contractors are issued a passport identifying them as licensed CCM contract workers for the duration of the validity of the passport.
- Transporter toolbox meetings to increase level of SHE awareness among drivers to improve transportation safety.
- Activities such as the Q-SHE Week, Community Awareness Programme and Environmental Awareness Programme organised with the Department of Environment in conjunction with Minggu Alam Sekitar Malaysia 2006. These activities were aimed at promoting, enhancing and reinforcing the safety culture and to drive home the message of environmental care and preservation to the community at large.
- Increased attention has been focused on minimising and reducing greenhouse gas emissions in line with the United Nation Framework Convention on Climate Change and the tenets of the Kyoto Protocol.
- Benchmarking against the best practiced SHE standards with a view to establishing and continually improve the Group's competitiveness in all areas of engagement. This is particularly relevant to CCMC's chlor-alkali operations that are already certified with the OHSAS 18001 standard for environmental management systems.
- CCMC has also committed itself to participate actively in the Pasir Gudang Emergency Mutual Aid Committee (PAGEMA) to help organise and coordinate an annual mock drill.
- CCMC has also contributed significantly towards the development of the PAGEMA Incident Command System (ICS) manual, which was launched in December 2006.

The year under review saw CCM participating in a mock drill organised at the Second Link as part of the Malaysia-Singapore Joint Committee on the Environment (MSJCE) emergency effectiveness and preparedness exercise. The drill involved a chemical spill at the Malaysia-Singapore Second Link (MSSL) that threatened to contaminate the air and marine environment of the two countries. CCM participated in the drill alongside more than 150 officials representing the relevant agencies, namely, Department of Environment, Fire and Rescue Services, Civil Defence, Police, Marine, Health, Customs and the Immigration Department. By participating in such mock drills and exercises, we enhance our capabilities in coping with any emergency situation. CCM has a team of trained and experienced personnel in the southern, central, northern and the east coast regions to deal with emergencies.

# CorporateDiary 2006

## 14TH JANUARY 2006

CCM Group Open House to celebrate our gratitude and appreciation to major customers, suppliers and business associates.



## 14TH FEBRUARY 2006

CCM signed an agreement with the vendor for acquiring the land for its new fertilizers plant in Bintulu.

## 1ST MARCH 2006

An Investors Relations Networking Session was held to give an insight into the Company's plans for its growth.





**20TH-30TH APRIL 2006**

CCM participated in the MSAM 2006 in Kuala Terengganu as a co-sponsor.

**18TH MAY 2006**

CCMD held its 5th Annual General Meeting at Crystal Crown Hotel, Port Klang.



**18TH MAY 2006**

CCM's R&D arm, Innovax, signed an MOU with Golden Hope Research to jointly undertake research, development and the commercialization of herbal healthcare and well-being products.

**23RD MAY 2006**

CCM won the Merit Award of the coveted Malaysia Business Corporate Governance Award 2005.



# CorporateDiary 2006

## 24TH MAY 2006

CCM held its 44th Annual General Meeting at Crowne Plaza Mutiara Hotel, Kuala Lumpur.



## 31ST MAY 2006

CCMF held the prize presentation for the 8th Educational Excellence Awards at Holiday Inn Glenmarie.

## 14TH AUGUST 2006

CCMC won 5 awards during the CICM Responsible Care Award Presentation at Hilton Kuala Lumpur.





**26TH AUGUST 2006**

CCM hosted the CCM Golf Invitational in conjunction with the National Day Celebrations at the Impian Golf & Country Club.

**14TH SEPTEMBER 2006**

CCM's involvement in a CSR project with the donation of RM100,000 worth of books to 18 rural primary schools in Perak Darul Ridzuan.



**15TH SEPTEMBER 2006**

CCMC won the Technology Business Award for Excellence in Petrochemicals & Chemicals.

**16TH SEPTEMBER 2006**

CCM participated in the 'Program Bersama PNB' held in Pekan, Kuantan.



# CorporateDiary 2006

## 12TH OCTOBER 2006

CCM invested 15% stake in Synergy America, Inc., a vaccine R&D company based in USA.



## 8TH NOVEMBER 2006

CCM's involvement in the Sahabat Korporat Tabung Haji 2006 with its contribution of personal first aid kits to Malaysian pilgrims.



## 20TH NOVEMBER 2006

CCM awarded 10 students for the Yayasan CCM scholarship at The Legend Hotel.



**21ST NOVEMBER 2006**

CCMF won the Enterprise 50 Award.

**8TH DECEMBER 2006**

CCMD launched its new herbal-based product, Diamelon, for maintaining overall wellness.





**2006**  
**Awards**  
 & ACCOLADES

**AWARDS AND ACCOLADES**

The many accolades and awards CCM received during the year bears testimony to the high standards we have set ourselves. At the CICM Responsible Care Awards 2005 held in September last year, the Group clinched five major awards, including Gold Awards for Community Awareness & Emergency Response and Pollution Prevention Codes.





THE GROUP CLINCHED FIVE MAJOR AWARDS, INCLUDING GOLD AWARDS FOR COMMUNITY AWARENESS & EMERGENCY RESPONSE AND POLLUTION PREVENTION CODES.



Our pharmaceutical products are already well known for their high quality and in FY 2006, three of our products won awards from Watsons' and Guardian Pharmacy, two of the region's most established pharmaceutical retailers. CCMF did the Group proud in winning the National Award for Management Accounting in 2005 and was ranked as the sixth most enterprising company in Malaysia from a total of 140 companies nominated for this year's edition of 'Enterprise 50' Award.

The much-coveted Malaysian Business Corporate Governance Award was organised for the fourth time in 2006 and CCM was one of the three 'Merit Award' winners. We were also the proud recipient of the Technology Business Review Award for Excellence in Petrochemicals and Chemicals.

Finally, CCM is also pleased to be included in the expanded G20 grouping of Government-Linked Companies (GLC). Inclusion into this Roundtable is an acknowledgement of CCM as one of the leading GLCs in Malaysia.

# Financial Review

## TURNOVER & PROFITABILITY

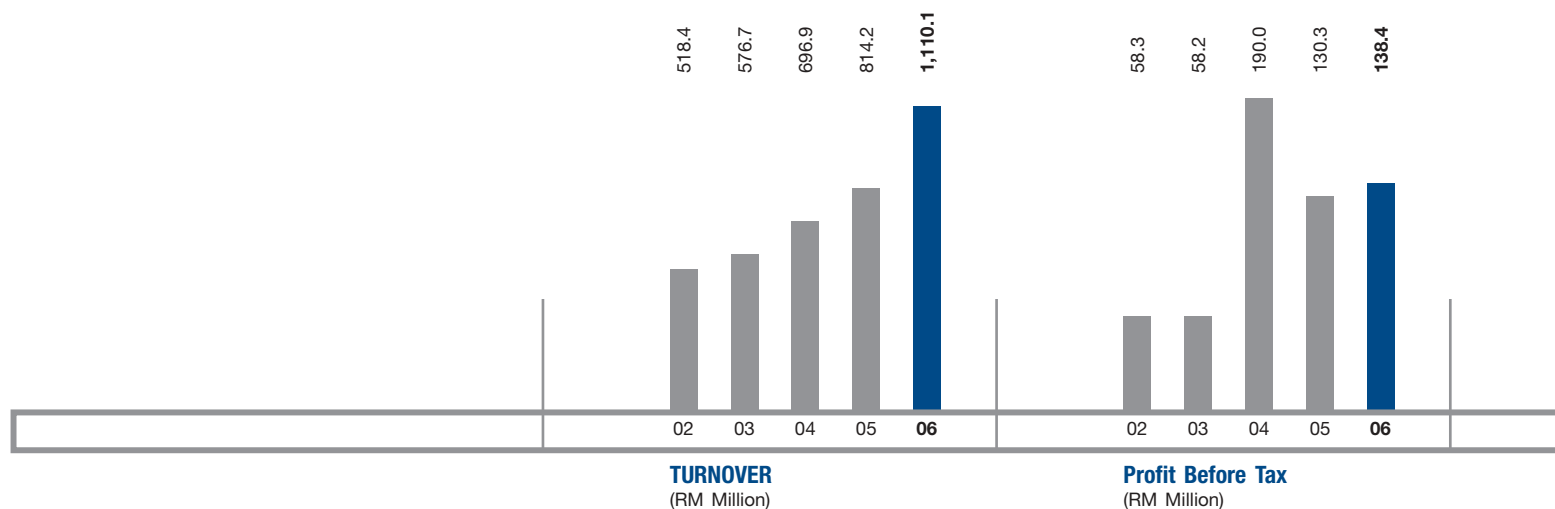
Turnover for the Group increased by more than 36% to RM1,110.1 million, passing the RM1.0 billion mark for the first time ever. All divisions contributed to the increase in turnover, which was achieved, in part, through expansion of regional activities.

Profit Before Tax for the Group increased by 6% to RM138.4 million with contributions from both increase in core business profits as well as from higher gains from sale of investments. Segment-wise, the contribution to

the increase in core business profits came largely from the Pharmaceuticals Division. The Fertilizers and Chemicals Divisions earned lower profits than the previous year due to a combination of weaker product prices and higher raw materials and operating costs.

The Group remains committed to the continued growth of all of its business divisions.

	Turnover (RM'000)		Profit Before Tax (RM'000)	
	2006	2005 (restated)	2006	2005 (restated)
Fertilizers	535.6	396.7	13.0	30.0
Chemicals	369.3	317.8	21.4	25.9
Pharmaceuticals	204.1	99	50.0	16.2
Others	1.1	0.7	54.0	57.1
Group	1,110.1	814.2	138.4	129.2



## LIQUIDITY

	2006	2005
	(RM'000)	(RM'000)
Cash from Operating Activities	4,037	61,057
Cash from Investing Activities	45,208	(196,845)
Cash from Financing Activities	(46,352)	72,177
Net increase/(decrease) in Cash and Cash Equivalent	2,893	(63,611)
Opening cash	295,521	359,132
Closing cash	298,414	295,521

Cash From Operating Activities was lower than previous year reflecting higher levels of working capital driven by the increase in turnover.

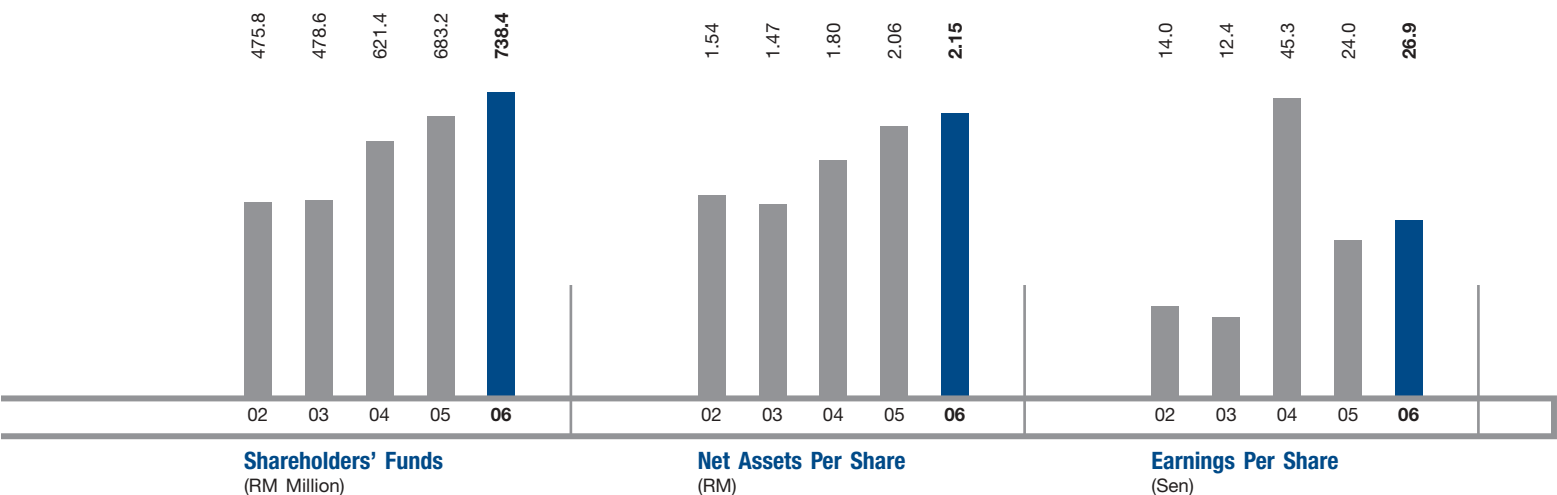
Net Cash From Investing Activities was positive reflecting the surplus of proceeds received from sale of investments over and above disbursements on new purchases and acquisitions of investment and capital assets.

Cash From Financing Activities decreased due to the payment of dividends and the absence of significant new borrowings.

Overall, the Group's cash balance has increased to RM298.4 million.

## SHAREHOLDERS VALUE

Net Assets and Earnings per Share continue to show a year-on-year improvement at RM2.15 per share and 26.9 sen per share, respectively. The CCM Group is driven to deliver value growth to its shareholders. It will seek to do this via continued expansion of its core businesses both at home in Malaysia as well as in overseas regional countries.



# Financial Highlights

AS AT 31 DECEMBER 2006

	2006	2005 (restated)	2004
	RM'000	RM'000	RM'000
<b>Consolidated Balance Sheets</b>			
Fixed Assets	352,376	412,639	325,601
Other Assets	303,188	274,847	99,881
Current Assets	822,389	673,684	677,162
Total Assets	1,477,953	1,361,170	1,102,644
Current Liabilities	(297,113)	(241,969)	(202,397)
	1,180,840	1,119,201	900,247
Financed by:			
Share Capital	392,977	383,520	377,895
Treasury Shares	(5,836)	(11,443)	(11,443)
Non-Distributable Reserves	62,214	68,153	50,032
Retained Profits	289,106	242,944	204,943
Shareholders' Funds	738,461	683,174	621,427
Minority Interests	99,590	95,484	47,699
Loans	100,000	100,000	–
Bonds	200,000	200,000	200,000
Deferred Tax Liabilities	42,789	40,543	31,121
	1,180,840	1,119,201	900,247
<b>Consolidated Income Statements</b>			
Turnover	1,110,060	814,219	696,941
Profit Before Taxation	138,368	129,167	189,966
Taxation	(17,343)	(23,087)	(13,959)
Profit After Taxation	121,025	106,080	176,007
Minority Interests	(16,753)	(15,859)	(8,341)
Profit Attributable to Shareholders	104,272	90,221	167,666
Dividends	(69,850)	(52,220)	(44,497)
Realisations surplus of Revaluation Reserve	(176)	15,993	150
Transfer (from)/to Retained Profits	34,246	53,994	123,319

# Financial Ratios

AS AT 31 DECEMBER 2006

	2006	2005 (restated)	2004
<b>Profitability</b>			
Turnover Growth Rate (%)	<b>36.33</b>	16.83	20.85
Profit Before Taxation as a Percentage of Turnover (%)	<b>12.46</b>	15.86	27.25
Profit Before Taxation as a Percentage of Shareholders' Funds (%)	<b>18.74</b>	18.91	30.57
<b>Liquidity</b>			
Current Ratio	<b>2.77</b>	2.78	3.35
Liquidity Ratio	<b>2.08</b>	2.09	2.72
<b>Market Ratios</b>			
Net Assets Per Share (RM)	<b>2.15</b>	2.06	1.80
Earnings Per Share (Sen)	<b>26.90</b>	24.00	45.30
Net Dividend Per Share (Sen)	<b>19.10</b>	17.48	12.96
<b>Productivity #</b>			
Turnover Per Employee (RM'000)	<b>711</b>	636	737
Assets Per Employee (RM'000)	<b>946</b>	968	1,166
Number of Employees	<b>1,562</b>	1,406	946

# Based on Duopharma's full-year results consolidation



FORESI

A photograph of a woman with long dark hair smiling as she reads a book to a young child. The child is looking down at the book. The book is titled "Balinese Gardens" and has a large illustration of a bird on the cover. The scene is set against a light background. A blue triangular graphic on the left side of the image contains the text "GHT".

GHT

FORESIGHT

# Statement on Corporate Governance

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 2006.

## 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 Board has established the authority limits for Management to manage the business 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 2006, 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 8 to 16 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 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 programme organized by the Company on 'Green Book – Enhancing Board Effectiveness' to keep them updated on the requirements of the GLC Transformation programme with respect to board effectiveness.

Newly appointed Directors also undergo programmes such as plant visit and briefing, to familiarise them with each of the business divisions.

## STRUCTURE AND PROCESS

### Board Meetings

Board meetings are scheduled a year ahead in order to enable full attendance at Board meetings. A minimum of four 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	6	6
Dato' Dr. Mohamad Hashim bin Ahmad Tajudin	6	6
Dato' N. Sadasivan	6	5
Tan Sri Dato' Dr. Mohamed Yusof bin Hashim	6	6
Dato' Seri Mohd Hussaini bin Haji Abdul Jamil	6	5
E. Sreesanthan	6	5
Dato' Kalsom binti Abdul Rahman	6	4
Jamiah binti Abdul Hamid (appointed 03/04/2006)	5	4
Abdul Rahim bin Abdul Hamid (appointed 03/04/2006)	5	5
Tan Sri Dato' David Chiu (resigned 18/04/2006)	N/A	N/A
Paisol bin Ahmad (resigned 03/04/2006)	1	1

## 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 2006 is as follows:-

Category of Director	Fees	Allowance	Salaries	Benefits-in-Kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Executive Directors	–	–	465	180	645
Non-Executive Directors	467	58	–	–	525

Range of Remuneration	Executive	Non-Executive
RM1 to RM50,000	–	4
RM50,001 to RM100,000	–	6
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 71 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 69 to 70 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 64 and 65.

