Annual Report 2010

CHEMICAL COMPANY
OF MALAYSIA BERHAD
(5136-T)

Nurturing *Lives*

Treasuring Community Needs

The brush stroke of vibrant colours is a representation of life. The concept is a continuation of events linked by vibrant colours depicting the ways our Group touches the lives of people. Each and every product and endeavour directly affects the community we operate in. These efforts allow us a positive role in the community and the opportunity to directly contribute to enhancing the quality of their lives by Treasuring Community Needs.

Contents

3 Financial Calendar
3 Financial Review
3 Financial Highlights
4 Group Financial Ratios
5 Chairman's Statement
10 Executive Director's Operations Review
15 Corporate Information
16 Group Structure
20 Board and Management Structure
21 Board of Directors
29 Senior Management
34 Corporate Responsibility
37 Human Resource Development
38 Research and Development
39 Safety, Health and Environment
40 GLC Transformation Programme
40 Information Technology
41 Calendar of Events
45 Statement on Corporate Governance
52 Report of the Audit and Compliance Committee
55 Report of the Risk Management Committee
59 Report of the Nomination and Remuneration Committee
61 Report of the Finance and Investment Committee
62 Report of the Executive Committee
63 Report of the Government-Linked Companies Transformation Committee
64 Statement on Internal Control
65 Statement on Director's Responsibility
66 Other Disclosures
68 Directors' Report
72 Statement by Directors
72 Statutory Declaration
73 Independent Auditors' Report
75 Statements of Financial Position
76 Statements of Comprehensive Income
78 Consolidated Statement of Changes in Equity
80 Statement of Changes in Equity
81 Statements of Cash Flows
83 Notes to the Financial Statements
148 Analysis of Shareholdings
151 Analysis of Warrant Holdings
153 List of Top Ten (10) Properties
154 Recurrent Related Party Transactions of a Revenue Nature
156 Notice of Annual General Meeting
158 Statement Accompanying The Notice of the Forty-Ninth Annual General Meeting of Chemical Company of Malaysia Berhad
Proxy Form

Financial Calendar

Financial year end	31 December 2010
Annual General Meeting	27 June 2011

DIVIDEND

Proposed Final Dividend

Entitlement date	1 July 2011
Payment date	22 July 2011

ANNOUNCEMENT OF 2010 TRADING RESULTS

Three months (1st Quarter)	27 May 2010
Six months (2nd Quarter)	26 August 2010
Nine months (3rd Quarter)	29 November 2010
Full year (4th Quarter)	25 February 2011

Financial Review

TURNOVER AND PROFITABILITY

	Turnover		Profit before tax	
(RM'mil)	**2010**	**2009**	**2010**	**2009**
Fertilizers	930.8	897.3	7.5	16.6
Chemicals	457.6	432.0	27.8	(15.4)
Pharmaceuticals	250.0	242.7	20.0	34.8
Intersegment Eliminations and others	0.6	(0.2)	3.9	(20.4)
Group	1,639.0	1,571.8	59.2	15.6

LIQUIDITY

(RM'000)	**2010**	**2009**
Net cash from operating activities	136,896	300,929
Net cash used in investing activities	(31,688)	(212,677)
Net cash used in financing activities	(125,403)	(19,526)
Exchange difference on translation of the financial statements of foreign operations	4,987	2,611
Net (decrease)/increase in cash and cash equivalents	(15,208)	71,337
Cash and cash equivalents at 1 January	226,820	155,483
Cash and cash equivalents at 31 December	211,612	226,820

Financial Highlights
as at 31 December

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

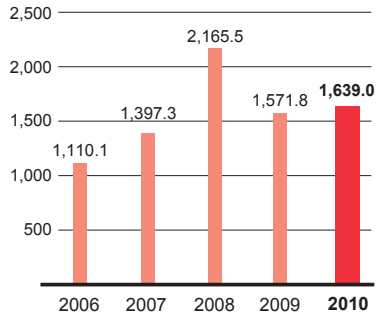
(RM'000)	**2010**	**2009**
Total non-current assets	1,017,727	953,371
Total currents assets	992,200	1,075,219
Total assets	2,009,927	2,028,590
Financed by:		
Share capital	404,741	402,946
Reserves	78,752	33,134
Retained profits	267,637	284,389
Total equity attributable to equity holders of the company	751,130	720,469
Minority interest	126,884	115,660
Total equity	878,014	836,129
Total non-current liabilities	332,447	476,331
Total current liabilities	799,466	716,130
Total liabilities	1,131,913	1,192,461
Total equity and liabilities	2,009,927	2,028,590

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

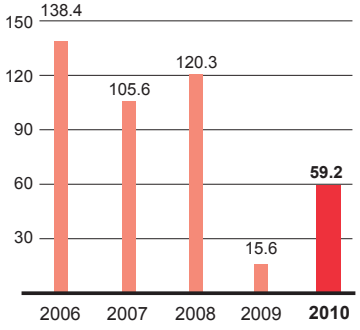
(RM'000)	**2010**	**2009**
Turnover	1,639,039	1,571,809
Profit before tax	59,200	15,579
Taxation	(26,129)	(10,511)
Profit for the year	33,071	5,068
Profit/(Loss) attributable to:		
Owners of the Company	15,372	(5,820)
Minority interest	17,699	10,888
	33,071	**5,068**

Financial Highlights
as at 31 December

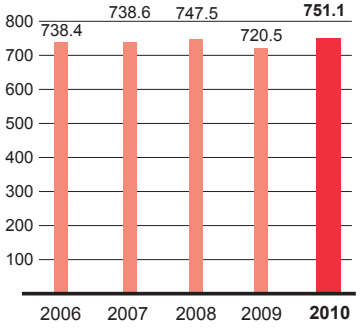
Turnover (RM million)



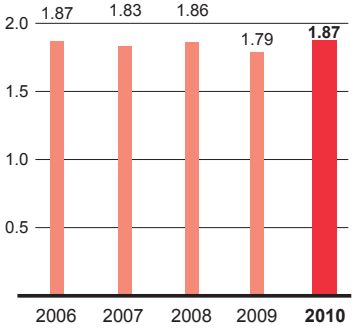
Profit Before Tax (RM million)



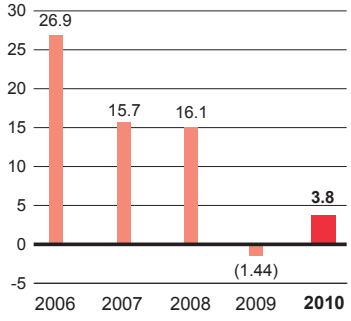
Total Equity Attributable to Equity Holders of the Company (RM million)



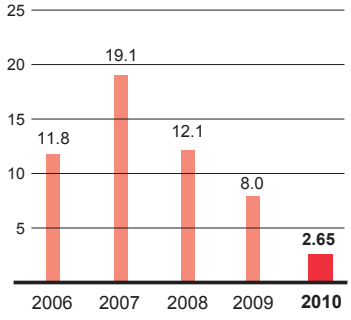
Net Assets per Share (RM)



Earnings per Share (Sen)



Dividend per Share (Sen)



Group Financial Ratios
as at 31 December

	2010	2009
Profitability (%)		
Turnover growth rate	4.27	(27.41)
Profit before taxation as a % of turnover	3.61	0.99
Profit before taxation as a % of total equity attributable to equity holders of the Company	7.88	2.16
Liquidity		
Current ratio (x)	1.24	1.50
Acid test ratio (x)	0.86	0.97

	2010	2009
Market ratios		
Net assets per share (RM)	1.87	1.79
Earnings per share (Sen)	3.80	(1.44)
Dividend per share (Sen)	2.65	8.0
Productivity		
Turnover per employee (RM'000)	809	813
Total Assets per employee (RM'000)	993	1,049
Number of employees	2,025	1,934

Chairman's Statement

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

The favourable market climate in 2010 gave Chemical Company of Malaysia Berhad (CCM or the Group) the opportunity to renew its focus on strategic initiatives to enhance the performance of the Chemicals, Pharmaceuticals and Fertilizers Divisions, resulting in improved operational efficiency and increased research and development (R&D) efforts.

DEAR SHAREHOLDERS,

The dominant theme of the year 2010 was recovery as the Malaysian economy rebounded from the slowdown in 2009.

The successful implementation of a number of fiscal and financial initiatives by the Government had enabled the economy to expand its growth by 7.2% in 2010. Against this background, our three business divisions have been pursuing new opportunities to improve the Group's financial performance and emerge stronger in 2010.

It is my pleasure to present to you the annual report and financial statements of the Group for the financial year ended 31 December 2010.

A YEAR OF RECOVERY

Taking advantage of the stronger operating environment, CCM recorded a 4.4% increase in revenue to RM1.64 billion from the RM1.57 billion recorded in the previous year. Following the increase in revenue, profit before tax (PBT) for the year under review grew almost threefold to RM59.2 million from RM15.6 million in 2009.

The significant growth in the Group's overall profitability was mainly driven by the strong performance of our Chemicals Division which recorded a revenue of RM457.6 million, an increase of 6.0% from last year. The Division also registered a PBT of RM27.8 million compared with a loss of RM15.4 million in 2009. The improved performance came as a result of lower overhead cost, lower provisions and impairment, as well as a higher share of associated company results.

The Group's Pharmaceuticals Division gained 3.0% in revenue to RM250 million from RM242.7 million in 2009. However, the Division's profitability continued to be adversely affected by a number of factors which include continued intense competition within the industry and the quota limitation on controlled drugs. As a result, the Division's PBT dropped 42.5% to RM20.0 million from RM34.8 million recorded in 2009.

Our Fertilizers Division, however, continued to suffer from increasing cost pressures and compressed margins as a result of fierce price competition and excess capacity in the industry. The Division's revenue managed to grow by 3.7% to RM930.8 million from the RM897.3 million recorded in 2009, however, PBT fell 54.8% to RM7.5 million from RM16.6 million in the period under review.

DIVIDEND

The Board of Directors is recommending a final dividend of 2.65 sen tax exempt dividend in respect of the financial year ended 31 December 2010.

BUSINESS OUTLOOK AND PROSPECTS

With economic recovery well underway and the Government aggressively stepping up its efforts to achieve the goal of Malaysia becoming a high-income nation by 2020, opportunities are abound for Malaysian businesses in 2011.