### 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 Group 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 conducts, financial malpractices 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](http://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 2006.

# 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 Group 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 authorised 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 review the effectiveness of the Group's risk management process.
- 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 six (6) 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
Tan Sri Dato' Dr. Mohamed Yusof bin Hashim (Chairman)	Independant Non-Executive	6	6
Dato' N. Sadasivan	Independant Non-Executive	6	6
Abdul Rahim bin Abdul Hamid (appointed w.e.f. 03/04/2006)	Independent Non-Executive	4	4
Paisol bin Ahmad (resigned w.e.f. 03/04/2006)	Non-Independent Non-Executive	2	2

**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 Group risk profile, risk assessment reports from the Risk Management Council and the management process for identifying, evaluating and managing the significant risks faced by the Group.
- vi. Reviewed with the External Auditors, 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 71.

**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. The Audit Committee also met once during the year with the External Auditors without the presence of Executive Board Members and Management.

# Report of the Government-Linked Companies Transformation Committee

The Board is pleased to issue the following report on the Government-Linked Companies (GLC) Transformation Committee and its activities during the financial year ended 31 December 2006.

## TERMS OF REFERENCE

### Objectives

- i. To provide high level advisory and monitoring of GLC Transformation in CCM.
- ii. To evaluate and approve recommendations proposed by the Transforming Working Group (TWG).
- iii. To fully implement the ten initiatives as laid out in the GLC Transformation Manual by end of 2007.
- iv. To regularly update and report the progress of GLC Transformation to the respective Government-Linked Investment Companies (GLIC), i.e. Permodalan Nasional Berhad (PNB) every quarter.
- v. To consider other matters as referred to the Committee by the Board.

## MEMBERS AND MEETING

The GLCT Committee consists of five (5) members, all of whom are 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	Status of Directorship	Number of Meetings	
		Held	Attended
Tan Sri Ab. Rahman bin Omar (Chairman)	Non-Independent Non-Executive	4	3
Dato' Seri Mohd Hussaini bin Haji Abdul Jamil	Non-Independent Non-Executive	4	4
Dato' Kalsom binti Abdul Rahman	Independent Non-Executive	4	3
E. Sreesanthan	Non-Independent Non-Executive	4	3
Jamiah binti Abdul Hamid (appointed w.e.f. 10/05/2006)	Non-Independent Non-Executive	4	3
Tan Sri Dato' David Chiu (resigned w.e.f. 18/04/2006)	Non-Independent Non-Executive	1	–
Paisol bin Ahmad (resigned w.e.f. 03/04/2006)	Non-Independent Non-Executive	1	–

## ACTIVITIES DURING THE YEAR

During the year, the Committee:

- i. reviewed and approved the Terms of Reference of the GLC Transformation Committee.
- ii. reviewed and approved the Group's GLC Transformation Plans for 2006.
- iii. reviewed and approved the Quarterly Reporting to PNB on the progress of GLC Transformation in the Group.
- iv. implemented the GLC Transformation guidelines on Enhancing Board Effectiveness, through the completion of a Board Effectiveness Assessment and the formulation of a Board Improvement Plan.
- v. recommend for approval the 2006 Headline Key Performance Indicators (KPIs) for the Group.

# 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 2006.

## 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 Meetings	
		Held	Attended
Dato' N. Sadasivan (Chairman)	Independent Non-Executive	4	3
Tan Sri Ab. Rahman bin Omar	Non-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/Chief Operating Officer 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.

# Report of the Finance & Investment Committee

The Board is pleased to issue the following report on the Finance and Investment Committee and its activities during the financial year ended 31 December 2006.

## TERMS OF REFERENCE

- To review and approve all capital expenditure in excess of RM1.0 million and up to RM20.0 million as proposed by companies within the Group.
- To review and recommend to the Board of Directors all capital expenditure in excess of RM20.0 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 review and recommend to the Board of Directors all acquisition and disposal of company's assets and properties within the Group.

## 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 the secretary of the Committee.

## MEETINGS

The Committee met ten (10) times in the year. The attendance record of members during the year (in the case of Director appointed after 1 January 2006, since the date of their appointment) is as follows:-

Name	Status of Directorship	Number of Meetings	
		Held	Attended
Dato' Seri Mohd Hussaini bin Haji Abdul Jamil (Chairman)	Non-Independent Non-Executive	10	9
Dato' Kalsom binti Abdul Rahman	Independent Non-Executive	10	8
E. Sreesanthan	Non-Independent Non-Executive	10	8
Jamiah binti Abdul Hamid (appointed on 10/05/2006)	Non-Independent Non-Executive	5	2

# 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.

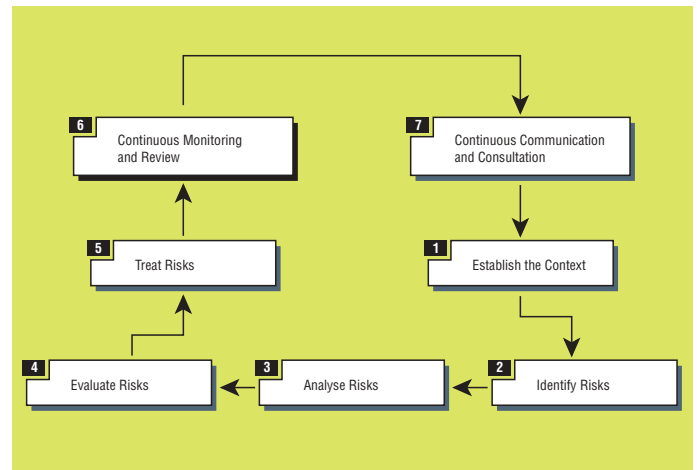
The Group recognises the broad spectrum of risks which it faces along with the opportunities which it seeks in its businesses and operations. It is hence the Group's objective to maintain an effective risk management programme to assess and mitigate these risks and thereby facilitate the Group in meeting 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 Facilitation Team facilitates the conduct of risk management activities outlined in the Programme which include updating of risk profiles; "just-in-case" risk scenario planning; and risk analysis 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 71 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

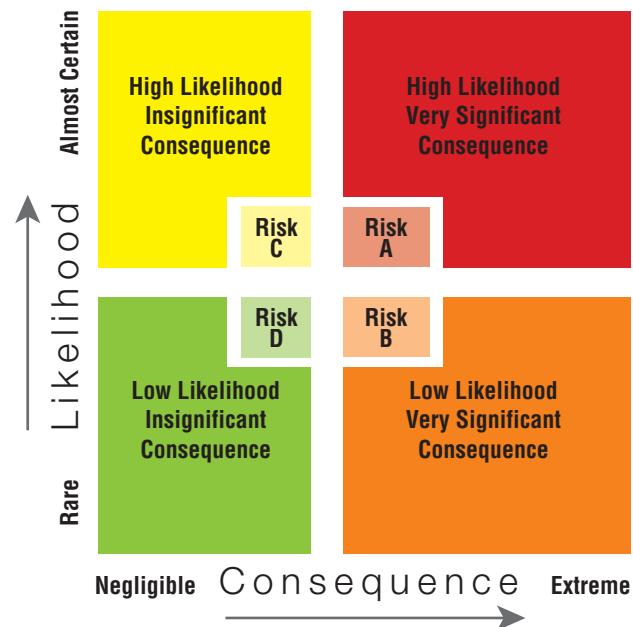
Considerable management attention is required including specifying management responsibility. Given the significant consequences of the risk, preventive control measures must be maintained effectively with regular assessment thereof in order to maintain the likelihood of the risk occurring at a low level. 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 8 TO 16 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 2006.

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 19 April 2006.

## Other Disclosures

### MATERIAL CONTRACTS

Save as disclosed below, there were no other material contracts, which have been entered into by the Company and its subsidiaries involving directors' and major shareholders' interests during the financial year ended 31 December 2006:

- i. UPHA Pharmaceutical (M) Sdn Bhd ("UPHA"), a subsidiary of Chemical Company of Malaysia Berhad, and Sembcorp (Malaysia) Sdn Bhd ("SMSB") (now known as Sembawang (Malaysia) Sdn Bhd) entered into an Engineering Procurement Construction Commissioning & Validation Contract on 18 June 2005 by which SMSB is to undertake the design, engineering, procurement, installation, construction, testing, commissioning and validation of plant and materials on UPHA's premises at Lot 1, Jalan P/7, Section 13, Bangi Industrial Estate, 43650 Bandar Baru Bangi, Selangor Darul Ehsan for the fixed cash contract price of approximately USD14.6 million. A Parent Company Guarantee from Sembcorp Engineers and Constructors Pte Ltd has been given in relation thereto.
- ii. Sale and Purchase Agreement dated 20 July 2005 entered into between CCM Marketing Sdn Bhd (formerly known as Tekan Maju Sdn Bhd) and Chia Ting Poh @ Cheah Ting Poh and Ang Bee Lian to acquire a total of 47,934,390 ordinary shares of RM0.50 each in CCM Duopharma Biotech Berhad (formerly known as Duopharma

Biotech Bhd) at RM2.80 per share or a total cash consideration of RM134,216,292. The said acquisition has, to date, been completed.

- iii. Conditional Mandatory Offer dated 28th September 2005 by CCM Marketing Sdn Bhd (formerly known as Tekan Maju Sdn Bhd) and persons acting in concert with CCM Marketing Sdn Bhd (formerly known as Tekan Maju Sdn Bhd) for a cash offer price of RM2.80 per Offer Share.

### 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 24 May 2006, the Company had obtained a shareholders mandate to allow the Company to enter into Recurrent Related Party Transactions of a revenue or trading nature.

In accordance to the Bursa Malaysia Securities Berhad Listing Requirements, details of the Recurrent Related Party Transactions audited during the financial year ended 31 December 2006 pursuant to the shareholders mandate are as follow:

Transaction	Vendor/Provider	Purchaser/Recipient	Aggregate Value <sup>1</sup> (RM'000)	Interested Party
Purchase/Sale of ammonia	CCMC	CCMF	44,718	Permodalan Nasional Berhad <sup>4</sup> Dato' Hj Mizanur Rahman bin S. M Abdul Ghani <sup>3</sup>
Sale of water-care products	CCMC	Usaha Kimia (M) Sdn Bhd (UKSB)	10,403	Yeoh Keat Chye <sup>2</sup> Dato' Hj Mizanur Rahman bin S. M Abdul Ghani <sup>3</sup>
Purchase/sale of Nitric Acid and other chemicals	CCMF	CCMC	4,576	Permodalan Nasional Berhad <sup>4</sup> Dato' Hj Mizanur Rahman bin S. M Abdul Ghani <sup>3</sup>

Transaction	Vendor/Provider	Purchaser/Recipient	Aggregate Value <sup>1</sup>	Interested Party
			(RM'000)	
Sale of Nitric Acid and other chemicals	CCMC	Ansell N.P Sdn Bhd and its Group of Companies	4,753	Permodalan Nasional Berhad <sup>4</sup>
Sale of Fertilizers	CCMF	Golden Hope Plantations Berhad and its Group of Companies	103,169	Permodalan Nasional Berhad <sup>4</sup>
Sale of Fertilizers	CCMF	Sime Darby Berhad and its Group of Companies	9,393	Permodalan Nasional Berhad <sup>4</sup>
Sale of Chlor-Alkali and specialty industrial chemicals	CCMC	Titan Chemicals Corp Bhd and its Group of Companies	2,990	Permodalan Nasional Berhad <sup>4</sup>
Sale of Chlor-Alkali and specialty industrial chemicals	CCMC	Fraser & Neave Holding Berhad and its Group of Companies	114	Permodalan Nasional Berhad <sup>4</sup>
Sale of Chlor-Alkali and specialty industrial chemicals	CCMC	ICI Paints (M) Sdn Berhad and its Group of Companies	114	Permodalan Nasional Berhad <sup>4</sup>
Provision of research and development of pharmaceutical products	Innovax Sdn Bhd	Golden Hope Plantations Berhad and its Group of Companies	N/A	Permodalan Nasional Berhad <sup>4</sup>
Sale of pharmaceutical products <sup>5</sup>	CCMP	Pharmaniaga Berhad and its Group of Companies	4,148	Permodalan Nasional Berhad <sup>4</sup>
Sale of raw material for pharmaceutical products	CCMC	CCMD	688	Dato' Hj Mizanur Rahman bin S. M Abdul Ghani <sup>3</sup>
Sale of Chlor-Alkali and specialty industrial chemicals	CCMC	KIG Industrial Berhad and its Group of Companies	5,853	Permodalan Nasional Berhad <sup>4</sup>
Sale of Fertilizers	CCM Agri-Max Sdn Bhd	Kumpulan Guthrie Berhad and its Group of Companies	48,881	Permodalan Nasional Berhad <sup>4</sup>
Sale of Fertilizers	PT CCM Indonesia (PTCI)	Kumpulan Guthrie Berhad and its Group of Companies	14,907	Permodalan Nasional Berhad <sup>4</sup>
Sale of Fertilizers	PT CCM AgriPharma (PTCAP)	Kumpulan Guthrie Berhad and its Group of Companies	38,973	Permodalan Nasional Berhad <sup>4</sup>

**Notes:-**

- The values are estimates based on the audited financial statements for the financial year ended 31 December 2006. Due to the nature of the transactions, the actual value of transactions may vary from the estimated value disclosed above. Disclosure will be made in CCM's 2006 Annual Report of the actual breakdown of the aggregate value of transactions conducted as required under Paragraph 4.1.5 of Practice Note 12/2001 of the Listing Requirements, pursuant to the Proposed Renewal of Shareholders' Mandate.
- Yeoh Keat Chye is a Director of UKSB, CCMC, CCM Singapore Pte Ltd and PTCI. He also has indirect interest in CCMC by virtue of his shareholding in Lanjut Setia Sdn Bhd (LSSB), which holds 10% of the issued share capital of CCMC. He has direct interest of 352,000 ordinary shares in CCM or equivalent to 0.09%.
- Dato' Haji Mizanur Rahman bin S.M Abdul Ghani is a Director of UKSB, CCMF, PTCAP and CCMD. He has indirect interest in CCMC and PTCI, its wholly owned subsidiary by virtue of his shareholding in LSSB, which holds 10% of the issued share capital of CCMC. He has direct interest of 242,800 ordinary shares in CCM or equivalent to 0.06% and indirect interest of 2,500 ordinary shares held through Shazli Ghani bin Mizanur Rahman and Shahreza Ghani bin Mizanur Rahman by virtue to Section 122A of the Act.
- PNB and its unit trust funds managed by PNB namely Skim Amanah Saham Bumiputera, Amanah Saham Wawasan 2020, Amanah Saham Didik, Amanah Saham Malaysia, Sekim Amanah Saham Nasional and Amanah Saham Nasional 2 collectively holds 67.96% equity interest in CCM. Yayasan Pelaburan Bumiputra has deemed interest in CCM by virtue of its substantial interest in Permodalan Nasional Berhad pursuant to Section 6A of the Act. PNB also have interest in Ansell N.P Sdn Bhd, Golden Hope Plantations Berhad, Titan Chemicals Corp. Bhd., Kumpulan Guthrie Berhad, Sime Darby Berhad, Pharmaniaga Berhad, ICI Paints (M) Sdn Bhd and KIG Industrial Berhad.
- Trade sales between CCMP and Pharmaniaga Berhad Group of companies are mainly transacted on a tender/quotation basis.

**SHARE BUY-BACK**

There were no repurchase of its issued and paid up shares since 2003. During the year, the Company sold 2,890,000 of its treasury shares in the open market. The average resale price of the treasury shares was RM3.14 per share and the total consideration received was RM9,022,000.

As at 31 December 2006, the Company held 2,998,000 of the issued and paid up shares as treasury shares.

**NON-AUDIT FEES**

During the year ended 31 December 2006, the Group has paid a sum of RM226,000 being fee for non-audit work performed.

**VARIATION IN RESULTS**

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

**PROFIT GUARANTEES**

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

**REVALUATION POLICY OF LANDED PROPERTY**

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

**IMPOSITION OF SANCTIONS AND PENALTIES**

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

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

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

**UTILISATION OF BOND PROCEEDS**

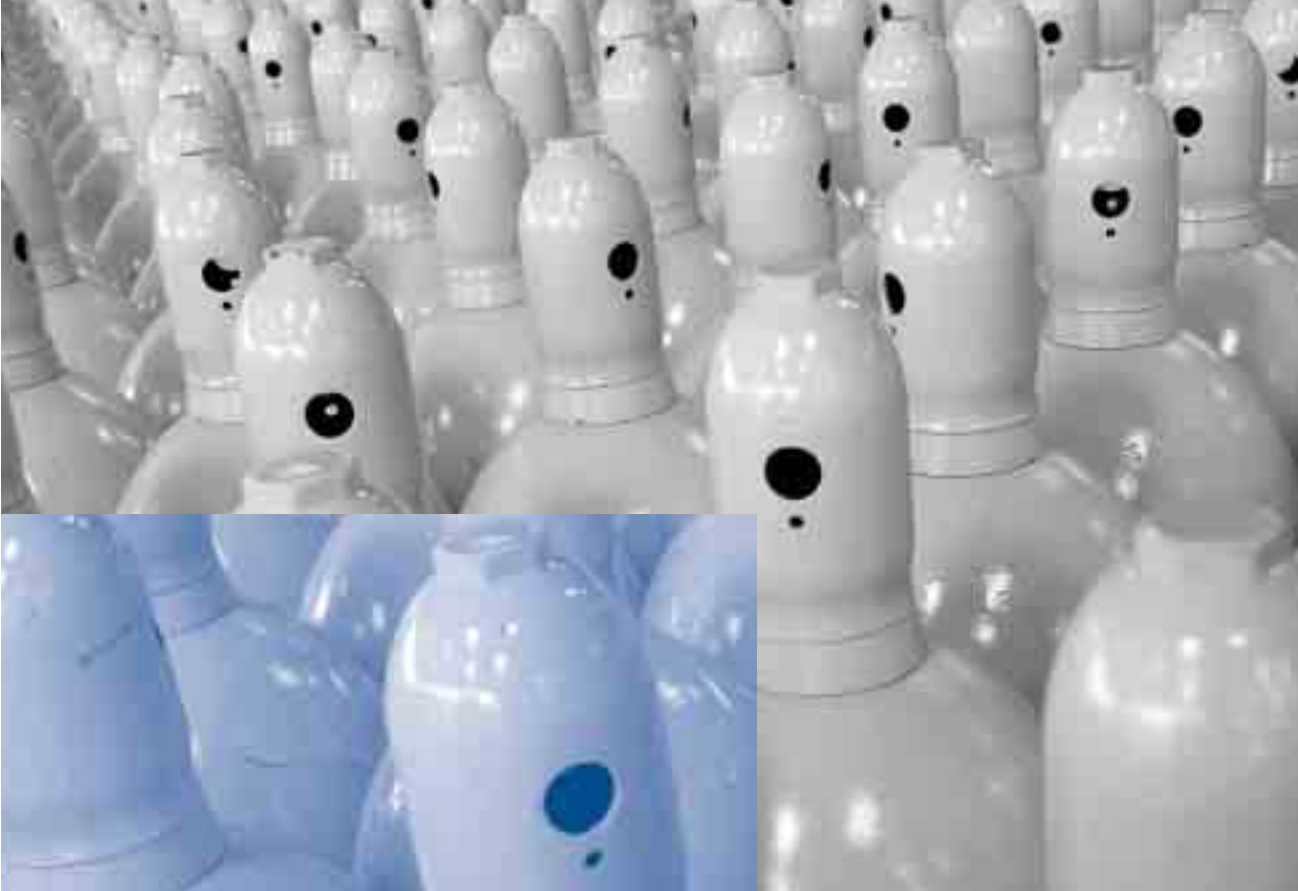
	Amount	Utilised	Balance as at 31/12/2006
	RM'000	RM'000	RM'000
Rationalisation of pharmaceutical manufacturing operations	70,000	27,423	42,577
Refinancing of existing term loans	82,360	82,360	–
Working capital requirements of the Group	47,640	47,640	–
	<b>200,000</b>	<b>157,423</b>	<b>42,577</b>

**OPTIONS, WARRANTS EXERCISED DURING THE YEAR**

	Balance as at 01/01/2006	Exercised	Lapsed	Balance as at 31/12/2006
	RM'000	RM'000	RM'000	RM'000
Warrant A <sup>#</sup>	88,979	21	–	88,958
Warrant B	74,107	7,621	–	66,486
ESOS*	2,513	1,814	–	699

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

<sup>#</sup> Outstanding balance was as at 7 February 2006 being the expiry date of the Warrant A.



# FINANCIAL STATEMENTS

## '06

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# Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2006 AND

## Statement by Directors

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

The Directors of Chemical Company of Malaysia Berhad present their forty-fifth annual report together with the audited financial statements of the Group and of the Company for the year ended 31 December 2006. This report and the financial statements will be presented to the shareholders at the Annual General Meeting to be held on 28 May 2007.

### 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 as stated in Note 6. There has been no significant change in the nature of these activities during the financial year.

### RESULTS

	Group (RM'000)	Company (RM'000)
Profit for the year	104,272	103,452

### RESERVES AND PROVISIONS

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

### DIVIDENDS

Since the end of the previous financial year, the Company paid:

- (i) a final ordinary dividend of 9.0 sen per ordinary share less tax at 28% and a special dividend of 5.0 sen per ordinary share, tax exempt, totalling RM25,179,000 (6.5 sen net per ordinary share) and RM19,428,000, respectively, in respect of the financial year ended 31 December 2005 on 8 June 2006; and
- (ii) an interim ordinary dividend of 9.0 sen per ordinary share less tax at 28% totalling RM25,243,000 (6.5 sen net per ordinary share) in respect of the financial year ended 31 December 2006 on 29 September 2006.

The final ordinary dividends recommended by the Directors in respect of the year ended 31 December 2006 is 9.0 sen per ordinary share less tax at 27% (6.5 sen net per ordinary shares) and a special dividend of 6.0 sen per ordinary share, tax exempt, which if approved will be paid on 15 June 2007 to shareholders registered at the close of business on 6 June 2007.

# Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2006 AND

## Statement by Directors

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

### DIRECTORS OF THE COMPANY

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

- Tan Sri Ab. Rahman bin Omar, Chairman
- Dato' Dr. Mohamad Hashim bin Ahmad Tajudin, Group Managing Director
- Dato' N. Sadasivan
- Tan Sri Dato' Dr. Mohamed Yusof bin Hashim
- Dato' Seri Mohd Hussaini bin Haji Abdul Jamil
- Sreesanthan a/l Eliathamby
- Dato' Kalsom binti Abdul Rahman
- Jamiah binti Abdul Hamid
- Abdul Rahim bin Abdul Hamid
- Tan Sri Dato' David Chiu (resigned on 18 April 2006)
- Tang Seng Mun (alternate Director to Tan Sri Dato' David Chiu) (resigned on 18 April 2006)

### DIRECTORS' INTERESTS

The holdings in the ordinary shares of the Company (other than wholly-owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1 each			
	At 1 January 2006	Bought	Sold	At 31 December 2006
<b>Direct interest</b>				
Shareholdings in the Company:				
Dato' N. Sadasivan	200,000	-	-	200,000
	Number of warrants of RM1 each			
	At 1 January 2006	Bought	Sold	At 31 December 2006
<b>Direct interest</b>				
Shareholdings in the Company:				
Dato' N. Sadasivan	50,000	-	-	50,000

By virtue of his interests in the shares of the Company, Dato' N. Sadasivan is 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.

**DIRECTORS' INTERESTS (CONT'D.)**

None of the other Directors holding office at 31 December 2006 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

**DIRECTORS' BENEFITS**

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related companies) 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, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business.

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 the Employees' Share Option Scheme.

**ISSUE OF SHARES**

During the financial year, the Company issued 9,456,480 ordinary shares of RM1.00 each at par for cash arising from:

- (i) conversion of 21,464 Warrants-A on the basis of one ordinary share at the price of RM2.86 per ordinary share for every warrant held;
- (ii) conversion of 7,621,016 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 1,814,000 ordinary shares at the price of RM1.36 per ordinary share through the Employees' Share Option Scheme ("ESOS").

There were no other changes in the authorised, 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.

# Directors' Report FOR THE YEAR ENDED 31 DECEMBER 2006 AND Statement by Directors PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

## 1) Employees' Share Option Scheme ("ESOS")

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.
- (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 each and the exercise option price are as follows:

Date of Offer	Number of options over ordinary shares of RM1 each				
	Exercise Price	At 1 January 2006	Exercised	Lapsed	At 31 December 2006
18.12.2002	1.36	2,513,000	1,814,000	–	699,000

## 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 extra-ordinary 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.

During the year, 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 88,741,885 has lapsed.

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.

**Directors' Report** FOR THE YEAR ENDED 31 DECEMBER 2006 AND  
**Statement by Directors** PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

**OTHER STATUTORY INFORMATION**

Before the balance sheets and income 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.

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2006 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 86 to 150 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2006 and of the results of their operations and cash flows for the year ended on that date.

**HOLDING COMPANY**

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

### **SUBSEQUENT EVENTS**

On 30 March 2007, the Group through a subsidiary, Prima Health Pharmacy (Retail) Sdn. Bhd. has closed down all its pharmacy outlets. Prima Health Pharmacy (Retail) Sdn. Bhd. remained dormant thereafter.

On 2 April 2007, the Group through a subsidiary, CCM Pharma Sdn. Bhd. has entered into a Sale and Purchase Agreement with Malayan Pharmaceutical Sdn. Bhd. ("MPSB") in respect of the purchase of brands, product rights and fixed assets of MPSB for a total consideration of RM22.0 million.

### **AUDITORS**

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

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

**TAN SRI AB. RAHMAN BIN OMAR**

**DATO' DR. MOHAMAD HASHIM BIN AHMAD TAJUDIN**

Kuala Lumpur,

Date: 19 April 2007

## **Statutory Declaration**

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

I, **Ahmad Mustaffa Bin Abdul Manaf**, 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 86 to 150 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur in the Federal Territory on 19 April 2007.

**AHMAD MUSTAFFA BIN ABDUL MANAF**

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 86 to 150. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. 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 for entities other than private entities issued by the Malaysian Accounting Standards Board 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 2006 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 the 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 6 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 Investments 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: 19 April 2007

## HASMAN YUSRI YUSOFF

Partner  
Approval Number: 2583/08/08(J)

# BalanceSheets

AT 31 DECEMBER 2006

Amounts in RM'000 unless otherwise stated

	Note	Group		Company	
		2006	2005 restated	2006	2005 restated
<b>Assets</b>					
Property, plant and equipment	3	352,376	412,639	18,866	180,019
Intangible assets	4	208,192	189,722	63	63
Investment properties	5	76,598	–	149,869	–
Investment in subsidiaries	6	–	–	161,875	161,593
Investment in associates	7	3,706	4,241	–	119
Other investments	8	9,265	74,906	92	60,034
Development expenditure	9	–	–	–	–
Deferred tax assets	10	5,427	5,978	–	–
<b>Total non-current assets</b>		<b>655,564</b>	687,486	<b>330,765</b>	401,828
Receivables, deposits and prepayments	11	281,086	204,788	528,649	391,304
Inventories	12	203,076	167,839	–	–
Current tax assets		17,043	5,536	9,512	2,803
Assets classified as held for sale	13	22,770	–	22,770	–
Cash and cash equivalents	14	298,414	295,521	161,629	208,605
<b>Total current assets</b>		<b>822,389</b>	673,684	<b>722,560</b>	602,712
<b>Total assets</b>		<b>1,477,953</b>	1,361,170	<b>1,053,325</b>	1,004,540
<b>Equity</b>					
Share capital	15	392,977	383,520	392,977	383,520
Reserves		56,378	56,710	31,532	43,578
Retained earnings		289,106	242,944	259,907	201,800
<b>Total equity attributable to shareholders of the Company</b>		<b>738,461</b>	683,174	<b>684,416</b>	628,898
<b>Minority interest</b>		<b>99,590</b>	95,484	–	–
<b>Total equity</b>		<b>838,051</b>	778,658	<b>684,416</b>	628,898
<b>Liabilities</b>					
Loans and borrowings (unsecured)	16	300,000	300,000	300,000	300,000
Deferred tax liabilities	10	42,789	40,543	21,688	21,863
<b>Total non-current liabilities</b>		<b>342,789</b>	340,543	<b>321,688</b>	321,863
Provisions	18	2,444	1,092	1,419	–
Payables and accruals	19	168,365	121,991	45,802	53,779
Current tax liabilities		2,372	9,172	–	–
Loans and borrowings	16	123,932	109,714	–	–
<b>Total current liabilities</b>		<b>297,113</b>	241,969	<b>47,221</b>	53,779
<b>Total liabilities</b>		<b>639,902</b>	582,512	<b>368,909</b>	375,642
<b>Total equity and liabilities</b>		<b>1,477,953</b>	1,361,170	<b>1,053,325</b>	1,004,540

The notes on pages 93 to 150 are an integral part of these financial statements.

# Income Statements

FOR THE YEAR ENDED 31 DECEMBER 2006

Amounts in RM'000 unless otherwise stated

	Note	Group		Company	
		2006	2005 restated	2006	2005
Revenue	20	<b>1,110,060</b>	814,219	<b>4,976</b>	4,525
Cost of sales		<b>(926,849)</b>	(668,117)	<b>(1,250)</b>	(1,055)
<b>Gross profit</b>		<b>183,211</b>	146,102	<b>3,726</b>	3,470
Other income		<b>67,118</b>	59,040	<b>121,699</b>	211,870
Distribution expenses		<b>(20,823)</b>	(12,799)	-	-
Administration expenses		<b>(60,057)</b>	(47,597)	<b>(8,879)</b>	(6,891)
Other expenses		<b>(27,580)</b>	(19,070)	<b>(3,411)</b>	(4,052)
<b>Results from operating activities</b>		<b>141,869</b>	125,676	<b>113,135</b>	204,397
Interest income		<b>11,150</b>	10,836	<b>8,978</b>	10,450
Finance costs		<b>(15,577)</b>	(10,103)	<b>(10,304)</b>	(6,800)
<b>Operating profit</b>	21	<b>137,442</b>	126,409	<b>111,809</b>	208,047
Share of profit after tax and minority interest of equity accounted associate		<b>926</b>	2,758	-	-
<b>Profit before tax</b>		<b>138,368</b>	129,167	<b>111,809</b>	208,047
Tax expense	23	<b>(17,343)</b>	(23,087)	<b>(8,357)</b>	(5,006)
<b>Profit for the year</b>		<b>121,025</b>	106,080	<b>103,452</b>	203,041
<b>Attributable to:</b>					
Shareholders of the Company		<b>104,272</b>	90,221	<b>103,452</b>	203,041
Minority interest		<b>16,753</b>	15,859	-	-
Profit for the year		<b>121,025</b>	106,080	<b>103,452</b>	203,041
<b>Basic earnings per share (sen)</b>	24	<b>26.9</b>	24.0		
<b>Diluted earnings per share (sen)</b>	24	<b>23.4</b>	18.1		

The notes on pages 93 to 150 are an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2006

Amounts in RM'000 unless otherwise stated

← Attributable to shareholders of the Company					
← Non-distributable					
	Note	Share capital	Share premium	Capital redemption reserve	Translation reserve
<b>Group</b>					
<b>At 1 January 2005</b>		377,895	7,787	73	(203)
Issue of shares:					
Exercise of share options		1,986	715	–	–
Conversion of warrants		3,639	1,310	–	–
Foreign exchange translation differences		–	–	–	103
Revaluation of properties, net of tax		–	–	–	–
Net gains recognised directly in equity		–	–	–	103
Profit for the year		–	–	–	–
Total recognised income and expense for the year		–	–	–	103
Acquisition of minority interest		–	–	–	–
Dividends to shareholders	25	–	–	–	–
<b>At 31 December 2005</b>		383,520	9,812	73	(100)
<b>At 31 December 2005</b>					
As previously reported		383,520	9,812	73	(100)
Effect of adopting FRS 140	32	–	–	–	–
<b>At 1 January 2006, restated</b>		383,520	9,812	73	(100)
Issue of shares:					
Exercise of share options					
– the Company		1,814	653	–	–
– the subsidiary		–	11	–	–
Conversion of warrants		7,643	2,783	–	–
Foreign exchange translation differences		–	–	–	(1,062)
Realisation of revaluation reserve on landed property		–	–	–	–
Net gains recognised directly in equity		–	–	–	(1,062)
Profit for the year		–	–	–	–
Total recognised income and expense for the year		–	–	–	(1,062)
Treasury shares sold		–	3,416	–	–
Dividends to shareholders	25	–	–	–	–
Dividends to minority interest		–	–	–	–
<b>At 31 December 2006</b>		392,977	16,675	73	(1,162)

→ Distributable							
	Revaluation reserve	Other capital reserve	Treasury shares	Retained earnings	Total	Minority interest	Total equity
	39,393	2,982	(11,443)	204,943	621,427	47,699	669,126
	-	-	-	-	2,701	-	2,701
	-	-	-	-	4,949	-	4,949
	-	-	-	-	103	-	103
	15,993	-	-	-	15,993	-	15,993
	15,993	-	-	-	16,096	-	16,096
	-	-	-	90,221	90,221	15,859	106,080
	15,993	-	-	90,221	106,317	15,859	122,176
	-	-	-	-	-	31,926	31,926
	-	-	-	(52,220)	(52,220)	-	(52,220)
	55,386	2,982	(11,443)	242,944	683,174	95,484	778,658
	55,386	2,982	(11,443)	242,944	683,174	95,484	778,658
	(11,564)	-	-	11,564	-	-	-
	43,822	2,982	(11,443)	254,508	683,174	95,484	778,658
	-	-	-	-	2,467	-	2,467
	-	-	-	-	11	-	11
	-	-	-	-	10,426	-	10,426
	-	-	-	-	(1,062)	-	(1,062)
	(176)	-	-	176	-	-	-
	(176)	-	-	176	(1,062)	-	(1,062)
	-	-	-	104,272	104,272	16,753	121,025
	(176)	-	-	104,448	103,210	16,753	119,963
	-	-	5,607	-	9,023	-	9,023
	-	-	-	(69,850)	(69,850)	-	(69,850)
	-	-	-	-	-	(12,647)	(12,647)
	43,646	2,982	(5,836)	289,106	738,461	99,590	838,051

# Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2006

Amounts in RM'000 unless otherwise stated

	Note	Non-distributable					Distributable		Total equity
		Share capital	Share premium	Capital redemption reserve	Revaluation reserve	Treasury shares	Retained earnings		
<b>Company</b>									
<b>At 1 January 2005</b>		377,895	7,787	73	33,374	(11,443)	50,979	458,665	
Issue of shares:									
Exercise of share options		1,986	715	-	-	-	-	2,701	
Conversion of warrants		3,639	1,310	-	-	-	-	4,949	
Profit for the year		-	-	-	-	-	203,041	203,041	
Revaluation of properties, net of tax		-	-	-	11,762	-	-	11,762	
Dividends to shareholders	25	-	-	-	-	-	(52,220)	(52,220)	
<b>At 31 December 2005</b>		383,520	9,812	73	45,136	(11,443)	201,800	628,898	
<b>At 31 December 2005</b>									
As previously reported		383,520	9,812	73	45,136	(11,443)	201,800	628,898	
Effect of adopting FRS 140	32	-	-	-	(24,505)	-	24,505	-	
<b>At 1 January 2006, restated</b>		383,520	9,812	73	20,631	(11,443)	226,305	628,898	
Issue of shares:									
Exercise of share options		1,814	653	-	-	-	-	2,467	
Conversion of warrants		7,643	2,783	-	-	-	-	10,426	
Profit for the year		-	-	-	-	-	103,452	103,452	
Treasury shares sold		-	3,416	-	-	5,607	-	9,023	
Dividends to shareholders	25	-	-	-	-	-	(69,850)	(69,850)	
<b>At 31 December 2006</b>		392,977	16,664	73	20,631	(5,836)	259,907	684,416	

The notes on pages 93 to 150 are an integral part of these financial statements.