Each of the Group's three divisions is expected to benefit from the growth of their respective industries as a result of the NKEA programme initiated by the Government. The Group will capitalise on these opportunities to continuously grow its market share, enhance production efficiency and control costs effectively to ensure sustained revenue and profit improvement. In order to achieve these objectives, we have initiated business strategies which are expected to improve overall competitiveness and profitability.

Our Chemicals Division will continue to benefit from the robust growth of Malaysia's chemicals industry, especially from Malaysia's dominance of the global rubber glove sector. This bodes well for the Group's investment in the specialty polymer coatings business catering for the medical rubber glove sector.

For the Pharmaceuticals Division, CCM is optimistic about 2011 and beyond as the healthcare NKEA is expected to deliver RM35.3 billion growth to the nation. The Division stands to benefit from the increasing demand for halal products, society's attitude change towards healthy living, and also the opportunity to manufacture affordable generic products as a result of patent expiry.

Growth for the Fertilizers Division will be spurred by the Government's commitment towards realising the palm oil NKEA programme which is expected to increase demand for fertilizer amongst smallholders and big plantation companies. The Group's timely entry into Indonesia also provides a strong platform for future growth.

ACKNOWLEDGEMENT

During the year under review, CCM saw several changes to its Board of Directors and the retirement of Dato' Dr. Mohamad Hashim Ahmad Tajudin as the Group Managing Director.

The Board of Directors of CCM wishes to record its sincere appreciation for the valuable contributions of Tan Sri Ab. Rahman bin Omar, Dato' Dr. Mohamad Hashim Ahmad Tajudin, Tan Sri Dato' Dr. Abu Bakar bin Suleiman, Datuk Dr. Saharan bin Hj. Anang, Dato' Kalsom binti Abdul Rahman, Dato' Mohd. Nizam bin Zainordin, Encik Sreesanthan s/o Eliathamby and Encik Abdul Rahim bin Abdul Hamid, who have left the Board during the course of the year. It has been a privilege for the company to have benefited from their services and professionalism throughout their tenure at CCM.

I am also pleased to welcome Encik Amirul Feisal Wan Zahir as Executive Director and Professor Dato' Ir. Dr. Zaini bin Ujang, Datuk Karunakaran s/o Ramasamy, Dr. Leong Chik Weng, Encik Khalid bin Sufat, Encik Azmi bin Mohd Ali and Puan Kartini Hj. Abdul Manaf, to the Board of CCM.

Most importantly, I would like to thank our shareholders, customers, business associates and partners for their continuous support of the Group. I also wish to acknowledge our management and employees for their dedicated work and contribution. I look forward to the future with confidence that CCM will continue to flourish in innovative ways with the passion, drive and continuous commitment of our staff and Board of Directors in working towards enhancing stakeholder value.

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

LIVING WATER

Our passion to enrich lives drives us to explore new technological advancements. These advancements enable us to touch lives at the very core of life's needs; the purity of living water.

Executive Director's Operations Review

AMIRUL FEISAL BIN WAN ZAHIR
Executive Director

CCM improved its performance for the year ended 31 December 2010 relative to the prior year with growth in both revenue and profit before tax (PBT). The better 2010 financial results is a result of improved market conditions in all our business segments.

In order to transform our business to becoming more agile in 2011 and beyond, we have developed strategic initiatives that cover our three core segments to generate innovative solutions to face current business challenges. Moving forward, we will focus on strengthening our overall businesses by leveraging on our three fertilizer plants that are already up and running, producing 540,000 tonnes annually as well as our three pharmaceutical plants and three chemicals facilities to help us continuously grow our position in these three industries. We are pleased to inform that our fertilizer plant in Lahad Datu is scheduled to be commissioned in the second half of 2011 and this will increase our manufacturing capacity by an additional 130,000 tonnes annually. Apart from that, we will also strategically integrate the businesses that we have acquired over the past few years to maximise returns and achieve better financial results in the future.

Our focus for 2011 will be on increasing stakeholders' value as we believe that it is an integral part of running a business and can greatly affect the Group's success. Our efforts include emphasising on risk management, operational efficiencies, providing value added products, and services and talent management. It is our aspiration that through these initiatives, CCM will be more efficient and continue to live up to our customers' expectations by delivering products and services that are of the highest standard and quality. As our talents will play a pivotal role in increasing stakeholders' value, we will focus on talent management and building a knowledge culture which is a transition from process to knowledge business, to build a strong foundation for a motivated and talented workforce that exemplifies our core values with emphasis on fairness and compassion.

CCM has always been championing the halal initiative as we see this as an opportunity to serve the growing global halal market worth US$2.3 trillion. CCM participated in various events throughout the year under review including the *1Malaysia 1Halal* campaign, organised by the Department of Islamic Development Malaysia (JAKIM) and the *Halal Malaysia Week 2010*, where CCM presented a paper each at the World Halal Forum (WHF) and World Halal Research Summit (WHRS). These events were aimed at reaching out to the public and educating them about the need for halal pharmaceutical products and its availability in Malaysia. We also partook in the *Malaysia Showcase 2010*, held in Negara Brunei Darussalam to tap into the country's high growth potential. Following the positive response from the first *CCM Halal Awareness Seminar 2008*, we have continued to collaborate with the Halal Industry Development Corporation (HDC) to organise the *2nd CCM Halal Awareness Seminar* in 2010 to generate greater awareness on the halal concept and its practices amongst our principals and suppliers. CCM also continued to stamp our mark on the world stage when we became a panelist at the *World Halal Forum Europe 2010* in London, United Kingdom to discuss developing sectors in the halal marketplace. CCM has been in the forefront of halal development since 1999 and it is a continuous journey that has led to important learning curves that we have greatly benefited from. Although we have managed to explore new markets and also gained confidence from consumers through our halal initiatives, we will continue to strive to lead the way in the country's halal development. Our hard work and dedication were recently recognised when we were honoured with the inaugural Halal Recognition Award 2011 during the *World Halal Research Summit 2011*, highlighting our continuous effort in upholding the halal commitment throughout the Group.

CCM was actively involved in the drafting of Malaysian Standard MS 2424:2010 (P): Halal Pharmaceuticals: General Guidelines which was launched on 6 April 2011. The guidelines represent the World's First Standards for Halal Pharmaceutical Manufacturing and are expected to give CCM's Pharmaceuticals Division an edge in an extremely competitive pharmaceutical industry. The halal concept plays a primary role in our business operations and we are also proud to say that

CCM's Chemicals Division is the only industry representative in the Working Group to develop the Malaysian Standard for "Halal Chemicals for Potable Water". Although the halal certification is not extended to our fertilizer products, rest assured that our fertilizers are mineral based and comply with the halal standards of efficacy, quality and hygiene and are safe for use as plant nutrients.

CHEMICALS DIVISION

The Chemicals Division recorded a 6.0% increase in revenue to RM457.6 million from RM432.0 million in the corresponding period in 2009. The growth in revenue was due to overall trading and manufactured businesses coupled with the overall improved performance of the Division. The Division also achieved RM27.8 million in PBT compared to a loss of RM15.4 million in the previous year. The improvement was mainly attributed to lower overhead cost, lower provisions and impairment as well as a higher share of associated company results.

During the year under review, the Chemicals Division, through CCM Water Systems Sdn. Bhd., participated in an initiative by the Rural and Regional Development Ministry to provide 13 units of compact ultrafiltration water treatment systems to Orang Asli settlements in Perak and 23 units to Kelantan. Through the collaboration, CCM Water Systems Sdn. Bhd.'s technological solutions were employed to provide a safe and clean water supply to the villagers. The project was in tandem with the Government's goal to improve rural basic infrastructure under the National Key Result Areas (NKRA) programme. The water treatment systems use ultrafiltration (UF) technology used in most developed countries that effectively offer bacteria-free water vital for drinking and basic sanitation.

Last year, we began to re-engineer the business towards homegrown formulation, own label and a shift towards niche segments. We expect a promising year ahead for the Chemicals Division and will step up our efforts to continuously support the Division's objectives to move towards specialised application segments. We are also working closely together with higher education institutions and research centres for technology enhancement to strengthen our research and development (R&D) initiatives, and promote continuous enhancement in the quality and standards of our products. Moving forward, we are exploring new markets including the renewable energy sector in line with our effort to enhance our commitment toward a greener future. To enhance our regional capabilities, we are looking at the possibility of working together with international partners in both trading and manufacturing of halal chemicals.

The year under review has proven to be a successful time for the Chemicals Division as it received eight awards in the General Chemicals category at the 2009 Chemicals Industry Dinner & CICM Responsible Care Awards Presentation. The Division was selected over 18 other contenders to grab the Platinum Awards for Community Awareness and Emergency Response Code and Product Stewardship Code for successfully winning Gold Awards in these categories for three consecutive years. It also won Gold Awards for Community Awareness and Emergency Response Code and Product Stewardship Code; Silver Awards for Distribution Code, Employee Health and Safety Code and Pollution Prevention Code; and Merit Award for Process Safety Code. The wins signify our dedication towards promoting sustainability and business excellence in the chemicals industry and we will continue to improve our SHE performance in our effort to become a responsible organisation. Besides that, we also won the Gold Award on Occupational Safety & Health from the Malaysian Society for Occupational Safety & Health which further affirms our commitment towards SHE.

PHARMACEUTICALS DIVISION

Meanwhile, CCM's Pharmaceuticals Division grew 3.0% in revenue to RM250 million from RM242.7 million in the same period in 2009. However, its PBT fell 42.5% to RM20.0 million from RM34.8 million in the previous year due to reduced import permits for psychotropics and precursors raw materials, and the implementation of interest charging for inter-company loans as required by the latest accounting standard.

Nevertheless, we are upbeat about the Pharmaceuticals Division's future this year as the healthcare industry will continue to become one of the country's main economic drivers due to changing demographics, an increase in the public's awareness of maintaining good health and the rise in lifestyle diseases such as diabetes and cardiovascular diseases. This has prompted the Government to include healthcare as one of the 12 National Key Economic Areas (NKEAs) under its Economic Transformation Programme. This bodes well for our business given that we are the largest generic pharmaceutical

manufacturer, as the Government's initiative will boost the demand for generic drugs which are of high quality but more affordable than branded products.