# CashFlowStatements

FOR THE YEAR ENDED 31 DECEMBER 2006

Amounts in RM'000 unless otherwise stated

	Note	Group		Company	
		2006	2005 restated	2006	2005
<b>Cash flows from operating activities</b>					
Profit before tax		<b>138,368</b>	129,167	<b>111,809</b>	208,047
Adjustments for:					
Depreciation of property, plant and equipment	3	<b>29,182</b>	22,701	<b>655</b>	962
Dividends income		<b>-</b>	-	<b>(93,621)</b>	(190,106)
Gain on disposal of other investments	8	<b>(62,664)</b>	(56,106)	<b>(28,598)</b>	(21,357)
(Gain)/Loss on disposal of property, plant and equipment		<b>(1,379)</b>	(289)	<b>(38)</b>	16
Loss on disposal of an associate		<b>17</b>	-	<b>-</b>	-
Property, plant and equipment write off		<b>1,611</b>	281	<b>-</b>	-
Share of profit of equity accounted associates		<b>(926)</b>	(2,758)	<b>-</b>	-
Surplus on revaluation of properties		<b>-</b>	(140)	<b>-</b>	(196)
Translation adjustment		<b>(1,062)</b>	103	<b>-</b>	-
<b>Operating profit/(loss) before working capital</b>		<b>103,147</b>	92,959	<b>(9,793)</b>	(2,634)
Change in inventories		<b>(34,376)</b>	(25,806)	<b>-</b>	-
Change in receivables, deposits and prepayments		<b>(71,626)</b>	8,040	<b>(137,345)</b>	(248,056)
Change in payables and accruals		<b>40,414</b>	8,538	<b>(6,558)</b>	8,423
Cash generated from/(used in) operations		<b>37,559</b>	83,731	<b>(153,696)</b>	(242,267)
Income taxes paid		<b>(33,522)</b>	(22,674)	<b>1,453</b>	(2,300)
<b>Net cash from/(used in) operating activities</b>		<b>4,037</b>	61,057	<b>(152,243)</b>	(244,567)
<b>Cash flows from investing activities</b>					
Acquisition of commercial papers		<b>-</b>	(5,000)	<b>-</b>	(5,000)
Acquisition of intangible assets		<b>(16,971)</b>	(63)	<b>-</b>	(63)
Acquisition of investment properties		<b>(9,971)</b>	-	<b>(11,291)</b>	-
Acquisition of other investments		<b>(9,173)</b>	-	<b>-</b>	-
Acquisition of property, plant and equipment	3	<b>(61,336)</b>	(37,257)	<b>(899)</b>	(1,774)
Acquisition of subsidiaries, net of cash acquired	30	<b>1,046</b>	(236,519)	<b>(282)</b>	-
Dividends received from subsidiaries		<b>-</b>	-	<b>76,927</b>	186,072
Increase in investment in subsidiaries		<b>-</b>	-	<b>119</b>	-
Proceeds from disposal of an associate		<b>1,325</b>	-	<b>-</b>	-
Proceeds from disposal of property, plant and equipment		<b>2,810</b>	644	<b>87</b>	13
Proceeds from disposal of other investments		<b>96,890</b>	81,350	<b>47,952</b>	31,793
Proceeds from disposal of commercial papers		<b>40,588</b>	-	<b>40,588</b>	-

# CashFlowStatements

FOR THE YEAR ENDED 31 DECEMBER 2006 (CONT'D.)

	Note	Group		Company	
		2006	2005 restated	2006	2005
<b>Net cash generated/(used in) investing activities</b>		<b>45,208</b>	(196,845)	<b>153,201</b>	211,041
<b>Cash flows from financing activities</b>					
Dividends paid to minority shareholders		<b>(12,647)</b>	(4,315)	–	–
Dividends paid to shareholders of the Company	25	<b>(69,850)</b>	(52,220)	<b>(69,850)</b>	(52,220)
Proceeds from borrowings		<b>14,218</b>	21,062	–	–
Proceeds from disposal of treasury shares		<b>9,023</b>	–	<b>9,023</b>	–
Proceeds from exercise of ESOS		<b>2,478</b>	2,701	<b>2,467</b>	2,701
Proceeds from exercise of warrants		<b>10,426</b>	4,949	<b>10,426</b>	4,949
Proceeds from term loan		–	100,000	–	100,000
<b>Net cash (used in)/from financing activities</b>		<b>(46,352)</b>	72,177	<b>(47,934)</b>	55,430
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,893</b>	(63,611)	<b>(46,976)</b>	21,904
<b>Cash and cash equivalents at 1 January</b>		<b>295,521</b>	359,132	<b>208,605</b>	186,701
<b>Cash and cash equivalents at 31 December</b>		<b>298,414</b>	295,521	<b>161,629</b>	208,605

## Cash and cash equivalents

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

	Group		Company	
	2006	2005	2006	2005
Cash and bank balances	<b>53,087</b>	43,236	<b>2,719</b>	444
Short term deposits	<b>245,327</b>	252,285	<b>158,910</b>	208,161
	<b>298,414</b>	295,521	<b>161,629</b>	208,605

The notes on pages 93 to 150 are an integral part of these financial statements.

# Notes to the Financial Statements

Amounts in RM'000 unless otherwise stated

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

## Registered office and principal place of business

9th Floor, Wisma Sime Darby  
14 Jalan Raja Laut  
50350 Kuala Lumpur

The consolidated financial statements as at and for the year ended 31 December 2006 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates. The financial statements of the Company as at and for the year ended 31 December 2006 do not include other entities.

The Company is principally an investment holding and management company with subsidiaries and associate 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 as stated in Note 6. There have been no significant changes in the nature of these activities during the financial year.

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

## 1. BASIS OF PREPARATION

### (a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board (MASB), accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

The MASB has issued the following Financial Reporting Standards (FRSs) and Interpretations that are effective for annual periods beginning after 1 January 2006, and that have not been applied in preparing these financial statements:

Standard / Interpretation	Effective date
FRS 117, Leases	1 October 2006
FRS 124, Related Party Disclosures	1 October 2006
FRS 139, Financial Instruments: Recognition and Measurement	To be announced

## Notes to the Financial Statements

### 1. BASIS OF PREPARATION (CONT'D.)

#### (a) Statement of compliance (Cont'd.)

Standard / Interpretation	Effective date
Amendment to FRS 119 <sup>2004</sup> , Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2007
FRS 6, Exploration for and Evaluations of Mineral Resources	1 January 2007
Amendment to FRS 121, The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation	1 July 2007
IC Interpretation 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2, Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7, Applying the Restatement Approach under FRS 129 <sup>2004</sup> Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8, Scope of FRS 2	1 July 2007

The Group and the Company plan to apply FRS 117, FRS 124, and the Amendment to FRS 119<sup>2004</sup> initially for the annual period beginning 1 January 2007 and to apply the rest of the above-mentioned FRSs (except for FRS 6 as explained below and FRS 139 which its effective date has yet to be announced) and Interpretations for the annual period beginning 1 January 2008.

The impact of applying FRS 117, FRS 124 and FRS 139 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemptions given in the respective standards.

## 1. BASIS OF PREPARATION (CONT'D.)

### (a) Statement of compliance (Cont'd.)

FRS 6, IC Interpretation 2, IC Interpretation 5, IC Interpretation 6 and IC Interpretation 7 are not applicable to the Group and the Company. Hence, no further disclosure is warranted.

The initial application of the other standards and interpretations are not expected to have any material impact on the financial statements of the Group and the Company.

The financial statements were approved by the Board of Directors on 19 April 2007.

### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following assets and liabilities as explained in their respective accounting policy notes:

- Investment properties
- Non-current assets held for sale

### (c) Functional and presentation currency

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

### (d) Use of estimates and judgements

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

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- Note 4 – measurement of the recoverable amounts of cash-generating units
- Note 5 – valuation of investment properties
- Note 10 – recognition of unutilised tax losses and capital allowances
- Note 30 – business combinations
- Note 18 – provisions and contingencies

# Notes to the Financial Statements

## 2. SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Basis of consolidation

#### (i) Subsidiaries

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

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses.

#### (ii) Associates

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

Associates are accounted for in the consolidated financial statements using the equity method. The consolidated financial statements include the Group's share of the income and expenses of the equity accounted associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

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

Investments in associates are stated in the Company's balance sheet at cost less impairment losses.

#### (iii) Changes in Group composition

When a group purchases a subsidiary's equity shares from minority interests for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### (a) Basis of consolidation (Cont'd.)

#### (iv) Minority interest

Minority interest at the balance sheet date, being the portion of the net identifiable assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interest in the results of the Group is presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interest and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated with all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

#### (v) Transactions eliminated on consolidation

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

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

### (b) Foreign currency

#### (i) Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement.

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

The assets and liabilities of operations in functional currencies other than RM are translated to RM at exchange rates at the balance sheet date. The income and expenses of foreign operations, are translated to RM at exchange rates at the dates of the transactions.

## Notes to the Financial Statements

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### (b) Foreign currency (Cont'd.)

##### (iii) Net investment in foreign operations

Exchange differences arising from monetary items that in substance form part of the Company's net investment in foreign operations, are recognised in the Company's income statement. Deferred exchange differences are released to the income statement upon disposal of the investment.

#### (c) Property, plant and equipment

##### (i) Recognition and measurement

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

##### **Property, plant and equipment under the revaluation model**

The Group revalues its property comprising land and building every 5 years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

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

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

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

##### (ii) Reclassification to investment property

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until construction or development is complete, at which time it is remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement is recognised in the income statement.

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognised directly in equity. Any loss is recognised immediately in the income statement.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### (c) Property, plant and equipment (Cont'd.)

#### (iii) Subsequent costs

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

#### (iv) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

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.

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

- |                                  |               |
|----------------------------------|---------------|
| • Long term leasehold building   | 2% to 10%     |
| • Short term leasehold building  | 2% to 10%     |
| • Plant, machinery and equipment | 7 1/2% to 25% |

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

### (d) Leased assets

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

Other leases are operating leases and, except for leasehold land classified as investment property, the leased assets are not recognised on the Group's balance sheet. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

## Notes to the Financial Statements

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### (e) Intangible assets

##### (i) Goodwill

Goodwill (negative goodwill) arises on the acquisition of subsidiaries, and associates.

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

With the adoption of FRS 3 beginning 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill is measured at cost and is no longer amortised but tested for impairment at least annually or more frequently when there is objective evidence of impairment. When the excess is negative (negative goodwill), it is recognised immediately in the income statement.

Goodwill is allocated to cash-generating units and is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired.

In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. The entire carrying amount of the investment is tested for impairment when there is objective evidence of impairment.

##### Acquisition of minority interest

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of net assets acquired at the date of exchange.

##### (ii) Marketing rights

Marketing rights acquired via a purchase consideration are carried at the original cost of purchase and amortised over the period that the rights subsist. Where such rights are continuing over an indefinite period (subject only to revocation or termination by the principal at a non-predeterminable date), they are carried at cost and reviewed and adjusted annually for any impairment.

##### (iii) Other intangible assets

Intangible assets other than goodwill that are acquired by the Group are stated at cost less accumulated amortisation and/or impairment losses.

##### (iv) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that they may be impaired. Other intangible assets are amortised from the date that they are available for use.

#### (f) Investments property

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both. These include land held for a currently undetermined future use. In the Group's financial statements, properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### (f) Investments property (Cont'd.)

In the previous years, all investment properties were stated at revalued amount less accumulated depreciation and impairment and are classified in property, plant and equipment. Following the adoption of FRS 140, Investment Property, all investment property are measured initially at cost and subsequently at fair value with any change therein recognised in the income statement.

This change in accounting policy has been applied retrospectively as allowed by the transitional provisions in FRS 140.80. The effects of adopting FRS 140 are set out in Note 32.

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

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio every five years, and at shorter intervals whenever the fair value of the properties is expected to differ materially. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

### (g) Inventories

Inventories are stated at the lower of cost and net realisable value. The 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. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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

### (h) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

## Notes to the Financial Statements

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale.

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

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss.

In the previous years, non-current assets held for sale (or disposal group) were not classified separately on the balance sheet and were measured in accordance with the respective accounting policy. Following the adoption of FRS 5, Non-current Assets Held for Sale and Discontinued Operations, non-current assets held for sale (or disposal group) are classified separately as current assets / liabilities. This change in accounting policy is applied prospectively from 1 January 2006.

#### (j) Cash and cash equivalents

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

#### (k) Impairment of assets

The carrying amount of assets, except for financial assets, inventories, deferred tax assets, and investment property that is measured at fair value and non-current assets classified as held for sale, are reviewed at each balance sheet date to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, their recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### (k) Impairment of assets (Cont'd.)

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation surplus. Where an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment loss is also recognised in the income statement.

### (l) Share capital

#### (i) Shares issue expenses

Incremental costs directly attributable to issue of shares and share options classified as equity are recognised as a deduction from equity.

#### (ii) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity.

### (m) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the loans and borrowings using the effective interest method.

### (n) Employee benefits

#### (i) Short term employee benefits

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

The Group's contributions to the Employees Provident Fund are charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

## Notes to the Financial Statements

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### (n) Employee benefits (Cont'd.)

##### (ii) Share-based payment transactions

The share option programme allows Group employees to acquire shares of the Company. In the previous year, share options granted to employees is not recognised as an employee cost. Following the adoption of FRS 2, Share-based Payment, the grant date fair value of share options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The change in accounting policy is applied retrospectively only for those shares options granted after 31 December 2004 and have not vested as of 1 January 2006 as provided in the transitional provision of FRS 2.

#### (o) Provision

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

##### (i) Warranties

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

##### (ii) Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

##### (iii) Contingent liabilities

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

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

#### (p) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### (q) Revenue

#### (i) Goods sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

#### (ii) Services

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

#### (iii) Rental income

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

#### (iv) Dividend income

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

### (r) Lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

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

### (s) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statement using the effective interest method, in the period in which they are incurred.

### (t) Tax expense

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

## Notes to the Financial Statements

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### (t) Tax expense (Cont'd.)

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

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

Additional taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

#### (u) Earnings per ordinary share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

#### (v) Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services (business segment), which is subject to risks and rewards that are different from those of other segments.

## 3. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Freehold buildings	Long term leasehold land	Long term leasehold buildings	Short term leasehold buildings	Plant, machinery and equipment	Under construction	Total
<b>Group</b>								
<b>Cost/valuation</b>								
At 1 January 2005	20,923	26,001	147,137	68,674	355	366,690	684	630,464
Additions	-	-	-	447	12	24,059	12,739	37,257
Acquisition through business combination	35,077	-	-	-	-	41,562	-	76,639
Disposals	-	-	-	(28)	-	(2,410)	-	(2,438)
Write-off	-	-	-	-	-	(2,404)	-	(2,404)
Reclassification	1,253	-	(1,253)	-	-	-	-	-
Adjustment for revaluation	356	(1,450)	(25,004)	(8,671)	-	-	-	(34,769)
Revaluation of properties	11,235	1,504	21,085	(15,749)	-	-	-	18,075
At 31 December 2005	68,844	26,055	141,965	44,673	367	427,497	13,423	722,824
Effect of adopting FRS 140	(22,087)	(1,000)	(43,540)	-	-	-	-	(66,627)
At 1 January 2006, restated	46,757	25,055	98,425	44,673	367	427,497	13,423	656,197
Additions	-	138	11,291	42	-	30,816	19,049	61,336
Acquisition through business combination	-	-	-	-	-	190	-	190
Reclassification	30	273	-	-	-	(303)	-	-
Disposals	(193)	-	-	-	-	(3,581)	-	(3,774)

## Notes to the Financial Statements

### 3. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Freehold land	Freehold buildings	Long term leasehold land	Long term leasehold buildings	Short term leasehold buildings	Plant, machinery and equipment	Under construction	Total
<b>Group (Cont'd.) Cost/valuation (Cont'd.)</b>								
Write-off	-	-	-	-	-	(4,639)	-	(4,639)
Transfer to assets held for sale	(21,300)	(1,500)	-	-	-	-	-	(22,800)
At 31 December 2006	25,294	23,966	109,716	44,715	367	449,980	32,472	686,510
<b>Depreciation</b>								
At 1 January 2005	-	940	386	31,008	161	272,368	-	304,863
Depreciation for the year	-	178	67	2,372	35	20,049	-	22,701
Acquisition through business combination	-	-	-	-	-	21,736	-	21,736
Disposals	-	-	-	(28)	-	(2,195)	-	(2,223)
Write-off	-	-	-	-	-	(2,123)	-	(2,123)
Reclassification	-	92	-	(92)	-	-	-	-
Adjustment for revaluation	-	(1,094)	(453)	(33,222)	-	-	-	(34,769)
At 31 December 2005/ 1 January 2006	-	116	-	38	196	309,835	-	310,185
Depreciation for the year	-	529	447	1,564	27	26,615	-	29,182
Acquisition through business combination	-	-	-	-	-	168	-	168

## 3. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Freehold land	Freehold buildings	Long term leasehold land	Long term leasehold buildings	Short term leasehold buildings	Plant, machinery and equipment	Under construction	Total
<b>Group (Cont'd.) Depreciation (Cont'd.)</b>								
Transfer to assets held for sale	-	(30)	-	-	-	-	-	(30)
Disposals	-	-	-	-	-	(2,343)	-	(2,343)
Write-off	-	-	-	-	-	(3,028)	-	(3,028)
At 31 December 2006	-	615	447	1,602	223	331,247	-	334,134
<b>Carrying amounts</b>								
At 1 January 2005	20,923	25,061	146,751	37,666	194	94,322	684	325,601
At 31 December 2005	68,844	25,939	141,965	44,635	171	117,662	13,423	412,639
At 1 January 2006, restated	46,757	24,939	98,425	44,635	171	117,662	13,423	346,012
At 31 December 2006	25,294	23,351	109,269	43,113	144	118,733	32,472	352,376

## Notes to the Financial Statements

### 3. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Freehold land	Freehold buildings	Long term leasehold land	Long term leasehold buildings	Plant, machinery and equipment	Total
<b>Company</b>						
<b>Cost/Valuation</b>						
At 1 January 2005	43,894	2,566	111,396	21,109	4,489	183,454
Additions	–	–	–	415	1,359	1,774
Disposals	–	–	–	–	(80)	(80)
Adjustment for revaluation	(13)	(952)	(226)	(13,395)	–	(14,586)
Revaluation of properties	11,064	1,513	(4,820)	4,724	–	12,481
At 31 December 2005	54,945	3,127	106,350	12,853	5,768	183,043
– Effect of adopting FRS 140	(18,245)	(1,130)	(106,350)	(12,853)	–	(138,578)
At 1 January 2006, restated	36,700	1,997	–	–	5,768	44,465
Additions	–	104	–	–	795	899
Transfer to assets held for sale	(21,300)	(1,500)	–	–	–	(22,800)
Disposals	–	–	–	–	(104)	(104)
At 31 December 2006	15,400	601	–	–	6,459	22,460
<b>Depreciation</b>						
At 1 January 2005	–	912	–	13,210	2,577	16,699
Depreciation for the year	–	53	–	411	498	962
Disposals	–	–	–	–	(51)	(51)
Adjustment for revaluation	–	(965)	–	(13,621)	–	(14,586)
At 31 December 2005/1 January 2006	–	–	–	–	3,024	3,024
Depreciation for the year	–	30	–	–	625	655
Transfer to assets held for sale	–	(30)	–	–	–	(30)
Disposals	–	–	–	–	(55)	(55)
At 31 December 2006	–	–	–	–	3,594	3,594
<b>Carrying amounts</b>						
At 1 January 2005	43,894	1,654	111,396	7,899	1,912	166,755
At 31 December 2005	54,945	3,127	106,350	12,853	2,744	180,019
At 1 January 2006, restated	36,700	1,997	–	–	2,744	41,441
At 31 December 2006	15,400	601	–	–	2,865	18,866

**3. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)****Property, plant and equipment under construction**

During the year ended 31 December 2006 the Group commenced the following:

- (i) construction of a new building and installation of new plant machinery for manufacturing and marketing of a wide range of fertilizers; costs incurred up to the balance sheet date totalled RM4,654,000 (2005: Nil).
- (ii) installation of new plant machinery for manufacturing and marketing of a wide range of pharmaceutical products; costs incurred up to the balance sheet date totalled RM27,818,000 (2005: RM13,423,000).

**Property, plant and equipment under the revaluation model**

The Group's freehold and leasehold land and buildings were revalued in November 2005 by independent professional qualified valuers using an open market value method.

Had the land and buildings been carried under the cost model, their carrying amounts would be as follow:

	Group		Company	
	2006	2005	2006	2005
Freehold land and buildings	<b>48,248</b>	23,855	<b>3,006</b>	11,524
Long term leasehold land and buildings	<b>46,208</b>	71,882	–	53,814
	<b>94,456</b>	95,737	<b>3,006</b>	65,338

## Notes to the Financial Statements

### 4. INTANGIBLE ASSETS

	Goodwill	Marketing rights	Trademark	Total
<b>Group</b>				
<b>Cost</b>				
At 1 January 2005	–	–	–	–
Acquisition through business combination	189,659	–	–	189,659
Acquisition during the year	–	–	63	63
At 31 December 2005/1 January 2006	189,659	–	63	189,722
Acquisition through business combination	1,499	–	–	1,499
Acquisition during the year	–	16,971	–	16,971
At 31 December 2006	191,158	16,971	63	208,192
<b>Impairment losses</b>				
At 1 January 2005/31 December 2006	–	–	–	–
<b>Carrying amounts</b>				
At 1 January 2005	–	–	–	–
At 31 December 2005/1 January 2006	189,659	–	63	189,722
At 31 December 2006	191,158	16,971	63	208,192

The Group does not identify fair values of intangible assets included in goodwill as the intangible assets arose from legal or other contractual rights which cannot be measured reliably.

The carrying amount of marketing rights represents the sole and exclusive right to market and sell to the region of Asia, excluding Japan, all products developed by Synergy America Inc., a company incorporated in United States of America, in which the Group has interests. The products have yet to be fully commercialised at year-end.

## 4. INTANGIBLE ASSETS (CONT'D.)

	Trademark
<b>Company Cost</b>	
At 1 January 2005	–
Acquisition during the year	63
At 31 December 2005/31 December 2006	63
<b>Impairment losses</b>	
At 1 January 2005/31 December 2006	–
<b>Carrying amount</b>	
At 1 January 2005	–
At 31 December 2005/31 December 2006	63

## 5. INVESTMENT PROPERTIES

	Group		Company	
	2006	2005	2006	2005
At 1 January	–	–	–	–
Acquisition	9,971	–	11,291	–
Transfer from property, plant and equipment	66,627	–	138,578	–
At 31 December	76,598	–	149,869	–
Included in the above are:				
Freehold land	22,087	–	18,245	–
Leasehold land with unexpired lease period of less than 50 years	13,171	–	–	–
Leasehold land with unexpired lease period of more than 50 years	40,340	–	117,641	–
Buildings	1,000	–	13,983	–
At 31 December	76,598	–	149,869	–

## Notes to the Financial Statements

### 5. INVESTMENT PROPERTIES (CONT'D.)

Investment properties of the Group and of the Company comprise a number of commercial properties that are leased to third party and subsidiaries. No contingent rents are charged.

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

<b>Malaysia</b>	<b>Yields</b>
Office buildings, warehouses and factory	4.2% – 4.8%
Residential house	1.4%

### 6. INVESTMENT IN SUBSIDIARIES

	Company	
	2006	2005
At cost:		
Unquoted shares	<b>166,075</b>	165,793
Less: Impairment loss	<b>(4,200)</b>	(4,200)
	<b>161,875</b>	161,593

**6. INVESTMENT IN SUBSIDIARIES (CONT'D.)**

Details of the subsidiaries are as follows:

Name of Subsidiaries	Note	Country of incorporation	Principal activities	Effective ownership interest	
				2006 %	2005 %
CCM Fertilizers Sdn. Bhd. and its subsidiaries:		Malaysia	Manufacture and marketing of fertilizers	50.1	50.1
Max Agriculture Sdn. Bhd.		Malaysia	Dormant	50.1	50.1
CCMF Agronomic and Technical Services Sdn. Bhd.*		Malaysia	Dormant	50.1	50.1
CCM Chemicals Sdn. Bhd. and its subsidiaries:		Malaysia	Manufacture and marketing of chlor-alkali products and coagulant products and marketing of industrial and specialty chemicals	80.0	80.0
CCM Watercare Sdn. Bhd.		Malaysia	Marketing of water treatment products	80.0	80.0
CCM Singapore Pte. Ltd.*		Singapore	Marketing of chlor-alkali products and chemicals	80.0	80.0
CCM Chemtrans Sdn. Bhd.		Malaysia	Dormant	80.0	80.0
PT CCM Indonesia*		Indonesia	Marketing of chemicals	80.0	80.0
CCM Chemtrade Sdn. Bhd.		Malaysia	Dormant	80.0	80.0
CCM Pharma Sdn. Bhd.	31	Malaysia	Manufacture of pharmaceutical and healthcare products	100.0	100.0
Prima Health Pharmacy (Retail) Sdn. Bhd.	31	Malaysia	Marketing and retailing of pharmaceutical and healthcare products	100.0	100.0

## Notes to the Financial Statements

### 6. INVESTMENT IN SUBSIDIARIES (CONT'D.)

Name of Subsidiaries	Note	Country of incorporation	Principal activities	Effective ownership interest	
				2006 %	2005 %
CCM Marketing Sdn. Bhd. (formerly known as Tekan Maju Sdn. Bhd.) and its subsidiaries:		Malaysia	Investment holding	100.0	100.0
CCM Duopharma Biotech Berhad (formerly known as Duopharma Biotech Berhad) and its subsidiary:		Malaysia	Investment holding	73.4	73.4
Duopharma (M) Sendirian Berhad		Malaysia	Manufacturing, distributing, importing and exporting of pharmaceutical products and medicines	73.4	73.4
Euphorex Corporation Sdn. Bhd.		Malaysia	Investment holding	100.0	100.0
Kibaran Kemas Sdn. Bhd.		Malaysia	Investment holding	100.0	100.0
Liberal Wira Sdn. Bhd.		Malaysia	Investment holding	100.0	100.0
CCM Agriculture Sdn. Bhd.		Malaysia	Investment holding	100.0	100.0
CCM International Sdn. Bhd. and its subsidiaries:		Malaysia	Investment holding	100.0	100.0
CCM Pharmaceuticals (S) Pte. Ltd. (formerly known as Duopharma Trading (S) Pte. Ltd.)*	30	Singapore	Distribution, importing and exporting and wholesaler of medicinal and pharmaceuticals products	100.0	–
P.T. CCM AgriPharma*		Indonesia	Importing and trading of fertilizers and pharmaceuticals products	100.0	100.0

## 6. INVESTMENT IN SUBSIDIARIES (CONT'D.)

Name of Subsidiaries	Note	Country of incorporation	Principal activities	Effective ownership interest	
				2006 %	2005 %
Usaha Progresif Sdn. Bhd.		Malaysia	Investment holding	100.0	100.0
Upha Pharmaceutical Manufacturing (M) Sdn. Bhd.		Malaysia	Manufacture of pharmaceutical and healthcare products	100.0	100.0
CCM Pharmaceuticals Sdn. Bhd. and its subsidiaries:		Malaysia	Marketing of pharmaceutical and healthcare products	100.0	100.0
Ho Han Medical Company Sdn. Bhd.		Malaysia	Manufacture and marketing of pharmaceutical and healthcare products	100.0	100.0
Sentosa Pharmacy Sdn. Bhd.	30	Malaysia	Marketing of pharmaceutical and healthcare products	100.0	61.7
Unique Pharmacy (Ipoh) Sdn. Bhd.	30	Malaysia	Marketing of pharmaceutical and healthcare products	100.0	73.3
Unique Pharmacy (Penang) Sdn. Bhd.	30	Malaysia	Marketing of pharmaceutical and healthcare products	100.0	72.0
Negeri Pharmacy Sdn. Bhd.		Malaysia	Marketing of pharmaceutical and healthcare products	100.0	100.0
CCM Agri-Max Sdn. Bhd. (formerly known as Envirochem Consultants Sdn. Bhd.)		Malaysia	Marketing of wide range of fertilizers	100.0	100.0
Innovax Sdn. Bhd.		Malaysia	Research and development of pharmaceutical products	100.0	100.0

## Notes to the Financial Statements

### 6. INVESTMENT IN SUBSIDIARIES (CONT'D.)

Name of Subsidiaries	Note	Country of incorporation	Principal activities	Effective ownership interest	
				2006 %	2005 %
Usaha Kimia (M) Sdn. Bhd.	30	Malaysia	Marketing of chlor-alkali and chemical products	100.0	30.0
CCM Investments Limited**		British Virgin Islands	Investment holding	100.0	100.0

\* Audited by other firms

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

### 7. INVESTMENT IN ASSOCIATES

	Group		Company	
	2006	2005	2006	2005
At cost:				
Unquoted shares	1,492	2,891	-	119
Share of post acquisition reserves	2,214	1,350	-	-
	3,706	4,241	-	119

**7. INVESTMENT IN ASSOCIATES (CONT'D.)**

	Country of incorporation	Effective ownership interest	Revenue (100%)	Profit/ (Loss) (100%)	Total assets (100%)	Total liabilities (100%)
<b>2006</b>						
Orica-CCM Energy Systems Sdn. Bhd.	Malaysia	45.0%	16,438	2,858	10,994	2,889
<b>2005</b>						
Orica-CCM Energy Systems Sdn. Bhd.	Malaysia	36.0%	18,770	813	13,239	7,566
Usaha Kimia (M) Sdn. Bhd.	Malaysia	30.0%	9,192	79	4,448	3,427
Altratec Sdn. Bhd.	Malaysia	29.4%	39,993	1,156	9,405	5,838

During the year, the Company acquired 70 percent of ordinary shares in Usaha Kimia (M) Sdn. Bhd. for a consideration of RM156,800, satisfied by cash. Accordingly, Usaha Kimia (M) Sdn. Bhd. becomes a wholly-owned subsidiary of the Company.

During the year, the Group disposed of its investment in Altratec Sdn. Bhd.

**8. OTHER INVESTMENTS**

	Group		Company	
	2006	2005	2006	2005
<b>Non-current</b>				
At cost:				
Quoted shares – outside Malaysia	7,673	34,788	–	19,916
Unquoted shares	1,500	–	–	–
Commercial papers	92	40,118	92	40,118
	<b>9,265</b>	74,906	<b>92</b>	60,034
Market value:				
– quoted shares outside Malaysia	4,328	127,505	–	88,413
– commercial papers	97	40,373	97	40,373

## Notes to the Financial Statements

### 8. OTHER INVESTMENTS (CONT'D.)

No allowance is made as the Directors are of the view that there is no diminution in their value which is other than temporary.

Details of disposed investments stated at cost are as follows:

	Group		Company	
	2006	2005	2006	2005
Proceeds from disposal	<b>137,478</b>	81,350	<b>88,540</b>	26,378
Carrying amount of investments disposed	<b>(74,814)</b>	(25,244)	<b>(59,942)</b>	(5,021)
Gain on disposal of investments	<b>62,664</b>	56,106	<b>28,598</b>	21,357

### 9. DEVELOPMENT EXPENDITURE

	Group	
	2006	2005
<b>Cost</b>		
At 1 January/31 December	<b>5,239</b>	5,239
<b>Accumulated amortisation</b>		
At 1 January/31 December	<b>5,239</b>	5,239
<b>Net book value</b>		
At 31 December	-	-

**10. DEFERRED TAX ASSETS AND LIABILITIES****Recognised deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2006	2005 restated	2006	2005 restated	2006	2005
<b>Group</b>						
Property, plant and equipment	(462)	(1,147)	42,712	40,276	42,250	39,129
Provisions	(2,977)	(3,561)	24	–	(2,953)	(3,561)
Other items	(640)	–	53	267	(587)	267
Tax losses carried forward	(1,348)	(1,270)	–	–	(1,348)	(1,270)
Net tax (assets) / liabilities	(5,427)	(5,978)	42,789	40,543	37,362	34,565
<b>Company</b>						
Property, plant and equipment	(456)	(359)	22,354	22,375	21,898	22,016
Provisions	(263)	(420)	–	–	(263)	(420)
Other items	–	–	53	267	53	267
Net tax (assets) / liabilities	(719)	(779)	22,407	22,642	21,688	21,863

In recognising the deferred tax assets attributable to unutilised tax losses carried forward and unutilised capital allowances carried forward (included in deductible temporary differences of property, plant and equipment) the Directors made an assumption that there will not be any substantial change (more than 50%) in the shareholders before these assets are utilised. If there is substantial change in the shareholders, unutilised tax losses carried forward and unutilised capital allowances carried forward amounting to approximately RM4,926,000 and RM2,070,000 respectively will not be available to the Group, resulting in an increase in net deferred tax liabilities of RM1,892,000.