Meanwhile, CCM's subsidiary, CCM Duopharma Biotech Berhad (CCMD) completed its three-year RM55 million capital expenditure programme that included the establishment of Malaysia's first inert vaccine fill and finish facility suitable for vialling of CCMD's bulk vaccines in the pipeline. The facility has the ability to compound, fill, freeze dry, cap, inspect, label and pack inert vaccines. It is expected to be operational in 2012/13 once we receive product registration approval. The strategic investment also consists of the upgrading of CCMD's small volume injectables (SVI) plant that is set to achieve optimal utilisation by seeking overseas opportunities such as in the Indonesian, Philippines and Thailand markets, the set up of a new warehouse and a waste water treatment plant.

With the bright outlook of the local pharmaceutical industry, we target a financially strong and focused Division in the future by crafting a strategic plan to enhance our market leadership, advancing channel infiltration and adopting operational excellence activities to reduce operating costs, increase operational efficiency and raise productivity. The Division also looks forward to intensifying its R&D activities to develop new and innovative products to meet the needs of the evolving local and international markets, and promoting its marketing efforts including brand rationalisation to introduce its stronger products into new channels. The Division targets to expand its business overseas with hopes of gaining greater profitability in 2011 and in years to come. CCM's pharmaceutical products are currently available in most ASEAN countries and we wish to venture into newer markets in the Middle East, Africa and Australia. CCM is currently eyeing to boost our presence in the Middle East next year once Saudi Arabia approves our pharmaceutical products. We have already received our Certificate of Manufacturing and have registered some of our products with the Kingdom of Saudi Arabia Food and Drug Administration (KSA FDA). We are confident that penetrating Saudi Arabia will be a stepping stone for us to capture new markets in that part of the world.

FERTILIZERS DIVISION

During the year under review, CCM's Fertilizers Division's revenue rose 3.7% to RM930.8 million from RM897.3 million recorded in the same period in 2009. The higher turnover in 2010 was mainly contributed by higher sales volumes and average selling prices. However, the Division's PBT dropped 54.8% to RM7.5 million from RM16.6 million in the corresponding period in 2009, mostly due to a combination of factors including higher raw material costs, more compressed margins from sales to the public and government sectors, the recognition of a full year's depreciation on our new Medan plant and a property revaluation loss in the division's overseas subsidiary.

In 2010, the Division demonstrated its dedication to boost technology and innovation to a higher level when CCM Fertilizers Sdn. Bhd. and the Malaysian Agricultural Research and Development Institute (MARDI) successfully cooperated to develop a paddy booster, GROMAX Paddy, which enhances grain yield by increasing grain-filling percentage by as much as 75%. Farmers can look forward to enhancing their paddy yield as GROMAX Paddy is now available in the local market.

Overall, the Fertilizers Division is confident of performing better in 2011, following the Government's announcement of developing the palm oil sector under the National Key Economic Areas (NKEA) in order to unleash the country's economic growth. This creates a conducive business environment for the Division as the palm oil sector's expansion will increase the demand for fertilizer.

CCM currently controls 30% of the local compound fertilizer market and caters mostly to large oil palm plantation companies. The Government's focus to transform the palm oil industry will involve the huge participation of smallholders, and CCM plans to seize this opportunity to penetrate the smaller plantations after establishing a strong presence supplying fertilizers to huge plantations. Our products are also greatly used in rubber plantations to meet the specific nutrient needs of rubber trees. Our innovative and modern fertilizers like 99PLUS are already making inroads in the local rubber industry by improving latex production, thus helping us to capture a larger slice of the fertilizer market in the rubber plantation sector. The Fertilizers Division has also made its way into the home gardening sector through HortiFert, and last year saw the introduction of new products under this range including orchid and growth boosters as well as flowering and fruiting boosters. We are confident that these new products will meet the demands of home gardening enthusiasts who wish to see their gardens in full bloom throughout the year.

Besides that, the Fertilizers Division's RM60 million compound fertilizer plant in Lahad Datu, Sabah will be operational in the second half of 2011. The commissioning of the plant boost our production by an additional 130,000 tonnes of fertilizers annually and will significantly help to augment CCM's position as the largest compound fertilizer manufacturer in Malaysia. The plant will also enable the Group to expand its capability in Sabah and East Kalimantan, and help raise the profitability of the Fertilizers Division.

INTERNATIONAL BUSINESS

The outlook for businesses outside Malaysia is unpredictable due to the higher level of risks and uncertainty operating in new markets and cultures. Risks, such as currency fluctuations and changes in regulatory and legislation, pose a challenge to our businesses but they also present huge potential for CCM's growth. Hence, the careful management of CCM's International Business in the region is key for the Group's future development.

During the year under review, CCM's International Business Division contributed 29% (valued at RM479 million) of the Group's total revenue. This performance was about the same level as in 2009, as the Division was focusing on improving quality of business rather than growing revenue.

However, competition remains the driving force behind our continuous effort to expand our commercial activities beyond Malaysian shores as it offers us enormous growth opportunities and greater profitability.

We foresee bigger opportunities for us in 2011 as we aim to maximise output from our NPK compound fertilizer plant in Medan, Indonesia and increase our established pharmaceuticals business in ASEAN by focusing on our regional operations in Singapore, Indonesia, Vietnam and the Philippines. We are also pushing sales of our pharmaceutical products into countries such as the Middle East, Australia, Europe and Africa as part of our strategic plan to gain a foothold in these rewarding markets.

ACKNOWLEDGEMENT

The year under review was a challenging but eventful period for CCM. Despite the difficulties that we encountered along the way, we remained enthusiastic and continued to drive forward and go beyond our limits. As the newly appointed Executive Director, I am thankful to be given the opportunity to continue CCM's legacy of leadership excellence and will go all out to steer the Group to greater heights. With that, I wish to acknowledge with thanks the continuous guidance and support of the Board of Directors as well as our staff for their commitment and dedication at all times throughout the year.

Amirul Feisal bin Wan Zahir
Executive Director

Corporate Information

JOINT COMPANY SECRETARIES

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

REGISTERED OFFICE

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

WORKS

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

REGISTRAR

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

AUDITORS

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

BANKERS

Malayan Banking Berhad

OCBC Bank (Malaysia) Berhad

Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad

AmBank (M) Berhad

SOLICITORS

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

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

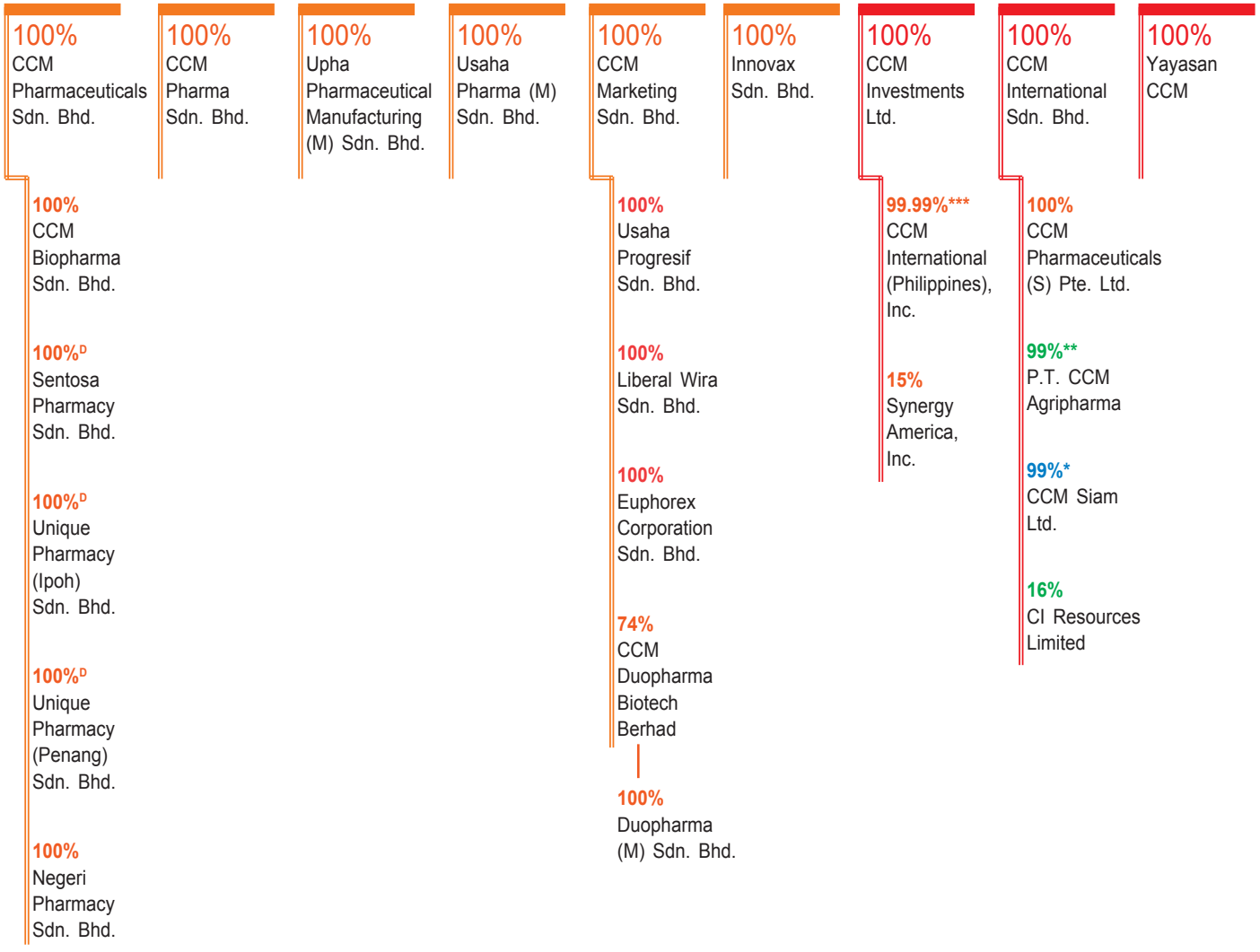
Group Structure

as at 30 April 2011

CHEMICAL COMPANY OF MALAYSIA BERHAD

[5136-T]

- 80% CCM Chemicals Sdn. Bhd.
  - 100% CCM Watercare Sdn. Bhd.
  - 100% CCM Singapore Pte. Ltd.
  - 100%[D] CCM Chemtrans Sdn. Bhd.
  - 100%[D] CCM Chemtrade Sdn. Bhd.
  - 99.7%[#] P.T. CCM Indonesia
  - 45% Orica-CCM Energy Systems Sdn. Bhd.
- 100% CCM Usaha Kimia (M) Sdn. Bhd.
  - 94.72%[°] CCM Water Systems Sdn. Bhd.
- 99.06%[^] Innovative Polymer Systems Sdn. Bhd.
- 99.06%[^] Innovative Resins Sdn. Bhd.
- 99.06%[^] Delta Polymer Systems Sdn. Bhd.
- 50.1% CCM Fertilizers Sdn. Bhd.
  - 100%[D] Max Agriculture Sdn. Bhd.
  - 100%[D] CCMF Agronomic & Technical Services Sdn. Bhd.
- 100% CCM Agri-Max Sdn. Bhd.
- 100% CCM Agriculture Sdn. Bhd.
- 100% CCM Agriculture (Sabah) Sdn. Bhd.