## Notes to the Financial Statements

### 10. DEFERRED TAX ASSETS AND LIABILITIES (CONT'D.)

#### Unrecognised deferred tax assets

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

	Group	
	2006	2005
Tax losses carried forward	23,388	17,871
Other deductible temporary differences	5,031	6,507
	<b>28,419</b>	24,378

The deductible temporary differences do not expire under current tax legislation unless there is a substantial change in shareholders (more than 50%). If there is substantial change in shareholders (more than 50%), unutilised tax losses carried forward and unutilised capital allowances carried forward amounting to RM23,388,000 and RM5,031,000 will not be available to the Group. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

#### Movement in temporary differences during the year

	At 1.1.2005	Recognised in income statement (Note 23)	Recognised in equity (Note 23)	At 31.12.2005	Recognised in income statement (Note 23)	At 31.12.2006
<b>Group</b>						
Property, plant and equipment	31,736	2,414	4,979	39,129	3,121	42,250
Provisions	(374)	(3,187)	–	(3,561)	608	(2,953)
Other items	(514)	781	–	267	(854)	(587)
Tax losses carried forward	(1,711)	441	–	(1,270)	(78)	(1,348)
	29,137	449	4,979	34,565	2,797	37,362

**10. DEFERRED TAX ASSETS AND LIABILITIES (CONT'D.)****Movement in temporary differences during the year (Cont'd.)**

	At 1.1.2005	Recognised in income statement (Note 23)	Recognised in equity (Note 23)	At 31.12.2005	Recognised in income statement (Note 23)	At 31.12.2006
<b>Company</b>						
Property, plant and equipment	21,488	5	523	22,016	(118)	21,898
Provisions	–	(420)	–	(420)	157	(263)
Other items	54	213	–	267	(214)	53
	21,542	(202)	523	21,863	(175)	21,688

**Movements in unrecognised deferred tax assets during the year**

	At 1.1.2005	Additions	At 31.12.2005	Additions	Recognition	At 31.12.2006
Tax losses carried forward	8,436	9,435	17,871	5,979	(462)	23,388
Other deductible temporary differences	5,343	1,164	6,507	–	(1,476)	5,031
	13,779	10,599	24,378	5,979	(1,938)	28,419

## Notes to the Financial Statements

### 11. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	Group		Company	
		2006	2005 restated	2006	2005 restated
<b>Current Trade</b>					
Trade receivables	a	<b>282,509</b>	188,931	–	–
Less: Allowance for doubtful debts		<b>(12,564)</b>	(10,071)	–	–
		<b>269,945</b>	178,860	–	–
Amount due from subsidiaries	b	–	–	<b>476,505</b>	370,229
Amount due from associates	c	<b>197</b>	295	<b>72</b>	142
		<b>270,142</b>	179,155	<b>476,577</b>	370,371
<b>Non-trade</b>					
Other receivables		<b>7,367</b>	22,440	<b>453</b>	1,019
Deposits		<b>3,106</b>	2,355	<b>1,919</b>	221
Prepayments		<b>471</b>	838	<b>24</b>	19
Amount due from subsidiaries	d	–	–	<b>49,676</b>	19,674
		<b>10,944</b>	25,633	<b>52,072</b>	20,933
		<b>281,086</b>	204,788	<b>528,649</b>	391,304

#### Note a

Trade receivables denominated in currencies other than the functional currency comprise RM45,153,000 (2005: RM11,622,000) of trade receivables denominated in U.S Dollar, RM12,359,000 (2005: RM7,305,000) of trade receivables denominated in Singapore Dollar, RM514,000 (2005: RM689,000) of trade payables in Hong Kong Dollar, RM5,051,000 (2005: RM1,657,000) of trade receivables denominated in Indonesian Rupiah, RM228,000 (2005: RM657,000) of trade receivables denominated in Euro Dollar and Nil (2005: RM8,000) of trade receivables denominated in Thai Baht.

#### Note b

During the year, the Company wrote off an amount due from a subsidiary amounting to RM1,850,000 (2005: RM3,480,000).

The receivables due from subsidiaries are subject to normal trade terms.

#### Note c

The trade receivables due from associate is subject to normal trade terms.

#### Note d

The non-trade receivables due from subsidiaries are unsecured, interest-free except for amount due from CCM Fertilizers Sdn Bhd at interest rate of BLR + 0.25% for the first 3 months of 2006 (2005: whole year), and all balances are repayable on demand.

**12. INVENTORIES**

	Group	
	2006	2005
At cost		
Raw materials	<b>38,373</b>	36,711
Work-in-progress	<b>7,763</b>	4,270
Finished products	<b>137,077</b>	101,978
Spares and consumables	<b>19,863</b>	24,880
	<b>203,076</b>	167,839

In 2006, the write-down of inventories to net realisable value amounted to RM1,005,000 (2005: RM345,000) and write-off of inventories amounted to RM1,625,000 (2005: RM157,000). The write-down and write-off are included in cost of sales.

**13. ASSETS CLASSIFIED AS HELD FOR SALE**

	Note	Group and Company	
		2006	2005
Property, plant and equipment	a	<b>22,770</b>	–

**Note a**

Property, plant and equipment held for sale comprise the following:

	Group and Company	
	2006	2005
Freehold land and buildings:		
Cost	<b>22,800</b>	–
Accumulated depreciation	<b>(30)</b>	–
	<b>22,770</b>	–

## Notes to the Financial Statements

### 14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006	2005	2006	2005
Deposits are placed with:				
Licensed banks	<b>192,727</b>	242,488	<b>106,310</b>	199,364
Other corporations	<b>52,600</b>	9,797	<b>52,600</b>	8,797
Cash and bank balances	<b>245,327</b> <b>53,087</b>	252,285 43,236	<b>158,910</b> <b>2,719</b>	208,161 444
	<b>298,414</b>	295,521	<b>161,629</b>	208,605

### 15. CAPITAL AND RESERVES

#### Share capital

	Group and Company			
	Amount 2006 RM'000	Number of shares 2006 '000	Amount 2005 RM'000	Number of shares 2005 '000
Authorised:				
Ordinary shares of RM1 each	<b>800,000</b>	<b>800,000</b>	800,000	800,000
Issued and fully paid:				
Ordinary shares of RM1 each				
On issue at 1 January	<b>383,520</b>	<b>383,520</b>	377,895	377,895
Issue of shares under the ESOS	<b>1,814</b>	<b>1,814</b>	1,986	1,986
Conversion of warrants	<b>7,643</b>	<b>7,643</b>	3,639	3,639
On issue at 31 December	<b>392,977</b>	<b>392,977</b>	383,520	383,520

**15. CAPITAL AND RESERVES (CONT'D.)**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. In respect of the Company's treasury shares that are held by the Group (see below), all rights are suspended until those shares are reissued.

**Capital reserve**

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

**Translation reserve**

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

**Revaluation reserve**

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

**Treasury shares**

The shareholders of the Company, by a special resolution passed in a general meeting held on 23 April 1998, approved the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

There were no repurchase of its issued and paid up shares since 2003. During the year, the Company sold 2,890,000 treasury shares in the open market. The average resale price of the treasury shares was RM3.14 per share.

At 31 December 2006, the Group held 2,998,000 (2005: 5,888,000) of the Company's shares.

Details of the resale of treasury shares were as follows:

	Average resale price	Highest resale price	Lowest resale price	Number of treasury share	Total consideration received
<b>2006</b>					
January	3.14	3.22	3.10	2,890,000	9,022,000

**Section 108 tax credit**

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank RM180,608,000 (2005: RM245,000,000) of its distributable reserves at 31 December 2006 if paid out as dividends.

## Notes to the Financial Statements

### 16. LOANS AND BORROWINGS (UNSECURED)

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

	Note	Group		Company	
		2006	2005 restated	2006	2005 restated
<b>Non-current</b>					
Unsecured term loan		<b>100,000</b>	100,000	<b>100,000</b>	100,000
Unsecured bond	a	<b>200,000</b>	200,000	<b>200,000</b>	200,000
		<b>300,000</b>	300,000	<b>300,000</b>	300,000
<b>Current</b>					
Unsecured bank overdrafts		<b>1,775</b>	1,979	–	–
Unsecured bankers acceptances		<b>89,007</b>	86,908	–	–
Unsecured revolving credits		<b>33,150</b>	20,000	–	–
Unsecured foreign currency loan in US dollars (USD)		–	827	–	–
		<b>123,932</b>	109,714	–	–

#### Note a

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 ("warrants B") at 100% of the nominal amount of the Bonds.

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.

#### Significant covenants

The unsecured term loan and bond issue are subject to fulfillment of the following significant covenants:

- (i) maintenance of consolidated shareholders' funds of not less than RM420,000,000;
- (ii) the ratio of total consolidated liabilities to total consolidated shareholders funds does not exceed 1.5;
- (iii) the consolidated interest cover ratio is at least 2.0 times;

**16. LOANS AND BORROWINGS (UNSECURED) (CONT'D.)****Significant covenants (Cont'd.)**

The unsecured term loan and bond issue are subject to fulfillment of the following significant covenants: (Cont'd.)

- (iv) without prior written consent:
  - a) not to incur, assume, guarantee or permit any future indebtedness which will result in a breach of its financial covenants;
  - b) not to add to, delete, vary or amend its Memorandum and Articles of Association other than in a manner and for reasons allowed for in the term loan agreement and bond trust deed;
  - c) not to cause, create or permit to exist any lien on any of its assets other than those permitted by the term loan agreement and bond trust deed;
- (v) generally to manage and conduct other business affairs of the Group in a manner consistent with the provisions of the term loan agreement and bond trust deed.

**17. EMPLOYEE BENEFITS****Share-based payments**

On 18 December 2002, the Group established an Employee's Share Option Scheme (ESOS) that entitles Directors and employees to purchase ordinary shares in the Company at an exercise price of RM1.36 per ordinary share of RM1.00 each. The Executive Directors have opted not to participate in this scheme.

The terms and conditions of the grants are as follows; all options are to be settled by physical delivery of shares:

Grant date/employees entitled	Number of instruments '000	Vesting conditions	Contractual life of options
Option granted to key management on 18 December 2002	17,608	<ul style="list-style-type: none"> <li>- 3 years service and 50% of options exercisable</li> <li>- 4 years service and 75% of options exercisable</li> <li>- 5 years service and 100% of options exercisable</li> </ul>	5 years

The recognition and measurement principles in FRS 2 have not been applied to these grants as they were granted prior to the effective date of FRS 2.

## Notes to the Financial Statements

### 17. EMPLOYEE BENEFITS (CONT'D.)

The number and weighted average exercise prices of share options are as follows:

	Number of options ('000) 2006	Number of options ('000) 2005
Outstanding at 1 January	2,513	5,223
Lapsed during the year	–	(724)
Exercised during the year	(1,814)	(1,986)
Outstanding and exercisable at 31 December	699	2,513

The options outstanding at 31 December 2006 have a remaining contractual life of approximately 1 year.

During the year, 1,814,000 (2005: 1,986,000) share options were exercised. The weighted average share price for the year was RM3.28 (2005: RM2.67).

### 18. PROVISIONS

	Warranties		Restructuring		Total	
	2006	2005	2006	2005	2006	2005
<b>Group</b>						
At 1 January 2006	1,092	1,194	–	–	1,092	1,194
Provision made during the year	–	–	1,419	–	1,419	–
Provision used during the year	(67)	(102)	–	–	(67)	(102)
At 31 December 2006	1,025	1,092	1,419	–	2,444	1,092

	Restructuring	
	2006	2005
<b>Company</b>		
At 1 January 2006	–	–
Provision made during the year	1,419	–
At 31 December 2006	1,419	–

## 18. PROVISIONS (CONT'D.)

### *Warranties*

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

### *Restructuring*

The provision for restructuring relates to estimated payments committed to be made to the remaining creditors and accruals, as well as expenses incurred by Prima Health Pharmacy (Retail) Sdn. Bhd., subsidiary of the Company, as this subsidiary has closed down all the pharmacy outlets and remain dormant, subsequent to the balance sheet date.

## 19. PAYABLES AND ACCRUALS

	Note	Group		Company	
		2006	2005	2006	2005
<b>Trade</b>					
Trade payables	a	<b>124,554</b>	88,700	–	–
		<b>124,554</b>	88,700	–	–
<b>Non-trade</b>					
Other payables and accrued expense	b	<b>43,811</b>	33,291	<b>4,040</b>	3,301
Amount due to subsidiaries		–	–	<b>41,762</b>	50,478
		<b>43,811</b>	33,291	<b>45,802</b>	53,779
		<b>168,365</b>	121,991	<b>45,802</b>	53,779

### *Note a*

Payables denominated in currencies other than the functional currency comprise RM23,804,000 (2005: RM9,708,000) of trade payables denominated in U.S Dollar, RM1,744,000 (2005: RM1,708,000) of trade payables denominated in Singapore Dollar, RM534,000 (2005: RM412,000) of trade payables denominated in Australia Dollar, RM1,000 (2005: RM24,000) of trade payables denominated in Indonesian Rupiah, RM12,000 (2005: RM83,000) of trade payables denominated in Euro Dollar and Nil (2005: RM83,000) of trade payables denominated in Pound Sterling.

### *Note b*

The non-trade payables due to subsidiaries are unsecured, interest-free, and repayable on demand.

## 20. REVENUE

	Group		Company	
	2006	2005	2006	2005
Sales	<b>1,109,005</b>	813,497	–	–
Rental income from investment properties	<b>1,055</b>	722	<b>4,976</b>	4,525
	<b>1,110,060</b>	814,219	<b>4,976</b>	4,525

## Notes to the Financial Statements

### 21. OPERATING PROFIT

	Note	Group		Company	
		2006	2005 restated	2006	2005
<b>Operating profit is arrived at after charging:</b>					
Allowance for doubtful debts		<b>1,698</b>	3,495	–	–
Auditors' remuneration					
– Audit services					
– Auditor of the Company		<b>274</b>	234	<b>34</b>	24
– Other auditors		<b>45</b>	–	–	–
– Other services by Auditors of the Company		<b>196</b>	6	<b>190</b>	–
Bad debts written off		<b>2</b>	–	–	–
Depreciation of property, plant and equipment	3	<b>29,182</b>	22,701	<b>655</b>	962
Loss on disposal of property, plant and equipment		–	–	–	16
Loss on disposal of an associate		<b>17</b>	–	–	–
Inter-company advances written off	11	–	–	<b>1,850</b>	3,480
Interest expense:					
– Subsidiaries		–	–	<b>81</b>	22
– Related companies		–	–	<b>204</b>	–
– Bank overdraft		<b>10,182</b>	6,955	<b>10,019</b>	6,778
– Revolving credits		<b>1,117</b>	687	–	–
– Bankers' acceptance		<b>4,048</b>	1,949	–	–
– Foreign currency loan		–	262	–	–
– Other borrowings		<b>230</b>	250	–	–
Loss on damaged goods		<b>877</b>	–	–	–
Property, plant and equipment written-off		<b>1,611</b>	281	–	–
Rental expenses on property leases		<b>6,793</b>	6,656	<b>650</b>	731
Rental expenses on equipment		<b>846</b>	190	–	–
Research and development expensed as incurred		<b>435</b>	91	–	–
Provision for restructuring		<b>1,419</b>	–	<b>1,419</b>	–
Personnel expenses (including key management personnel)					
– Contribution to Employees Provident Fund		<b>8,531</b>	8,108	<b>590</b>	499
– Wages, salaries and others		<b>57,043</b>	45,946	<b>4,868</b>	3,583
Write-down of inventories		<b>1,005</b>	502	–	–
Write-off of inventories		<b>1,625</b>	–	–	–
Unrealised loss on foreign exchange		<b>51</b>	–	–	–

**21. OPERATING PROFIT (CONT'D.)**

	Note	Group		Company	
		2006	2005	2006	2005
<b>and after crediting:</b>					
Bad debts written back		776	166	-	-
Claim from damaged goods		27	-	-	-
Dividends income from:					
- Subsidiaries (unquoted)		-	-	93,621	190,106
Gain on disposal of other investments	8	62,664	56,106	28,598	21,357
Gain on disposal of property, plant and equipment		1,379	289	38	-
Interest income:					
- Subsidiaries		-	-	274	928
- Associate		-	5	-	-
- Fixed deposits		10,941	8,046	8,242	6,858
- Commercial bonds		150	2,664	462	2,664
- Others		59	121	-	-
Net foreign exchange gain		834	536	-	-
Rental income from property subleases		1,163	108	-	-
Royalty income		-	-	43	197
Surplus on revaluation of property, plant and equipment		-	140	-	196

**22. KEY MANAGEMENT PERSONNEL COMPENSATION**

	Group		Company	
	2006	2005	2006	2005
Director				
- Fees	534	522	525	522
- Remuneration	1,195	759	478	304
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	180	154	72	62
	1,909	1,435	1,075	888

## Notes to the Financial Statements

### 23. TAX EXPENSE

#### Recognised in the income statement

	Note	Group		Company	
		2006	2005	2006	2005
Tax expense		<b>17,343</b>	23,087	<b>8,357</b>	5,006
Share of tax of equity accounted associate		<b>224</b>	1,139	–	–
Total tax expense		<b>17,567</b>	24,226	<b>8,357</b>	5,006
Major components of tax expense include:					
<b>Current tax expense</b>					
Malaysian – current year		<b>15,378</b>	22,211	<b>9,387</b>	5,287
– prior year		<b>(1,423)</b>	427	<b>(855)</b>	(79)
Overseas – current year		<b>661</b>	–	–	–
– prior year		<b>(70)</b>	–	–	–
Total current tax recognised in the income statement		<b>14,546</b>	22,638	<b>8,532</b>	5,208
<b>Deferred tax expense</b>					
Origination and reversal of temporary differences (Write-down) / Reversal of a previous write-down of deferred tax assets		<b>2,119</b>	449	<b>(175)</b>	(202)
		<b>678</b>	–	–	–
Total deferred tax recognised in the income statement	10	<b>2,797</b>	449	<b>(175)</b>	(202)
Share of tax of equity accounted associate		<b>224</b>	1,139	–	–
Total tax expense		<b>17,567</b>	24,226	<b>8,357</b>	5,006

**23. TAX EXPENSE (CONT'D.)****Reconciliation of effective tax expenses**

	Group		Company	
	2006 %	2005 %	2006 %	2005 %
Profit before tax	100	100	100	100
Tax calculated using Malaysian tax rate of 28% (2005: 28%)	28	28	28	28
Non-deductible expenses	1	3	-	-
Tax exempt income	(13)	(13)	(16)	(27)
Other items	(2)	1	(4)	1
Under/(over) provided in prior years	(1)	-	(1)	-
	13	19	7	2

**Tax recognised directly in equity**

	Note	Group		Company	
		2006	2005	2006	2005
Revaluation of property, plant and equipment before transfer to investment property		-	4,979	-	523
Total tax recognised directly in equity	10	-	4,979	-	523

## Notes to the Financial Statements

### 23. TAX EXPENSE (CONT'D.)

#### *Tax savings arising from tax losses*

	Note	Group	
		2006	2005
Tax savings arising from utilisation of prior year tax losses previously unrecognised	10	462	–

### 24. EARNINGS PER ORDINARY SHARE

#### **Basic earnings per ordinary share**

The calculation of basic earnings per ordinary share at 31 December 2006 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	2006 RM'000	2005 RM'000
Profit for the year attributable to ordinary shareholders	104,272	90,221

#### Weighted average number of ordinary shares

	Group	
	2006	2005
Issued ordinary shares at 1 January	383,520	377,895
Effect of treasury shares held	(1,886)	(5,008)
Effect of ordinary shares issued in 2006/2005	5,879	2,721
Weighted average number of ordinary shares at 31 December	387,513	375,608

**24. EARNINGS PER ORDINARY SHARE (CONT'D.)****Basic earnings per ordinary share:**

	Group	
	2006 Sen	2005 Sen
From continuing operations	26.9	24.0

**Diluted earnings per ordinary share**

The calculation of diluted earnings per ordinary share at 31 December 2006 was based on profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	Group	
	2006 RM'000	2005 RM'000
Profit for the year attributable to shareholders	104,272	90,221
Interest expense on convertible notes, net of tax	1,976	7,942
Profit attributable to ordinary shareholders	106,248	98,163

**Weighted average number of ordinary shares diluted**

	Group	
	2006	2005
Weighted average number of ordinary shares at 31 December	387,513	375,608
Effect of conversion of warrants	66,578	163,086
Effect of share options on issue	701	3,237
Weighted average number of ordinary shares (diluted) at 31 December	454,792	541,931

## Notes to the Financial Statements

### 24. EARNINGS PER ORDINARY SHARE (CONT'D.)

The average market value of the Company's shares for purpose of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding.

#### Diluted earnings per ordinary share:

	Group	
	2006 Sen	2005 Sen
From continuing operations	23.4	18.1

### 25. DIVIDENDS

Dividends recognised in the current year by the Company are:

	Sen per share (net of tax)	Total amount RM'000	Date of payment
<b>2006</b>			
Interim 2006 ordinary	6.5	25,243	29 September 2006
Final 2005 ordinary	6.5	25,179	8 June 2006
Special 2005 ordinary	5.0	19,428	8 June 2006
Total amount		69,850	
<b>2005</b>			
Interim 2005 ordinary	6.0	22,643	23 September 2005
Final 2004 ordinary	4.3	16,133	26 May 2005
Special 2004 ordinary	3.6	13,444	26 May 2005
Total amount		52,220	

**25. DIVIDENDS (CONT'D.)**

After the balance sheet date the following dividends were proposed by the Directors. These dividends will be recognised in subsequent financial reports upon approval by the shareholders.

	Sen per share (net of tax)
Final 2006 ordinary	6.6
Special 2006 ordinary	6.0

**26. SEGMENT REPORTING**

Segment information is presented in respect of the Group's business segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

Inter-segment pricing is determined on an arm's length 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, industrial and specialty chemicals and water treatment products
Pharmaceuticals	Manufacture and marketing of pharmaceutical and healthcare products
Others	Investment holding

## Notes to the Financial Statements

### 26. SEGMENT REPORTING (CONT'D.)

	Fertilizers		Chemicals		Pharmaceuticals		Others		Eliminations		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005 restated
<b>Business Segments</b>												
Total external revenue	535,565	396,667	369,357	317,804	204,083	99,026	1,055	722	-	-	1,110,060	814,219
Inter-segment revenue	-	608	46,422	53,700	714	944	5,362	3,803	(52,498)	(59,055)	-	-
<b>Total segment revenue</b>	535,565	397,275	415,779	371,504	204,797	99,970	6,417	4,525	(52,498)	(59,055)	1,110,060	814,219
<b>Segment result</b>	16,224	32,035	22,695	28,450	50,579	12,939	52,371	52,252	-	-	141,869	125,676
Interest income											11,150	10,836
Finance costs											(15,577)	(10,103)
Share of profit of equity accounted associates											926	2,758
Tax expense											(17,343)	(23,087)
<b>Profit for the year</b>											121,025	106,080

**26. SEGMENT REPORTING (CONT'D.)**

	Fertilizers		Chemicals		Pharmaceuticals		Others		Eliminations		Consolidated	
	2006	2005 restated	2006	2005 restated	2006	2005 restated	2006	2005 restated	2006	2005	2006	2005 restated
<b>Segment assets</b>	289,879	173,266	276,482	237,766	364,850	478,000	1,526,551	1,090,091	(983,515)	(622,194)	1,474,247	1,356,929
Investment in associates	-	-	3,635	2,709	-	1,342	-	119	71	71	3,706	4,241
<b>Total assets</b>											1,477,953	1,361,170
<b>Segment liabilities</b>	179,185	50,891	155,827	49,303	140,093	56,386	466,569	374,308	(642,019)	(402,995)	299,655	127,893
Unallocated liabilities											340,247	454,619
<b>Total liabilities</b>											639,902	582,512
Capital expenditure	27,815	1,192	8,836	15,508	23,338	18,785	12,859	1,772	(1,587)	-	71,261	37,257
Depreciation and amortisation	2,937	2,016	15,354	13,696	9,326	6,027	1,565	962	-	-	29,182	22,701

**27. FINANCIAL INSTRUMENTS**

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business.

**Credit risk**

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

Investments of surplus cash is allowed only as deposits with licensed financial institutions approved by the Board.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial assets in the balance sheet. As for unrecognised financial assets, the maximum exposure to credit risk is the fair value of the financial assets disclosed below.

**Interest rate risk**

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

## Notes to the Financial Statements

### 27. FINANCIAL INSTRUMENTS (CONT'D.)

#### *Effective interest rates and repricing analysis*

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

	Note	2006				2005			
		Average effective interest rate %	Total RM'000	Less than 1 year RM'000	1 – 5 years RM'000	Average effective interest rate %	Total RM'000	Less than 1 year RM'000	1 – 5 years RM'000
<b>Group</b>									
<b>Floating rate instruments</b>									
Bank overdraft	16	7.00	(1,775)	(1,775)	–	7.50	(1,979)	(1,979)	–
Bankers' acceptance	16	3.76	(89,007)	(89,007)	–	3.50	(86,908)	(86,908)	–
Revolving credits	16	4.44	(33,150)	(33,150)	–	3.50	(20,000)	(20,000)	–
Foreign currency loan in US dollars	16	–	–	–	–	4.06	(827)	(827)	–
<b>Fixed rate instruments</b>									
Deposits	14	3.87	245,327	245,327	–	2.85	252,285	252,285	–
Commercial papers	8	6.45	92	92	–	5.70	40,118	40,118	–
Bonds	16	4.49	(200,000)	–	(200,000)	4.75	(200,000)	–	(200,000)
Unsecured fixed term loan	16	4.19	(100,000)	(10,000)	(90,000)	4.11	(100,000)	–	(100,000)
			(178,513)	111,487	(290,000)		(117,311)	182,689	(300,000)
<b>Company</b>									
<b>Fixed rate instruments</b>									
Deposits	14	3.87	158,910	158,910	–	2.66	208,161	208,161	–
Commercial papers	8	6.45	92	92	–	5.70	40,118	40,118	–
Bonds	16	4.49	(200,000)	–	(200,000)	4.75	(200,000)	–	(200,000)
Unsecured fixed term loan	16	4.19	(100,000)	(10,000)	(90,000)	4.11	(100,000)	–	(100,000)
			(140,998)	149,002	(290,000)		(51,721)	248,279	(300,000)

**27. FINANCIAL INSTRUMENTS (CONT'D.)****Foreign currency risk**

The Group and the Company are exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currency giving rise to this risk is primarily U.S Dollar.

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

**Fair values**

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

The Company provides financial guarantees to banks for credit facilities extended to certain subsidiaries. The fair value of such financial guarantees is not expected to be material as the probability of the subsidiaries defaulting on the credit lines is remote.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the balance sheets, are as follow:

	<b>2006 Carrying amount</b>	<b>2006 Fair value</b>	<b>2005 Carrying amount</b>	<b>2005 Fair value</b>
<b>Group</b>				
<b>Financial assets</b>				
Investment in quoted shares	<b>7,673</b>	<b>4,328</b>	34,788	127,505
Commercial papers	<b>92</b>	<b>97</b>	40,118	40,373
	<b>7,765</b>	<b>4,425</b>	74,906	167,878
<b>Financial liabilities</b>				
Bonds	<b>200,000</b>	<b>190,424</b>	200,000	187,517
Unsecured fixed rate term loan	<b>100,000</b>	<b>99,406</b>	100,000	97,532
	<b>300,000</b>	<b>289,830</b>	300,000	285,049

## Notes to the Financial Statements

### 27. FINANCIAL INSTRUMENTS (CONT'D.)

	2006 Carrying amount	2006 Fair value	2005 Carrying amount	2005 Fair value
<b>Company</b>				
<b>Financial assets</b>				
Investments in quoted shares	–	–	19,916	88,413
Commercial papers	92	97	40,118	40,373
	92	97	60,034	128,786
<b>Financial liabilities</b>				
Bonds	200,000	190,424	200,000	187,517
Unsecured fixed rate term loan	100,000	99,406	100,000	97,532
	300,000	289,830	300,000	285,049

#### Estimation of fair values

The following summarises the methods used in determining the fair values of financial instruments.

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

For other financial assets and liabilities, fair value is determined using estimated future cash flows discounted using market related rate for a similar instrument at the balance sheet date.

### 28. CAPITAL AND OTHER COMMITMENTS

	Group		Company	
	2006	2005	2006	2005
<b>Capital expenditure commitments</b>				
<b>Plant and equipment</b>				
<i>Authorised but not contracted for:</i>				
Within one year	35,634	24,237	2,000	2,000
<i>Contracted but not provided for and payable:</i>				
Within one year	60,486	656	117	179
	96,120	24,893	2,117	2,179

## 29. RELATED PARTIES

### Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group has a related party relationship with its subsidiaries (see Note 6) and associates (see Note 7).

### Other related party transactions

	Group		Company	
	2006	2005 restated	2006	2005 restated
Holding company Permodalan Nasional Berhad Group of Companies Sales of products	<b>182,580</b>	115,330	–	–
Subsidiaries of substantial shareholder of a subsidiary TH Plantations Berhad Sales of products	<b>11,553</b>	20,060	–	–
PT Multigambut Industri Sales of products	<b>36,357</b>	13,483	–	–
Subsidiaries CCM Fertilizers Sdn. Bhd. Rental income on land and buildings	–	–	3,314	3,314
Interest income	–	–	274	907
Shared costs income	–	–	1,500	1,350
CCM Chemicals Sdn. Bhd. Rental income on land and buildings	–	–	393	275
Interest expenses	–	–	81	–
Shared costs income	–	–	1,500	1,960

## Notes to the Financial Statements

### 29. RELATED PARTIES (CONT'D.)

#### Other related party transactions (Cont'd.)

	Group		Company	
	2006	2005 restated	2006	2005 restated
Subsidiaries				
Upha Pharmaceuticals Manufacturing (M) Sdn. Bhd. Shared costs income	-	-	1,500	1,300
CCM Duopharma Biotech Berhad Shared costs income	-	-	1,500	-
Prima Health Pharmacy (Retail) Sdn. Bhd. Inter-company advances written-off	-	-	1,850	3,480
<b>Balances in respect of trade balances</b>				
Subsidiaries				
Amount owing from				
- CCM Pharmaceuticals Sdn. Bhd.	-	-	9,482	105
- Upha Pharmaceutical Manufacturing (M) Sdn. Bhd.	-	-	23,134	15,325
- CCM Pharma Sdn. Bhd.	-	-	315	822
- Prima Health Pharmacy (Retail) Sdn. Bhd.	-	-	5	-
- CCM Fertilizers Sdn. Bhd.	-	-	7,420	3,521
- CCM Chemicals Sdn. Bhd.	-	-	8,350	8,390
- CCM Investments Limited	-	-	84,398	22,834
- CCM Marketing Sdn. Bhd.	-	-	319,516	319,174
- CCM International Sdn. Bhd.	-	-	491	-
- PT CCM Indonesia	-	-	13,918	4
- CCM Agri-Max Sdn. Bhd.	-	-	15	5
- Innovax Sdn. Bhd.	-	-	1,103	-
- CCM Duopharma Biotech Berhad	-	-	297	49
- CCM Siam Ltd	-	-	167	-
- PT CCM AgriPharma	-	-	7,885	-
- Usaha Kimia (M) Sdn. Bhd.	-	-	9	-
Associated company				
Amount owing from				
- Orica-CCM Energy Systems Sdn. Bhd.	197	295	72	142

29. RELATED PARTIES (CONT'D.)

	Group		Company	
	2006	2005 restated	2006	2005 restated
<b>Balances in respect of non-trade balances</b>				
Subsidiaries				
Advances owing from				
– Upha Pharmaceutical Manufacturing (M) Sdn. Bhd.	–	–	22,407	19,674
– CCM International Sdn. Bhd.	–	–	1,500	–
– CCM Agri-Max Sdn. Bhd.	–	–	25,769	–
Advances owing to				
– CCM Fertilizers Sdn. Bhd.	–	–	–	4,600
– CCM Investments Limited	–	–	18,656	–
– CCM International Sdn. Bhd.	–	–	16,320	37,665
– Liberal Wira Sdn. Bhd.	–	–	867	868
– Kibaran Kemas Sdn. Bhd.	–	–	2,168	2,168
– Euphorex Corporation Sdn. Bhd.	–	–	1,044	51
– CCM Agriculture Sdn. Bhd.	–	–	308	2,673
– Usaha Progresif Sdn. Bhd.	–	–	2,361	2,362
– CCM Singapore Pte. Ltd.	–	–	38	91

All outstanding balances with these related parties are priced on an arm's length basis. None of the balances is secured.

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

## Notes to the Financial Statements

### 30. ACQUISITIONS OF SUBSIDIARIES AND MINORITY INTEREST

#### Business combination

On 2 October 2006, the Company acquired the remaining shares in Usaha Kimia (M) Sdn Bhd (“UKSB”) for RM156,800 satisfied in cash. Accordingly, UKSB becomes a wholly-owned subsidiary. UKSB is involved in the marketing of chlor-alkali and chemical products. In the 3 months to 31 December 2006 the subsidiary contributed a loss of RM105,000. If the acquisition had occurred on 1 January 2006, management estimates that consolidated revenue would have been RM11,268,000 and consolidated profit for the year would have been RM11,000.

On 15 June 2006, the Group acquired all shares in CCM Pharmaceuticals (S) Pte. Ltd. (“CCMPS”) (formerly known as Duopharma Trading (S) Pte. Ltd.) for RM244,000 satisfied in cash. Accordingly, CCMPS become a wholly-owned subsidiary. CCMPS is involved in distribution, importing and exporting and wholesaler of medicinal and pharmaceuticals products. In the 6 months to 31 December 2006 the subsidiary contributed loss of RM68,000. If the acquisition had occurred on 1 January 2006, management estimates that consolidated revenue would have been RM3,396,000 and consolidated profit for the year would have been RM238,000.

The acquisitions had the following effect on the Group and the Company’s assets and liabilities on the respective acquisition dates:

	Note	Pre-acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
<b>Group</b>				
Property, plant and equipment		22	–	22
Inventories		861	–	861
Receivables, deposits and prepayments		4,739	–	4,739
Cash and cash equivalents		1,572	–	1,572
Payables and accruals		(7,312)	–	(7,312)
Net identifiable assets and liabilities		(118)	–	(118)
Goodwill on acquisitions (net)				644
Consideration paid, satisfied in cash				526
Cash acquired				(1,572)
Net cash inflow				(1,046)

Pre-acquisition carrying amounts were determined based on applicable FRSs immediately before the acquisition. The values of assets, liabilities, and contingent liabilities recognised on acquisition are their estimated fair values.

### 30. ACQUISITIONS OF SUBSIDIARIES AND MINORITY INTEREST (CONT'D.)

The goodwill recognised on the acquisition is attributable mainly to the skills and technical talent of the acquired business work force and the synergies expected to be achieved from integrating the company into the Group's existing pharmaceuticals business.

#### Acquisition of minority interest

On 29 December 2006, the Group acquired an additional 26.7%, 28% and 38.3% interest respectively in Unique Pharmacy (Ipoh) Sdn. Bhd., Unique Pharmacy (Penang) Sdn. Bhd., and Sentosa Pharmacy Sdn. Bhd. for RM2,031,000 in cash, increasing its ownership from 73.3%, 72% and 61.7% respectively to become wholly-owned subsidiaries of CCM Pharmaceuticals Sdn Bhd.. The carrying amount of Unique Pharmacy (Ipoh) Sdn. Bhd., Unique Pharmacy (Penang) Sdn. Bhd., and Sentosa Pharmacy Sdn. Bhd.'s net assets in the consolidated financial statements on the date of the acquisition were RM1,065,000, RM2,145,000 and RM2,374,000. The Group recognised a decrease in minority interest of RM2,031,000.

### 31. SUBSEQUENT EVENTS

On 30 March 2007, the Group through a subsidiary, Prima Health Pharmacy (Retail) Sdn. Bhd. has closed down all its pharmacy outlets. Prima Health Pharmacy (Retail) Sdn. Bhd. remained dormant thereafter.

On 2 April 2007, the Group through a subsidiary, CCM Pharma Sdn. Bhd., has entered into a Sale and Purchase Agreement with Malayan Pharmaceutical Sdn. Bhd. ("MPSB") in respect of the purchase of brands, product rights and fixed assets of MPSB for a total consideration of RM22.0 million.