N.B

* 0.01% held by 6 wholly-owned subsidiaries of CCM
** 0.01% held by CCM
*** 0.01% held by 3 nominees of CCM
# 0.33% held by CCM Watercare Sdn. Bhd.
^ 0.94% held by CCM Usaha Kimia (M) Sdn. Bhd.
° 5.28% held by CCM
D Dormant Companies

- Chemicals Division
- Fertilizers Division
- Pharmaceuticals Division
- Others

FRUITFUL ENDEAVOURS

Our R&D endeavours have given us extensive strides in providing crop producers the ability to enrich soils that bear healthy and rich source of vegetation.

Board and Management Structure

as at 30 April 2011

Board of Directors

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

Management

- Management Committee
- Project Review Committee
- Executive Risk Management Committee
- Sustainability Committee

Board of Directors

TAN SRI DATO' SRI HAMAD KAMA PIAH BIN CHE OTHMAN

Age: 59 years
Nationality: Malaysian

Qualifications

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

Position on the Board

- Non-Independent Non-Executive Chairman

Date Appointed to the Board

- 30 November 2010

Working Experience and Occupation

- Tan Sri Dato' Sri Hamad Kama Piah is presently the President & Group Chief Executive of Permodalan Nasional Berhad (PNB). His career spans over 30 years in the field of corporate finance, investment and unit trust management. Prior to taking the helm at PNB on 1 February 1998, he undertook various responsibilities in various facets of investment management and corporate finance in PNB.

Membership of Board Committees

- Chairman, Nomination and Remuneration Committee

Directorships of Other Public Companies

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

AMIRUL FEISAL BIN WAN ZAHIR

Age: 41 years
Nationality: Malaysian

Qualifications

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

Position on the Board

- Executive Director

Date Appointed to the Board

- 11 October 2010

Working Experience and Occupation

- Prior to En. Amirul Feisal's secondment to CCM as Executive Director, he was the Executive Vice President for Special Projects in Permodalan Nasional Berhad. En. Amirul Feisal started his career in KPMG Plc. in the Audit Division based in London and left as an Assistant Manager to Schroders Investment Banking in Kuala Lumpur in 1997. He remained at Schroders (later acquired by Salomon Smith Barney and subsequently renamed Citigroup Global Markets) until 2004. During that period, he worked in various departments within the Investment Banking Division including the Project Finance and Privatisation Department, Corporate Finance Group, Mergers & Acquisition Group and the Industrial/Large Cap Group based in Kuala Lumpur, Singapore and Hong Kong. In 2004, En. Amirul Feisal joined BinaFikir Sdn. Bhd., a Malaysian-based boutique advisory firm as a shareholder and Executive Director. He was also the Managing Director, Investment Banking for Maybank Investment Bank from 2008 until September 2009.

Membership of Board Committees

- None

Directorships of Other Public Companies

- None

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

AZMI BIN MOHD. ALI

Age: 50 years
Nationality: Malaysian

Qualification

- LLB (Hons), University of Malaya

Position on the Board

- Non-Independent & Non-Executive Director

Date Appointed to the Board

- 8 October 2010

Working Experience and Occupation

- En. Azmi Mohd. Ali, a corporate and commercial lawyer with 27 years of experience, is the Senior Partner of Azmi & Associates, a leading corporate and commercial law firm in Malaysia with close to 50 lawyers, since 2000. Prior to this, he was the Partner/Head Department of Corporate, Commercial and Special Projects of Hisham, Sobri and Kadir from 1995 to 2000. En. Azmi started his career in Petroliam Nasional Berhad (PETRONAS) in 1984 and left PETRONAS' employment as Head of Gas/New Ventures, Upstream Legal Department in 1990 to join a boutique law firm of T. Tharu & Associates from 1990-1995. He is also an Adjunct Professor of Law at the International Islamic University of Malaysia's Law Faculty.

Membership of Board Committees

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

Directorships of Other Public Companies

- Sime Darby Berhad
- Pernec Corporation 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

DR. LEONG CHIK WENG

Age: 48 years
Nationality: Malaysian

Qualifications

- Bachelor of Science in Chemical Engineering, West Virginia University, Morgantown, W.V.
- Ph.D., in Chemical Engineering, University of Massachusetts, Amherst, MA
- Executive Training in Product & Manufacturing Strategy Development Stanford University, School of Business

Position on the Board

Independent & Non-Executive Director

Date Appointed to the Board

11 October 2010

Working Experience and Occupation

- Dr. Leong Chik Weng is the founder of e-Lock Corporation Sdn. Bhd. and is currently its Chief Executive Officer. He started his career as Technical Director, Raychem Corporation, Menlo Park, California, USA and later joined Guidant Corporation, Santa Clara, USA as its Consultant. He was the Managing Director of Universal Search Machine Sdn. Bhd. from 1998 to 2000.

Membership of Board Committees

- Member, Finance and Investment Committee
- Member, Nomination and Remuneration Committee

Directorships of Other Public Companies

- A-Rank Berhad
- UMW Holdings Berhad
- Oldtown Berhad

Securities Holdings in the Company and its Subsidiaries

- None

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

KHALID BIN SUFAT

Age: 55 years
Nationality: Malaysian

Qualifications

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

Position on the Board

- Senior Independent & Non-Executive Director

Date Appointed to the Board

- 11 October 2010

Working Experience and Occupation

- En. Khalid bin Sufat, an accountant by profession, has an extensive experience in the banking and corporate sectors having held several senior positions during his career. He was the General Manager, Consumer Banking of Maybank Berhad in August 1994. In January 1995, he was appointed Executive Director of United Merchant Finance Berhad until June 1998. En. Khalid was the Managing Director of Bank Kerjasama Rakyat Malaysia Berhad from July 1998 to July 2000, Executive Director of Tronoh Mines Malaysia Berhad from January 2002 to February 2003, Deputy Executive Chairman of Furqan Business Organisation Berhad from February 2003 to December 2003 and Group Managing Director of Seacera Tiles Berhad from August 2006 to November 2007.

Membership of Board Committees

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

Directorships of Other Public Companies

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

PROFESSOR DATO' IR. DR. ZAINI BIN UJANG

Age: 46 years
Nationality: Malaysian

Qualification

- Bachelor of Chemical Engineering (Hons.) Universiti Teknologi Malaysia
- Master of Science (Environmental Engineering), University of Newcastle, United Kingdom
- Doctor of Philosophy (Environmental Engineering), University of Newcastle, United Kingdom
- Advanced Management Program, Harvard Business School, Harvard University

Position on the Board

- Non-Independent & Non-Executive Director

Date Appointed to the Board

- 10 January 2011

Working Experience and Occupation

- Professor Dato' Ir. Dr. Zaini bin Ujang is a professional environmental engineeer cum scientist who integrates studies on water ecology with engineering systems towards pollution control and sustainability, especially with reference to river rehabilitation in developing countries. His interest in the field leads him to collaborate with leading scholars worldwide, particularly in membrane bioreactor, granulation process and biofouling control. For his remarkable contribution to the nation, he became the first recipient of the prestigious Malaysia Merdeka Award 2009 for the category of Outstanding Scholastic Achievement. He obtained his Bachelor of Chemical Engineering from Universiti Teknologi Malaysia, and Master of Science and Doctor of Philosophy in Environmental Engineering from University of Newcastle, United Kingdom. He is also an alumni of the Harvard Business School (AMP 177), a Fellow of the Academy of Science Malaysia, Senior Advisor to the Prince Khalid bin Sultan Chair on Water Research, King Saud University, Chairman of the Environmental Quality Council, Malaysia and Fellow of the Institute of Chemical Engineers, United Kingdom. He has registered more than 20 intellectual property rights and published more than 200 technical papers and 50 books.

Membership of Board Committees

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

Directorships of Other Public Companies

- None

Securities Holdings in the Company and its Subsidiaries

- None

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

DATUK KAROWNAKARAN @ KARUNAKARAN A/L RAMASAMY

Age: 60 years
Nationality: Malaysian

Qualification

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

Position on the Board

- Independent & Non-Executive Director

Date Appointed to the Board

- 10 January 2011

Working Experience and Occupation

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

Membership of Board Committees

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

Directorships of Other Public Companies

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

KARTINI BINTI HJ. ABDUL MANAF

Age: 49 years
Nationality: Malaysian

Qualification

- Master of Business Administration, Ohio University, USA
- Bachelor of Business Administration, Ohio University, USA
- Diploma in Banking Studies, Universiti Teknologi Mara
- Certified Financial Planner, Financial Planning Association of Malaysia
- Capital Markets Services Representative License, Securities Commission

Position on the Board

- Non-Independent & Non-Executive Director

Date Appointed to the Board

- 10 January 2011

Working Experience and Occupation

- Pn. Kartini binti Hj. Abdul Manaf started her career in Permodalan Nasional Berhad (PNB) in March 1983 and is presently the Chief Strategy Officer of PNB. Specialising in portfolio management and corporate finance, she has since served PNB in various capacities and different departments throughout her 28 years of experience in PNB.

Membership of Board Committees

- Member, Audit and Compliance Committee
- Member, Risk Management Committee

Directorships of Other Public Companies

- Sen Sen Chemical 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

ABD RAHMAN BIN ABDULLAH THANI

DIRECTOR, FINANCE
Age: 46 years
Nationality: Malaysian

Qualifications

- Bachelor of Commerce, Accounting and Finance, University of Tasmania, Australia
- Fellow, Certified Practising Accountant, Australia
- Chartered Accountant, Malaysian Institute of Accountants

Working Experience and Occupation

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

LEONARD ARIFF BIN ABDUL SHATAR

DIRECTOR,
CCM PHARMACEUTICALS DIVISION
Age: 46 years
Nationality: Malaysian

Qualifications

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

Working Experience and Occupation

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

Senior Management

MOHAMED NAZMI BIN SALLEHHUDIN

DIRECTOR, CCM CHEMICALS DIVISION
Age: 45 years
Nationality: Malaysian

Qualifications

- Bachelor of Commerce & Administration, University of Victoria, Wellington, New Zealand

Working Experience and Occupation

- En. Mohamed Nazmi bin Sallehhudin has over 15 years of experience in the oil & gas downstream and telecommunication industries. He has worked in various capacities in Sales & Marketing, Business Development and Retail Planning and Acquisition before joining the CCM Group in 2006. He joined as Head, Market Development and was then transferred to the Chemicals Division to manage the Water Business. He was then given the responsibility as Chief Operating Officer in 2008 before his appointment as Director, Chemicals Division in December 2009. En. Nazmi is also an EXCO member of Chemical Industries Council of Malaysia (CICM).

MAHMOOD BIN YOUP

ACTING HEAD, CCM FERTILIZERS DIVISION
Age: 48 years
Nationality: Malaysian

Qualifications

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

Working Experience and Occupation

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

DR. LEE YEE CHONG

DIRECTOR, GROUP INFORMATION TECHNOLOGY AND SYSTEMS
Age: 56 years
Nationality: Malaysian

Qualifications

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

Working Experience and Occupation

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

BILLY URUDRA

DIRECTOR, INTERNATIONAL BUSINESS DIVISION
Age: 50 years
Nationality: Malaysian

Qualifications

- Bachelor of Science (Hons) in Mechanical Engineering, Middlesex University, United Kingdom
- Senior Management Development Programme, Harvard Business School

Working Experience and Occupation

- Mr. Urudra joined the ICI/CCM Group on 2 June 1983 as Plant Engineer for CCM Fertilizers Sdn. Bhd. On 1 July 1989, he was transferred to CCM Chemicals Sdn. Bhd. as Product Manager. Subsequently on 1 October 1990, he was appointed Human Resource Planning Manager of 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 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 July 2007, he was appointed as Director, Group Strategic Planning & Business Development. Mr. Urudra was appointed as Director, International Business Division, on 1 January 2009, the position he currently holds.

WELLNESS SOLUTIONS

Understanding people's needs and the busy lifestyles that beset them has given us the opportunity to add vibrancy to their lives by providing the extras that supplement healthy living.

Corporate Responsibility

Since day one, sustainability has been the core of our business and this commitment is evidently embedded within our strategies to achieve our goals while ensuring fairness to our stakeholders, preserving the environment and acting in a responsible manner in the communities where we operate.

ENVIRONMENT

CCM's Chemicals Division has always emphasised the importance of water conservation and environment preservation in rural areas as part of the Group's corporate responsibility initiatives. In November, the Division collaborated with the Ministry of Natural Resources & Environment to organise the *Rakan Alam Sekitar 2010* in Keningau, Sabah, aimed to educate the younger generation on the significance of protecting the environment with focus on river conservation. Over 300 students from seven primary and two secondary schools in the Pensiangan parliamentary constituency gathered at SK Ambual and participated in various activities such as colouring and drawing contests, quizzes and talks by the Sabah Department of Environment to increase the students' awareness on river and water conservation. The event also helped to educate the students to become more responsible and environmentally conscious individuals and enhance their learning experience. They were also taken to a nearby river and given hands-on experience on how to test the river's pH level chemically through water samples and biologically, through living organisms in the water. CCM also donated RM1,500 to SK Ambual to launch their own *Kelab Rakan Alam Sekitar* that facilitates the students' interest to pursue other environmental protection and conservation activities. The *Rakan Alam Sekitar* programme was launched nationwide in 2009 by the Ministry of Natural Resources & Environment to promote community participation in keeping the environment clean and safe.

COMMUNITIES

The year 2010 marked a significant milestone for the Knowledge *Discovery-CHAMPS* National Spelling Competition which has been ongoing for four years now in Malaysia and since 2009 in Brunei. Seven nations participated in the 1st Southeast Asia *Knowledge Discovery-CHAMPS* Spelling Competition. The competition was held concurrently with the *Knowledge Discovery-CHAMPS* 4th National Spelling Competition that saw 48 primary school children from Standards Four to Six from 13 states and three federal territories across Malaysia competing to be crowned the country's English language spelling champion. Jointly organised by *Knowledge Discovery* magazine and the Ministry of Education with CCM Pharmaceuticals' *CHAMPS* as the main sponsor, both competitions were held in Negeri Sembilan and aimed to reinforce students' command of the English language by mastering their spelling capabilities in a competitive environment as well as promote cross cultural interaction amongst primary school children from the various Southeast Asian countries. The inaugural Southeast Asia *Knowledge Discovery-CHAMPS* Spelling Competition was won by the Malaysian champion who beat top spellers from Brunei, Singapore, Indonesia, the Philippines, Thailand and Vietnam and made the win even sweeter by triumphing on home ground. The competition has seen a noteworthy improvement since its inception in 2007, proving CCM's commitment towards improving the level of English amongst school children.

Every year, we work with *Sin Chew Daily* to inculcate good reading habits amongst children in all Chinese primary schools in Malaysia through our *CHAMPS* reading programme. Our sponsorship programme utilises S*in Chew Daily* as an educational material in the classroom and offers an interesting and fresh approach to learning.

The Group has always recognised the achievements of children of the *CCM Fertilizers Golden Growers Club's* members who excel in their Sijil Pelajaran Malaysia (SPM) and Sijil Tinggi Persekolahan Malaysia (STPM) examinations. In 2010, 34 high achievers, all children of smallholders, were presented with the *2010 Educational Excellence Awards*, acknowledging them for their outstanding performances in the 2009 SPM and STPM examinations. Since 1998, CCM Fertilizers' *Educational Excellence Awards* have rewarded over 530 deserving students with the aim of encouraging them to reach their full potential.

For the past 12 years, CCM has been rewarding top final year students completing the Bachelor of Pharmacy programme at local public and private universities with the Malaysian Pharmaceutical Society (MPS)-Chemical Company of Malaysia Berhad (CCM) Gold Medal Award for their

outstanding academic and extra-curricular performance. Last year, 10 recipients received the MPS-CCM 2009 Gold Medal Award as part of CCM's contribution to the industry by way of acknowledging the cream of the crop amongst Pharmacy students in the country while inspiring them to become dedicated healthcare professionals in the future.

Last year also saw CCM making progress with our PINTAR (Promoting Intelligence, Nurturing Talent and Advocating Responsibilities) school adoption programme, an educational initiative to empower less privileged children by increasing their ability to master the English language for effective communication. In November 2010, 34 teachers from our seven adopted primary schools in Penang, Kelantan, Johor, Sarawak and Selangor gathered at the first *CCM PINTAR Academic Dialogue for Excellence 2010* at a hotel in Kuala Lumpur to enable the teachers to exchange ideas and share their teaching experiences and expertise. The dialogue provided useful feedback and helped us to improve our tailored modules to encourage the students to aspire towards a higher level of English proficiency and eventually academic excellence and personal fulfillment.

Last year, CCM contributed 32,000 sets of personal health kits worth over RM600,000 to pilgrims performing the Haj through the *Sahabat Korporat Tabung Haji* programme that exemplifies our continuous commitment to assist pilgrims to manage their health and well-being during the sacred journey. Our contribution also benefitted pilgrims from Brunei who received 1,500 sets worth over RM27,700. Since 2004, CCM has contributed 265,000 health kits worth more than RM5.3 million to help pilgrims to overcome common ailments including headaches, muscular aches and eye irritation.

We also donated RM50,000 worth of *CHAMPS D-Worm 6* to eight primary schools in Sarawak in our effort to reduce acute intestinal parasitic infection amongst rural school children. The deworming initiative is part of CCM's pledge towards improving the health and overall well-being of children, especially those who have limited access to clean water supply and proper sanitation. The donation benefitted the eight schools in Pulau Bruit, Tanjung Manis in the fight against intestinal parasites that could cause diarrhea and blood loss leading to iron-deficiency anaemia and malnutrition. Our contribution would significantly help the children to grow up healthy and boost their growth and immune systems.

We also initiated the Sejahtera Programme in August 2010 where we donated RM80,000 worth of fertilizers, namely *CIRP* and *CHB 65*, to 20 families in Kampung Sejahtera, Maran, Pahang to enable them to support their basic food needs by planting sweet potatoes and other short term cash crops. The programme encourages the families to be self-sufficient and offers them the opportunity to boost their income levels that will inevitably increase their standard of living and promote sustainable livelihood. CCM also provides advice and technical assistance on community farming to expose the families on technical know-how for effective agricultural practices.

The Group also understands how corporate support can bring positive changes in sports development in the country. With that in mind, we have contributed to the advancement of sports over the past few years. We supported the development of lawn bowling by donating RM75,000 to the National Championship and RM52,700 to *Persatuan Kriket Melayu Malaysia* to enable the national team to train in Sri Lanka to further groom their talent and gain wider experience.

CCM's *Proviton* multivitamins has been sponsoring many golf tournaments in the country and are suitable for golfers of all levels to help boost strength, enhance endurance and improve mental clarity and concentration. In March 2010, CCM appointed Impian Kajang Golf and Country Club resident pro and 2005 MPGA champion, Rashid Ismail, as a product ambassador for *Proviton* in an effort to promote the brand amongst golfers. Under the agreement, Rashid served as a product ambassador for *Proviton* till November 2010 and carried the brand's logo in all his appearances as well as in golf clinics conducted by him.

MARKETPLACE

As the pioneer in promoting halal in the industries beyond food and beverages, CCM continues to lead the way in creating awareness and educating the public about the sanctity and availability of our halal products through various initiatives.

Following the positive response to the inaugural *CCM Halal Awareness Seminar* held in December 2008, we continue to collaborate with the Halal Industry Development Corporation (HDC) to organise the *2nd CCM Halal Awareness Seminar* for our principals and suppliers of all our business operations in

March 2010. The objective was to develop a greater understanding of the halal concept and educate participants on the importance of halal practices in their production and premises as well as discuss any issues related to halal.

We participated in the *1Malaysia 1Halal* campaign, organised by the Department of Islamic Development Malaysia (JAKIM) to intensify the public awareness of halal products in the country. The campaign provided a platform for us to reach out to Malaysians from all walks of life and promote our halal pharmaceutical products.

In order to generate awareness and boost exports of CCM's wide range of halal pharmaceutical products, we joined 59 other Malaysian companies at the *Malaysia Showcase 2010*, held in Brunei for the first time, aimed to widen export opportunities to the fast growing Brunei market. As the region's biggest producer of halal certified pharmaceuticals, CCM identified the event as an excellent opportunity to reinforce our promotional strategy to expand our reach amongst Bruneian consumers.

WORKPLACE

CCM's corporate responsibility efforts emphasise the importance of building our employees' capabilities as we strongly believe that our staff play a pertinent role in driving sustainable improvements in business performance. We actively conduct training and development programmes to create a secure and stable working environment that helps to enhance employees' productivity, increase job satisfaction and improve employee engagement. A highly-skilled workforce is our best asset and greatly contributes to CCM's competitive advantage through increased innovation and higher customer confidence.

Last year, we embarked on various internal activities including the first *CCM Management Performance Challenge 2010*, a course designed to simulate the game of golf as a business tool to improve the bottom line. The team building programme offered 38 CCM Management personnel the opportunity to gain new insights into better business management and the importance of teamwork in building morale and achieving organisational success.

CCM Halal Council and Divisional Halal Committees also organised our inaugural *Halal Appreciation and Awareness Week* to create a greater understanding of halal-related issues and learn more about the newest trends and challenges facing the halal industry.

CCM Celik Halal briefings were also held to update our employees on our latest halal initiatives to meet the increasing demand for halal products, locally and globally. The talks were in line with our commitment in championing the halal concept and implementing halal practices across the Group.

Besides that, a wide range of external programmes were also carried out to enable our employees to develop new skills and boost their critical thinking abilities as well as enhancing their knowledge on current events in the evolving business world and widening their experience with diverse people and ideas.

Human Resource Development

An organisation is nothing without its people. CCM's employees are our greatest asset and we continuously provide training and development opportunities to upgrade their skills, boost their morale and productivity, and improve working conditions. These efforts enable us to enhance employees' job satisfaction and develop a highly skilled workforce, hence increasing staff loyalty and improving CCM's overall corporate performance.

In 2010, a total of 35,690 hours were spent on various internal and external Human Resource (HR) initiatives to expose our employees to the latest skills and knowledge as well as current insights on emerging trends and technological changes in order to develop a knowledge-based workforce and give them the competitive edge to succeed in today's fast-changing business world.

Programmes such as the *Young Leadership Development Programme* (YLDP) has provided a systematic platform for young leaders to polish and enhance their competency in providing excellent leadership whilst the *Middle Leadership Development Programme* (MLDP) provided the platform to enhance employees' competency and professionalism, to nurture and train designated managers within the CCM Group with a broad perspective of the necessary skills to effectively manage organisational challenges that is in alignment with today's competitive environment. CCM also emphasises the importance of teamwork and interpersonal skills to meet strategic goals and achieve business growth. The *CCM Outdoor Challenge* was held to increase employees' discipline, confidence, mental and physical resilience as well as motivate them to work together towards attaining organisational objectives while *Executive Dialogue Sessions* (EDS) were designed to provide our staff the opportunity to engage and interact with each other and share their learning experiences together.

During the year under review, we managed to elevate the competency level of communications and develop knowledge-based workers that are highly motivated and committed towards self-development. We will continue our goals in creating a pool of talents and growing an organisational culture with shared values, visions and mission that will eventually raise our employees' value in the marketplace through specially customised programmes to meet the industry's requirements.

All the same time, CCM also acknowledges the potential of youths at university level by rewarding them with scholarships through Yayasan CCM. In 2010, we awarded RM91,000 worth of scholarships to 13 high-flying scholars from local universities in an attempt to encourage them to tap their talents and abilities to become future leaders. CCM scholars also benefitted from their industrial training with the Group's three divisions since the inception of Yayasan CCM in 1995. We offered seven of the scholars during the year under review to advance their career prospects with CCM.

Research and Development

We believe that innovation is the catalyst for long-term growth and success. Our research and development (R&D) initiatives in all three divisions foster innovation and gives us an advantage over our competitors in today's ever-changing business environment.

On the pharmaceutical front, CCM's state-of-the-art R&D centre, Innovax Sdn. Bhd. underwent a restructuring exercise through the appointment of a new General Manager and the formation of various departments including Regulatory Affairs, Quality Assurance and Pipeline, Analytical R&D and Formulation R&D that play a vital role in ensuring our pharmaceutical products meet the highest standards of safety and quality. Last year, Innovax submitted product dossiers consisting of eight ethical and five over-the-counter (OTC) products with stability data to safeguard their quality throughout their intended shelf-life in an effort to expand our product pipeline. The R&D centre also handled six renovation projects and completed eight products scale-up to support our product development goals. Besides that, Innovax received a certification from the Fire and Rescue Department for meeting the Department's fire safety requirements and is currently working towards obtaining certification from the Department of Occupational Safety and Health to enhance occupational safety and health awareness among employees at the facility.

CCM Biopharma Sdn. Bhd., a wholly owned subsidiary of CCM Pharmaceuticals Sdn. Bhd., inked a Memorandum of Collaboration with TS Corporation of South Korea to commercialise a range of biological products for the domestic and ASEAN markets. Under the collaboration, CCM Biopharma will undertake commercialisation activities of biological products including Erythropoietin (EPO) and related end-products, with a view of marketing the end product in Malaysia and the ASEAN region via bulk supply and technology transfer from TS Corporation. The project will also include a technology transfer training programme, conducted on a laboratory scale of pilot degree at the TS Corporation site. The collaboration allows CCM Biopharma to leverage on TS Corporation's latest technology information and technology transfer in the manufacture and commercialisation of these biological products.

In an attempt to promote CCM's halal initiative, we also participated in the *World Halal Research Summit 2010*, an international conference that provides the latest updates in the development of new research findings, upcoming technologies, emerging trends, issues and challenges in the halal industry. During the three-day event, CCM Pharmaceuticals Division Director, Leonard Ariff Abdul Shatar, delivered a presentation entitled, "CCM Championing Halal Pharmaceuticals" to the participants that consisted of researchers, scholars and academicians from various countries.

The Chemicals Division marked an important milestone for CCM when our subsidiary, CCM Water Systems Sdn. Bhd.'s technological solutions were employed in an initiative by the Rural and Regional Development Ministry to provide 13 units of compact ultrafiltration water treatment systems to Orang Asli from 21 settlements in Perak and 23 units to 23 settlements in Kelantan, giving the villagers access to safe and clean water supply. The water treatment systems use ultrafiltration (UF) technology which are also used in most developed countries to effectively improve the quality of water by removing bacteria, viruses and microorganisms. UF technology eliminates suspended and dissolved solids that have different molecular weights and sizes from water. It produces water that is of better quality compared to water processed by conventional treatment systems such as sand filtration. Conventional systems normally use sand filters with a large pore size of about 20 to 30 µm to strain impurities while UF has a much smaller pore size (up to 0.01 µm). The UF membrane develops a barrier that prevents bacteria and other microorganisms from penetrating, hence providing bacteria-free water. Thanks to the mobile treatment systems, the villagers now enjoy clean water for drinking and basic sanitation, thus enhancing their living conditions and their overall well-being.

Meanwhile, CCM's Fertilizers Division achieved another technological breakthrough when CCM Fertilizers Sdn. Bhd. and the Malaysian Agricultural Research and Development Institute (MARDI) successfully collaborated to produce a paddy booster, GROMAX Paddy which enhances grain yield by increasing grain-filling percentage by as much as 75%. GROMAX is based on Nitro Humic Acid (NHA), a bio-chemically active macro-molecule which is used as a soil conditioner, coagulating agent and media for foliar fertilizer formulation, is proven to improve soil fertility, increase plant nutrient uptake, stimulate soil biological activities and enhance enzymatic activities that promote the plant's photosynthetic efficiency. The effort not only demonstrates CCM's commitment to raise technology and innovation to another level but also contribute to the country's agriculture industry and economic development.

Safety, Health and Environment

CCM's stringent Safety, Health and Environment (SHE) standards and regulations in its Pharmaceuticals, Chemicals and Fertilizers Divisions embody its dedication and responsibility towards ensuring the health and safety of employees and the community as well as achieving environmental sustainability. By fully complying with best practice operating standards and all statutory requirements stipulated by the authorities, we are taking the paramount approach to maintaining our leadership position in SHE management that is a vital part of our strategic objectives in driving the Group forward.

A framework that has been designed to identify and assess hazards, prevent unsafe acts and conditions, maintain and improve employee health, and foster better communication on health and safety issues, illustrates our dedication towards assuring our staff's well-being is adequately addressed, protected and continuously enhanced. The framework includes mechanisms for reviewing plant operations, job tasks, job hazard analysis, health risk issues, security procedures and emergency provisions. Safety statistics are also maintained with improvement plans and corrective/preventive systems put in place and benchmarked against industry standards.

Environmental Impact Assessments (EIAs), Risk Analyses and HAZOP (Hazard and Operability) studies are also conducted for our SHE activities to guarantee conformance to overall regulatory requirements, internal controls and assurance standards.

The setting up of proper work systems and procedures is also essential to reassure the operational safety of all manufacturing units and that SHE requirements are strictly adhered to.

Proper maintenance that is crucial for continued operational safety is also ascertained through established and well-documented practices centered around preventive and predictive maintenance programmes.

Our Community Outreach programmes are carried out to educate the public and opinion leaders about the nature of our business and our contribution to the community and economy as well as being seen as a good corporate citizen. Activities such as internal mock drills are held to sharpen the level of preparedness while external mock drills with regulatory authorities are organised to demonstrate our response capabilities in the unlikely event of an emergency.

CCM's Environmental Stewardship programmes have considerably facilitated our environmental management function and commitment to sustainable development. A broad framework for pollution prevention, focusing on conservation, recovery, recycle, reuse and energy management has been formalised to foster, nurture and sustain an environmental culture that is consistent with operational excellence. Climate change and carbon footprint reduction have also increasingly crept into our key agenda items.

We also advocate the importance of training and communicating our environmental management requirements to every party involved in the lifespan of our products in an effort to ensure environmental impacts are managed responsibly. This is done through our products stewardship programmes which cover every aspect of the life cycle of our products, from initial development to handling, use and eventual disposal.

CCM continues to underline its commitment towards responsible management of chemicals and improvement in SHE development through the Responsible Care Programme (RCP), promoted by the Chemical Industries Council of Malaysia (CICM). At last year's CICM Responsible Care Awards Presentation, CCM's Chemicals Division became the proud recipient of eight awards, ranging from Merit to Silver, Gold and Platinum for its outstanding performance in various codes of management practices. Winning these prestigious awards further reinforces our goal in pursuing SHE excellence and integrating it into our ongoing business processes.

GLC Transformation Programme

As Malaysia is becoming increasingly dependable on domestic-led growth and investment, the Government has identified GLCs as an integral part of the country's economic engine to accelerate Malaysia's progress into a developed nation status by 2020. The GLC Transformation Programme aims to transform GLCs into high-performing organisations that would contribute to the upgrading of the public service delivery system, development of human capital and enhancement of operational performance, thus building a more competitive and resilient country.

CCM has entered the second half of the 10 year GLC Transformation Programme since its launch in 2004. To date, we have made significant progress and are on the right track in executing our plans to intensify performance management practices and accomplish our goal to becoming a best-in-class company that sets us apart from our competitors.

During the year under review, we took the initiative to review and revamp the Group's insurance structure and continue to build human capital by supporting ongoing programmes such as *Promoting Intelligence*, *Nurturing Talent and Advocating Responsibilities* (PINTAR); *Sahabat Korporat Tabung Haji*; the *Graduate Employability Management Scheme* (GEMS); the *Leadership Development Circle* (LDC) under the Orange Book initiative; and various plans under the Yellow Book initiative, aimed to improve CCM's Operational Efficiency and Effectiveness. At the same time, the Group will continue our responsibility to develop a highly skilled Bumiputera community through our Vendor Development Programme.

Although the transformation will not be an easy journey, we are confident that our efforts will enhance our overall performance and profitability as we move forward towards benefiting the public at large and contributing to Malaysia's goal of becoming a high income nation.

Information Technology

CCM considers the effective use of Information Technology (IT) and business analytics to be essential in raising productivity and achieving excellence in its business operations.

During 2010, CCM set up a clear and coherent framework for the development of its future Information & Communication Technology (ICT) landscape and infrastructure. It embarked on a shared service transformation initiative to consolidate its diverse business systems, platforms and service delivery processes.

These transformation efforts will standardise existing business processes and procedures, beginning with the harmonisation of our business operations in Malaysia. Upon completion, this new ICT landscape will support the delivery of efficient customer focused and value-adding activities. It will provide a strong foundation for achieving our long term strategy and goals, while ensuring that standards and regulatory requirements are met.

Calendar of Events

20 Jan 2010

CCM's Book Donation to rural primary schools in Perak Darul Ridzuan

27 Jan 2010

Launching of CCM Leadership Development Programme

12 Mar 2010

Appointment of Product Ambassador for *Proviton*

16 Mar 2010

Launching of Nitro Humic Acid (NHA) based foliar fertilizers at MARDI, Serdang

19 Mar 2010

CCM Fertilizers' Dealers Appreciation Night

Calendar of Events

20 Mar 2010

CCM's contribution towards the Malaysian Pharmaceutical Society (MPS)-CCM Awards

6 Apr 2010

CCM Chemicals Division at the Asian Water Exhibition

10 Apr 2010

CCM's CHAMPS Deworming Programme for children in Pulau Bruit, Tanjung Manis constituency, Sarawak

20-26 Apr 2010

CCM's participation as Rakan MSAM in Kuching, Sarawak

7 May 2010

CCM Water Systems Sdn. Bhd. water supply project to 21 Orang Asli villages in Sg. Groyang, Perak Darul Ridzuan

25 May 2010

CCM Duopharma Biotech Berhad Annual General Meeting

9 Jun 2010

CCM Annual General Meeting

18 Jun 2010

CCM Fertilizers' Golden Growers Club Educational Excellence Awards Presentation

21-27 Jun 2010

Halal Malaysia Week

29 Jul 2010

Inter-School Debate Ala Parliament Competition Kuala Kangsar District held in Kuala Kangsar, Perak Darul Ridzuan

Calendar of Events

23 Sep 2010

CCM's contribution of health kits to pilgrims

7 Oct 2010

CCM's sponsorship of the 1st SEA Knowledge Discovery Champs Spelling Competition & 4th National Spelling Competition in Seremban, Negeri Sembilan Darul Khusus

12 Nov 2010

Launching of Rakan Alam Sekitar Programme in Keningau, Sabah

28 Nov 2010

CCM PINTAR Academic Dialogue Session

8 Dec 2010

CCM Chemicals at the CICM Responsible Care Awards Presentation

10 Dec 2010

Memorandum of Collaboration Signing Ceremony between TS Corporation and CCM Biopharma Sdn. Bhd.

Statement on Corporate Governance

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

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

The Board is pleased to report to the shareholders on the manner the Company has applied the principles of good corporate governance and the extent of compliance with the Best Practices of Good Governance as set out in the Code throughout the year ended 31 December 2010 to date.

BOARD OF DIRECTORS

BOARD RESPONSIBILITIES

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

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 will 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 and Compliance Committee and Risk Management Committee, reviews internal control and risk management systems within the organisation in ensuring the custody and effective and efficient utilisation of Group assets. The Board is chaired by a Non-Independent Non-Executive Chairman. Following the expiration of contract of the Group Managing Director in June 2010, the management of the Group was handled by the Executive Committee of the Board comprising of Non-Executive Directors. The Chairman remained independent from the Executive Committee. On 1 January 2011, the Board appointed an Executive Director to assume the role of the Group Managing Director. In relation thereto, the Executive Committee of the Board was dissolved and the management of the Group, henceforth lies with the Executive Director.

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

The Group Managing Director/Executive Director, is critical to the performance of the Group. The Group Managing Director/ Executive Director provides the leadership and strategic vision of the Group. He oversees the day-to-day running of the business including organisational effectiveness, implementation of Board policies and strategies and clarifies matters relating to the Group's business to the Board. His in-depth and intimate

knowledge of the Group's affairs contributes significantly towards the direction of the Group to achieve its goals and objectives.

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

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

BOARD COMPOSITION AND BALANCE

The Group considers that its complement of Non-Executive Directors provide an effective Board with a mix of industry specific knowledge and broad business and commercial experience. The presence of Independent Non-Executive Directors is particularly important in corporate accountability. The Independent Non-Executive Directors provide unbiased and independent views, advice and judgment to ensure that the strategies proposed by the Management are fully deliberated and examined, taking into account the long term interest of the Group, shareholders, employees, customers and the business communities in which the Group conducts its business. They also constructively challenge and contribute to the development of the business strategies and direction of the Group. This balance enables the Board to provide clear and effective leadership to the Group and to bring informed and independent judgment to many aspects of the Group's strategies and performance so as to ensure that the highest standards of conduct and integrity are maintained. The classification for independence is in accordance with paragraph 1.01 (Definition and Interpretations of the Bursa Malaysia Listing Requirements).

In accordance with the requirements of the Code, Dato' Kalsom binti Abdul Rahman was appointed the Senior Independent Non-Executive Director from 25 February 2010 until 10 January 2011. Following her resignation, Khalid bin Sufat is currently the Senior Independent Non-Executive Director who is available to deal with concerns affecting the Group, other than through the Chairman. The Senior Independent Director is expected to ensure that all Independent Directors have the opportunity to provide input on the agenda, and advise the Chairman on the quality, quantity and the timeliness of the information submitted by Management that is necessary for the Independent Directors to perform their duties effectively. He is also the principal conduit between the independent directors and the Chairman on sensitive issues and the designated contact for consultation and direct communication with shareholders on areas that cannot be resolved through the normal channel of contact with the Chairman or Group Managing Director/ Executive Director.

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

There were changes to the Board membership during the year under review. To date, there are eight (8) Directors of whom three (3) are Independent. The composition of the Board was maintained so that not less than one-third (1/3) were Independent Directors at all times. A brief profile of each Director is presented on pages 21 to 28 of the Annual Report.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

APPOINTMENT

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

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

The Board is constantly reviewing the effectiveness of the Board as a whole, the Committees of the Board and assessing the contribution of each individual Director. The Board practices a 360° assessment of its members. All assessments and evaluations carried out by the Board in the discharge of all its functions are properly documented.

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

RE-ELECTION

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

DIRECTORS TRAINING

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

All Board members have attended the Mandatory Accreditation Programme (MAP) as prescribed by Bursa Malaysia Listing Requirements.

The Directors are regularly informed of industry-specific conventions to enable them to understand the industries within which the Group operates. The Company has initiated its own comprehensive and formal training programme tailored to the needs of the Board of Directors. During the year, the Directors have attended the Continuing Education Programme on "Financial Instruments" organised by the Company and facilitated by industry experts.

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

STRUCTURE AND PROCESS

BOARD MEETINGS

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

There is a formal agenda for all scheduled meetings and Board papers are prepared and submitted in advance to ensure adequate information is available to assist deliberation by Board members.

During the financial year, thirteen (13) Board Meetings were held where the Board deliberated and considered a variety of matters including the Company's financial results, the business plan, direction and potential acquisitions.

Details of the Directors' meeting attendance during the financial year to date are as follows:-

Name of Directors and Status	No. of Meetings Attended
Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman **Chairman, Non-Independent Non-Executive Director** (appointed w.e.f. 30/11/2010)	6/6
Amirul Feisal bin Wan Zahir **Executive Director** (appointed as Non-Independent Non-Executive Director w.e.f. 11/10/2010 and redesignated as Executive Director w.e.f. 01/01/2011)	7/7
Azmi bin Mohd Ali **Non-Independent Non-Executive Director** (appointed w.e.f. 08/10/2010)	7/7
Khalid bin Sufat **Senior Independent Non-Executive Director** (appointed w.e.f 11/10/2010)	6/7
Dr. Leong Chik Weng **Independent Non-Executive Director** (appointed w.e.f. 11/10/2010)	7/7
Professor Dato' Ir. Dr. Zaini bin Ujang **Non-Independent Non-Executive Director** (appointed w.e.f. 10/01/2011)	5/5
Datuk R. Karunakaran **Independent Non-Executive Director** (appointed w.e.f. 10/01/2011)	5/5
Kartini binti Hj. Abdul Manaf **Non-Independent Non-Executive Director** (appointed w.e.f. 10/01/2011)	5/5

BOARD MEETINGS (CONTINUED)

Name of Directors and Status (continued)	No. of Meetings Attended
Tan Sri Ab. Rahman bin Omar **Non-Independent Non-Executive Director** (re-designated as Non-Independent Non-Executive Director w.e.f. 30/11/2010 and resigned w.e.f. 10/01/2011)	8/9
Dato' Dr. Mohamad Hashim bin Ahmad Tajudin **Group Managing Director** (resigned and retired w.e.f. 30/06/2010)	3/4
Dato' Kalsom binti Abdul Rahman **Senior Independent Non-Executive Director** (resigned w.e.f. 10/01/2011)	8/9
Dato' Mohd. Nizam bin Zainordin **Non-Independent Non-Executive Director** (resigned w.e.f. 10/01/2011)	8/9
Tan Sri Dato' Dr. Abu Bakar bin Suleiman **Non-Independent Non-Executive Director** (resigned w.e.f. 11/10/2010)	6/6
Datuk Dr. Saharan bin Haji Anang **Independent Non-Executive Director** (resigned w.e.f. 11/10/2010)	6/6
Abdul Rahim bin Abdul Hamid **Independent Non-Executive Director** (resigned w.e.f. 11/10/2010)	6/6
E. Sreesanthan **Non-Independent Non-Executive Director** (resigned w.e.f. 08/10/2010)	4/6

RELATIONSHIP BETWEEN THE 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/Executive Director.

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

ACCESS TO INFORMATION/ADVICE

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

BOARD COMMITTEES

The Board of Directors delegates specific responsibilities to the Board Committees. Following the changes to the Board membership, the Board Committees were accordingly reviewed.

The Board, in ensuring that the internal control and risk management of the Group is effectively implemented, has agreed that the Audit and Risk Management Committee be split into two separate committees, namely the Audit and Compliance Committee focusing on audit and compliance and the Risk Management Committee focusing on the enterprise wide risk management of the Group. Other Board Committees also include the Nomination and Remuneration Committee, the Finance and Investment Committee, and the Government-Linked Companies Transformation (GLCT) Committee.

The GLCT Committee which was established in 2004 to ensure that the initiatives as laid out in the GLC Transformation Manual are implemented as planned has been dissolved with effect from January 2011. The role and functions of the GLCT Committee has been embedded as part of the Group's internal processes.

Following the expiration of contract of the Group Managing Director, the Board established the Executive Committee (EXCO) in June 2010 to provide guidance and direction to the Management in the performance of their duties and exercise all the powers of the Group Managing Director. The Finance and Investment Committee members assumed the role of the EXCO until such time as directed by the Board. With the appointment of the Executive Director with effect from 1 January 2011, the EXCO of the Board was dissolved.

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

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

DIRECTORS' REMUNERATION

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

The Nomination and Remuneration Committee is responsible for setting the policy framework and for making recommendations to the Board on all elements of the remuneration and other terms of employment of the Executive Director. The Executive Director abstains from the deliberations and voting decisions in respect of their remuneration. All Non-Executive Directors are paid Directors' remuneration for Board and Committee meetings. In addition, they are paid a meeting allowance for attendance at each Board and Committee meeting. The Directors' fees are approved by the Company at the Annual General Meeting in accordance with the Articles of Association.

The aggregate remuneration of Directors categorised into appropriate components for the financial year ended 31 December 2010 is as follows:

	Category of Director	
	Group Managing Director (RM)	**Non-Executive Directors (RM)**
Fees		410,044.00
Allowance		124,120.00
Salaries and Bonus	258,000.00	
Other Emoluments	181,530.60	
Benefits-in-Kind	84,290.26	
Total	523,820.86	534,164.00

Range of Remuneration	**Executive**	**Non-Executive**
RM1 to RM50,000	–	6
RM50,001 to RM100,000	–	6
RM250,001 to RM500,000	–	–
RM500,001 and above	1	–

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

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

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

INTERNAL CONTROL

The Board recognises the importance of maintaining a sound system of internal control for the Group in order to safeguard shareholders' interest of the Group's assets.

The Statement on Internal Control on pages 64 to 65 of the Annual Report provides an overview on the state of internal control within the Group.

AUDIT AND COMPLIANCE COMMITTEE

The details are shown in the accompanying report of the Audit and Compliance Committee on pages 52 to 54.

RELATIONSHIP WITH THE EXTERNAL AUDITORS

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

INTERNAL AUDIT

The Group has established an internal audit function which is performed in-house by the Group Internal Audit Department that reports to the Audit and Compliance Committee.

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

DIRECTORS' RESPONSIBILITIES IN RELATION TO THE PREPARATION OF THE AUDITED FINANCIAL STATEMENTS

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

In preparing the financial statements, the Directors have:

- Adopted suitable accounting policies and applied them consistently;
- Made judgments and estimates that are prudent and reasonable;
- Ensured that applicable accounting standards have been followed; and
- Prepared the financial statements on a going concern basis.

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

WHISTLE-BLOWING POLICY

As part of best practices in good corporate governance, the Group has established a "Whistle-Blowing" policy. This policy is to encourage employees to report any major concerns over any wrongdoing within the Group relating to unlawful conduct, financial malpractice or dangers to the public or the environment. In this respect, the policy makes it clear that any such concern can be raised without fear of victimisation, recrimination, discrimination or disadvantage to the employee reporting the concern. It provides a formal channel to encourage and enable employees to report serious concerns so that such concerns can be properly addressed.

SHAREHOLDERS

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

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

Other avenues whereby shareholders have access to company data are through quarterly filing of financial data and the Company's website at www.ccm.com.my. The full financial results and the Company's announcements/press releases can also be obtained from Bursa Malaysia's website.

INVESTOR RELATIONS

The Company also holds regular briefings/dialogues with institutional investors, fund managers, analysts and research houses. Press conferences are held for analysts and investors to brief them on announcements relating to major corporate exercises and pertinent issues within the disclosure requirements of Bursa Malaysia.

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

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

ANNUAL REPORT

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

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

ANNOUNCEMENT OF QUARTERLY RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

The Directors view the timely announcement of the quarterly financial results as vital to the dissemination of information to the shareholders' and investors' community. The Company has consistently announced its quarterly results before Bursa Malaysia's deadlines as indicated below:

Announcement of Quarterly Results 2010	Date of Announcement
1st Quarter	27 May 2010
2nd Quarter	26 August 2010
3rd Quarter	29 November 2010
4th Quarter	25 February 2011

CONTINUING DISCLOSURE OF MATERIAL INFORMATION

The Group has long observed the continuing disclosure obligation imposed upon a listed issuer by Bursa Malaysia. The Group has consistently adopted and applied the principles of best practices in Corporate Disclosure Policy and Procedures as laid down by Bursa Malaysia.

COMPLIANCE TO CODE

The Group has in all material respects complied with the Code of Corporate Governance throughout the financial year ended 31 December 2010. This statement is made in accordance with a resolution of the Board of Directors dated 25 February 2011.

Report of the Audit and Compliance Committee

COMPOSITION OF AUDIT AND COMPLIANCE COMMITTEE AND MEETINGS

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

During the year under review, Khalid bin Sufat was appointed as the Chairman of the Committee with effect from 11 October 2010 and Azmi bin Mohd Ali was appointed as a Committee Member with effect from 8 October 2010 to replace Abdul Rahim bin Abdul Hamid and Datuk Dr. Saharan bin Haji Anang, who resigned from the Board of the Company effective 11 October 2010. Subsequent to that, there were further changes to the Board membership and a review of all Board Committees was conducted. The Board is of the view that both audit and risk are of high importance and warranted separate committees to deliberate on them. As a result, the Audit and Risk Management Committee was split into two committees and renamed to Audit and Compliance Committee focusing on audit and compliance issues within the Group, and Risk Management Committee, focusing on the enterprise wide risk management of the Group.

In line with the separation of the audit and compliance and risk function, Datuk R. Karunakaran and Kartini binti Hj. Abdul Manaf were appointed to the Audit and Compliance Committee with effect from 10 January 2011 to replace Dato' Kalsom binti Abdul Rahman who resigned from the Board of the Company effective 10 January 2011 and Azmi bin Mohd. Ali, who resigned from the Audit and Risk Management Committee on even date. Khalid bin Sufat was appointed to chair the new Audit and Compliance Committee.

A total of eight (8) meetings of the former Audit and Risk Management Committee were held during the year until 9 January 2011. The status of directorship and attendance record of each of the members during the year are as follows:

Name of Directors and Status	No. of Meetings Held
Abdul Rahim bin Abdul Hamid **Chairman, Independent Non-Executive Director** (resigned w.e.f. 11/10/2010)	6/6
Dato' Kalsom binti Abdul Rahman **Senior Independent Non-Executive Director** (appointed w.e.f. 25/02/2010 and resigned w.e.f. 10/01/2011)	6/6
Datuk Dr. Saharan bin Haji Anang **Independent Non-Executive Director** (resigned w.e.f. 11/10/2010)	5/6
Khalid bin Sufat **Chairman, Senior Independent Non-Executive Director** (appointed w.e.f. 11/10/2010 until 09/01/2011)	2/2
Azmi bin Mohd. Ali **Non-Independent Non-Executive Director** (appointed w.e.f. 08/10/2010 and resigned w.e.f. 10/01/2011)	2/2

Following the separation of functions between the audit and compliance and risk function, the new Audit and Compliance Committee has held five (5) meetings since its formation on 10 January 2011 to date. The status of Directorship and attendance record of each of the members to date are as follows:

Name of Directors and Status	No. of Meetings Held
Khalid bin Sufat **Chairman, Senior Independent Non-Executive Director** (appointed w.e.f. 10/01/2011)	5/5
Datuk R. Karunakaran **Independent Non-Executive Director** (appointed w.e.f. 10/01/2011)	5/5
Kartini binti Hj. Abdul Manaf **Non-Independent Non-Executive Director** (appointed w.e.f. 10/01/2011)	5/5

TERMS OF REFERENCE

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

MEMBERSHIP

i. The Audit and Compliance Committee shall be appointed by the Board of Directors and shall consist of a minimum of three (3) non-executive directors, a majority of whom are independent.

ii. The Chairman of the Audit and Compliance Committee shall be approved by the Board and shall be an Independent Non-Executive Director.

iii. At least one member of the Committee:-

- must be a member of the Malaysian Institute of Accountants (MIA); or
- if not a member of MIA:
  - he must have at least three years of working experience; and
  - he must have passed the examination specified in Part I of the 1st Schedule of the Accountants Act 1967; or
  - he must be a member of one of the