### 32. CHANGES IN ACCOUNTING POLICIES

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 31 December 2006.

The significant change in accounting policy arising from the adoption of FRS 140, Investment Property is summarised below:

#### FRS 140, Investment Property

The Group and the Company now measures all investment property at fair value with any change therein recognised in the income statement. In the previous years, all investment properties were stated at revalued amounts less accumulated depreciation and impairment loss and were classified in property, plant and equipment. Following the adoption of FRS 140, Investment Property, all investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in the income statement. This change in accounting policy has been applied prospectively as allowed by the transitional provisions in FRS 140.80 as an adjustment to the opening balance of retained earnings and comparatives are not restated.

The effects on the current year are as follows:

- (i) land and buildings of the Group and of the Company amounting to RM66,627,000 and RM138,578,000 respectively as at 1 January 2006 are reclassified from property, plant and equipment to investment properties; and
- (ii) related revaluation surplus land and buildings of the Group and of the Company amounting to RM11,564,000 and RM24,505,000 as at 1 January 2006 are reclassified to retained earnings.

This change in accounting policy has no impact on income statement and earnings per ordinary share for the current year.

## Notes to the Financial Statements

### 33. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation requirements of FRS 101:

	Group		Company	
	As restated	As previously stated	As restated	As previously stated
<b>Balance sheet</b>				
Receivables, deposits and prepayments	204,788	210,324	391,304	394,107
Current tax assets	5,536	–	2,803	–
Deferred tax assets	5,978	76	–	–
Deferred tax liabilities	(40,543)	(34,641)	–	–
<b>Income statements</b>				
Share of profit after tax and minority interest of equity accounted associate	2,758	3,897	–	–
Tax expense	(23,087)	(24,226)	–	–
<b>Cash flow statements</b>				
<i>Cash flows from operating activities:</i>				
Profit before tax	129,167	130,306	–	–
Share of profit of equity accounted associate	(2,758)	(3,897)	–	–

Following the adoption of FRS 3, Business Combinations, minority interests was reclassified into equity. Likewise, in arriving at profit for the year, minority interests was not deducted.

## Analysis of Shareholdings

Authorized Share Capital	:	RM800,000,000
Issued and Paid-up Share Capital	:	RM394,845,016
Class of Shares	:	Ordinary Shares of RM1.00 each
Voting Rights	:	One vote per ordinary share

### Distribution of Shareholdings As At 30 March 2007

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	171	4.17	4,141	0.00
100 – 1,000	702	17.10	580,651	0.14
1,001 – 10,000	2,429	59.19	10,523,398	2.67
10,001 – 100,000	726	17.69	20,046,213	5.08
100,001 to less than 5% of issued shares	73	1.78	85,487,253	21.65
5% and above of issued shares	3	0.07	278,203,360	70.46
	<b>4,104</b>	<b>100.00</b>	<b>394,845,016</b>	<b>100.00</b>

### Substantial Shareholders As At 30 March 2007

Names	Direct Holdings		Indirect Holdings	
	No.	%	No.	%
1. Amanah Raya Nominees (Tempatan) Sdn Bhd Skim Amanah Saham Bumiputera	183,639,900	46.51	–	–
2. Permodalan Nasional Berhad	54,798,560	13.88	–	–
3. Yayasan Pelaburan Bumiputra <sup>a</sup>	–	–	54,798,560	13.88
4. Employees Provident Fund Board	39,764,900	10.07	–	–

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

### Directors' Shareholdings

Name	Direct Holdings		Indirect Holdings	
	No.	%	No.	%
1. Dato' N. Sadasivan	200,000	0.05	–	–

## Analysis of Shareholdings

### Thirty (30) Largest Shareholders As At 30 March 2007

Names	Holdings	
	No.	%
1. Amanah Raya Nominees (Tempatan) Sdn Bhd Skim Amanah Saham Bumiputera	183,639,900	46.51
2. Permodalan Nasional Berhad	54,798,560	13.88
3. Employees Provident Fund Board	39,764,900	10.07
4. Citigroup Nominees (Tempatan) Sdn Bhd UBS AG Hong Kong for Billion Victory Sdn Bhd	18,000,000	4.56
5. Amanah Raya Nominees (Tempatan) Sdn Bhd Amanah Saham Wawasan 2020	14,162,600	3.59
6. Amanah Raya Nominees (Tempatan) Sdn Bhd Amanah Saham Didik	9,449,900	2.39
7. Lembaga Tabung Haji	9,259,100	2.34
8. Chan Suet Tho	3,224,000	0.82
9. Chemical Company of Malaysia Berhad Share Buy Back Account	2,998,000	0.76
10. Amanah Raya Nominees (Tempatan) Sdn Bhd Amanah Saham Malaysia	2,949,000	0.75
11. Amanah Raya Nominees (Tempatan) Sdn Bhd Sekim Amanah Saham Nasional	2,523,900	0.64
12. Cartaban Nominees (Tempatan) Sdn Bhd Petroleum Nasional Berhad (Trading PF)	1,940,000	0.49
13. HSBC Nominees (Asing) Sdn Bhd Exempt An for Credit Suisse (SG BR-TST-ASING)	1,252,200	0.32
14. Menteri Kewangan Malaysia Section 29 (SICDA)	1,080,345	0.27
15. G.T.Y Holdings Sdn Bhd	1,000,000	0.25

**Thirty (30) Largest Shareholders  
As At 30 March 2007 (Cont'd.)**

Names	Holdings	
	No.	%
16. BIMSEC Nominees (Tempatan) Sdn Bhd Syarikat Takaful Malaysia Berhad	998,600	0.25
17. Citigroup Nominees (Tempatan) Sdn Bhd Exempt An for Prudential Assurance Malaysia Berhad	858,800	0.22
18. Affin Nominees (Asing) Sdn Bhd UOB Kay Hian Pte Ltd for Cheng Good Hiang	848,332	0.21
19. Malaysian Reinsurance Berhad	800,000	0.20
20. Amanah Raya Nominees (Tempatan) Sdn Bhd Amanah Saham Nasional 2	774,000	0.20
21. Universiti Malaya	704,664	0.18
22. BIMSEC Nominees (Tempatan) Sdn Bhd Bank Islam Malaysia Berhad	696,200	0.18
23. Cartaban Nominees (Tempatan) Sdn Bhd Petronas for Petroliam Research Fund	600,900	0.15
24. Amanah Raya Nominees (Tempatan) Sdn Bhd Dana Islamiah Affin	556,700	0.14
25. Lebar Daun Construction Sdn Bhd	550,000	0.14
26. Lee Yee Chong	422,000	0.11
27. Malaysia Nominees (Tempatan) Sendirian Berhad Lee Foundation, States of Malaya (00-00197-000)	420,000	0.11
28. Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Small Cap Series	417,600	0.11
29. Equity Heights Sdn Bhd	400,000	0.10
30. Yeoh Keat Chye	352,000	0.09

## Analysis of Warrant Holdings

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

### Distribution of Warrant Holders

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	4.00	1,063	0.00
100 – 1,000	234	34.67	195,964	0.30
1,001 – 10,000	341	50.52	1,358,539	2.10
10,001 – 100,000	68	10.07	1,780,637	2.74
100,001 to less than 5% of issued shares	4	0.59	910,000	1.41
5% and above of issued shares	1	0.15	60,616,203	93.45
	<b>675</b>	<b>100.00</b>	<b>64,862,406</b>	<b>100.00</b>

### Substantial Warrant Holders

Names	Direct		Indirect	
	No. Warrant-B held	%	No. Warrant-B held	%
1. Permodalan Nasional Berhad	60,616,203	93.45	–	–
2. Yayasan Pelaburan Bumiputra <sup>a</sup>	–	–	60,616,203	93.45

<sup>a</sup>Deemed 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	0.08	–	–

**Thirty (30) Largest Warrant-B Holders  
As At 30 March 2007**

Names	Holdings	
	No.	%
1. Permodalan Nasional Berhad	60,616,203	93.45
2. HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for MAAKL Al-Faid (4389)	430,000	0.66
3. HDM Nominees (Asing) Sdn Bhd UOB Kay Hian Pte Ltd for Lim Kim Leong	205,000	0.32
4. RC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Chong Hoe (C03DSH2SHL009M)	150,000	0.23
5. Lim Eik Hoy	125,000	0.19
6. Wan Fauziah binti Wan Ja'afar	97,000	0.15
7. Tan Ah Kee	57,000	0.09
8. Looi Bian Cheong	56,500	0.09
9. Saw Khai Phin Holdings Sdn Bhd	56,000	0.09
10. TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tong Chin Hen	50,500	0.08
11. N. Sadasivan a/l N N Pillay	50,000	0.08
12. JF Apex Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Kwee Hock (MARGIN)	50,000	0.08
13. Wong Kian Teck	50,000	0.08
14. Boo Kwie Liang	50,000	0.08

## Analysis of Warrant Holdings

Thirty (30) Largest Warrant-B Holders  
As At 30 March 2007 (Cont'd.)

Names	Holdings	
	No.	%
15. Tan Kim Siw	47,500	0.07
16. Winnie Hamzah Sendut	42,000	0.06
17. Ding Yu Lee	40,000	0.06
18. Tan Ah Kee	40,000	0.06
19. Lim Teh Realty Sdn Berhad	40,000	0.06
20. HDM Nominees (Asing) Sdn Bhd DBS Vickers Secs (S) Pte Ltd for Tan Jui Yak	40,000	0.06
21. Soh Keh Woei	40,000	0.06
22. Ramanathan a/l E.S. Krishnan	35,000	0.05
23. K.S. Tan Sdn Berhad	31,000	0.05
24. UOBM Nominees (Tempatan) Sdn Bhd United Overseas Bank Nominees (Pte) Ltd for Lim Kee Yek	30,000	0.05
25. HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for MAAKL Growth Fund (4074)	30,000	0.05
26. Khor Siang Tatt	30,000	0.05
27. Lau Geak Siam	30,000	0.05
28. Adeline Chew Li Ling	25,900	0.04
29. Lim Leng Chye	25,000	0.04
30. Pretam Singh s/o Chanan Singh	25,000	0.04

## PropertiesHeld

As At 31 December 2006

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	Leasehold	99 years (1973 – 2072)	286,992	Industrial land, factory and offices	5 - 34 years	78.64	December 2005
CCM Duopharma GM1391, Lot No. 2599 Mukim and District of Klang Selangor	Freehold	–	11,655	Industrial land, factory and offices	13 years	24.00	November 2005
UPHA Factory Lot 11454, 11458, 11459 Mukim of Kajang, Selangor	Leasehold	99 years (1987 – 2086)	22,099	Industrial land, factory and offices	14 years	23.4	December 2005
Lot P.T. 3609 Mukim Teluk Panglima Garang Kuala Langat Selangor	Leasehold	99 years (1992 – 2091)	195,509	Industrial land	–	22.90	December 2005
No 1, 3, 5 & 7 Lorong Tinggian Tunku Kuala Lumpur	Freehold	–	12,393	Residential land and buildings	41 years	22.77	December 2005
Nilai Industrial Land P.T. No. 6055 & 6056 Bandar Baru Nilai Negeri Sembilan	Leasehold	99 years (1993 – 2092)	138,236	Industrial land	–	17.00	December 2005
Pasir Gudang Works Pasir Gudang Johor	Leasehold	60 years (1991 – 2051)	104,599	Industrial land and buildings	12 years	28.87	December 2005
No 18 & 18A Jalan Tun Ismail Kuala Lumpur	Freehold	–	8,878	Residential land and buildings	35 years	16.98	December 2005
No 16A Jalan Tun Ismail Kuala Lumpur	Freehold	–	8,498	Residential land and buildings	35 years	15.99	December 2005
CCM Pharma Lot No 2 Jalan 13/4A Petaling Jaya Selangor	Leasehold	99 years (1972 – 2059)	8,352	Industrial land, factory and offices	26 years	9.93	December 2005

Note: The properties above are the top ten (10) properties in terms of highest net book value as at the end of financial year.

## Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Forty-Fifth Annual General Meeting of the Company will be held at Grand Ballroom, The Legend Hotel, Jalan Putra, Kuala Lumpur on Monday, 28 May 2007 at 11.30 a.m for the following purposes:-

### AGENDA

#### As Ordinary Business

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2006 together with the Reports of the Directors and Auditors thereon.  
**Ordinary Resolution 1**
2. To approve a gross final dividend of 9 sen (less 27% tax) and a special tax exempt dividend of 6 sen for the financial year ended 31 December 2006.  
**Ordinary Resolution 2**
3. To re-elect the following Directors retiring under Article 91 of the Articles of Association of the Company:-
  - (a) Dato' N. Sadasivan **Ordinary Resolution 3**
  - (b) Dato' Kalsom binti Abdul Rahman  
**Ordinary Resolution 4**
  - (c) Dato' Dr. Mohamad Hashim bin Ahmad Tajudin  
**Ordinary Resolution 5**
4. To approve the directors' fees of RM467,312.00 for the financial year ended 31 December 2006.  
**Ordinary Resolution 6**
5. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration.  
**Ordinary Resolution 7**
6. To transact any other business of which due notice shall have been received.

#### As Special Business

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

7. **Proposed Amendments to the Articles of Association of the Company**

"That the deletions, alterations, modifications, variations and additions to the Articles of Association of the Company as set out in the Circular to Shareholders dated 3 May 2007 be and are hereby approved."  
**Special Resolution 1**

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

"That subject to the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company and/or its subsidiary shall be mandated to enter into the recurrent related party transactions of a revenue or trading nature with the related party as specified in Sections 2.2.1 and 2.2.4 of the Circular to Shareholders dated 3 May 2007 which are necessary for the Company and/or its subsidiary's day-to-day operations subject further to the following:-

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

- (c) revoked or varied by resolution passed by the shareholders in a general meeting,

whichever is the earlier; and

- (iii) the disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the Proposed Shareholders' Mandate during the financial year.

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

#### Ordinary Resolution 8

#### NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN that subject to the approval of the Shareholders at the forthcoming AGM, the proposed gross final dividend of 9 sen (less 27% tax) and special tax exempt dividend of 6 sen per RM1.00 ordinary share unit in respect of the Company's financial year ended 31 December 2006 will be paid on 15 June 2007 to shareholders whose names appear in the Record of Depositors on 6 June 2007.

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

- Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 6 June 2007 in respect of ordinary transfer; and
- Shares deposited into the Depositor's Securities Account before 12.30 p.m. on 4 June 2007 in respect of shares which are exempted from mandatory deposit.
- Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

**NOOR AZWAH BINTI SAMSUDIN (LS 0006071)**

**IBRAHIM HUSSIN SALLEH (LS 0009121)**

Company Secretaries

Kuala Lumpur

3 May 2007

#### NOTES:

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

#### Explanatory Notes on Special Business

- Special Resolution 1 – Proposed amendments to the Articles of Association of the Company

The Special Resolution 1 proposed, if passed, will render the Articles of Association of the Company to be consistent with the new requirements under Chapter 7 of the Listing Requirements of Bursa Malaysia Securities Berhad pursuant to the letters dated 14 December 2006 and 9 April 2007 from Bursa Malaysia Berhad and any prevailing laws, rules, regulations, orders, guidelines or requirements of the relevant authorities.

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

The explanatory notes on Ordinary Resolution 8 are set out in the Circular to Shareholders dated 3 May 2007.

## **Statement**Accompanying**the**Notice

OF THE FORTY-FIFTH ANNUAL GENERAL MEETING OF CHEMICAL COMPANY OF MALAYSIA BERHAD

### **Pursuant to Paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad**

The details of the three (3) Directors seeking re-election are set out in their respective profiles which appear in the Directors' Profiles on pages 8 and 16 of this Annual Report.

The details of their interest in the securities of the Company are set out in the Analysis of Shareholdings which appear on page 151 of this Annual Report.

Director who retire pursuant to Section 129(6) of the Companies Act 1965 and do not offer himself to be re-elected at the forthcoming Annual General Meeting is as follows:-

- (i) Dato' Seri Mohd Hussaini bin Haji Abdul Jamil

No. of shares held:	CDS account no.:	Serial number:

I/We \_\_\_\_\_  
 (Full name in capital letters)

of \_\_\_\_\_  
 (Full address)

being \*a shareholder/shareholders of CHEMICAL COMPANY OF MALAYSIA BERHAD (“the Company”) hereby appoint:-

\_\_\_\_\_ (Full name in capital letters)

of \_\_\_\_\_ (Full address)

as my/our proxy to vote for me/us at the Forty-Fifth Annual General Meeting of the Company to be held at Grand Ballroom, The Legend Hotel, Jalan Putra, Kuala Lumpur on Monday, 28 May 2007 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
Ordinary Resolution 1	To receive and adopt the Audited Financial Statements and Reports.		
Ordinary Resolution 2	To approve gross final dividend of 9 sen (less 27% tax) and special tax exempt dividend of 6 sen.		
Ordinary Resolution 3	To re-elect Dato’ N. Sadasivan.		
Ordinary Resolution 4	To re-elect Dato’ Kalsom binti Abdul Rahman.		
Ordinary Resolution 5	To re-elect Dato’ Dr. Mohamad Hashim bin Ahmad Tajudin.		
Ordinary Resolution 6	To approve the directors’ fees for financial year ended 31 December 2006.		
Ordinary Resolution 7	To re-appoint Messrs KPMG as Auditors.		
Special Resolution 1	Special Business: i) Proposed Amendments of the Articles of Association		
Ordinary Resolution 8	Special Business: ii) Proposed Renewal of Existing Shareholders’ Mandate and Proposed New Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2007

\_\_\_\_\_  
 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 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 (2) 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.

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Affix  
postage  
stamp

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

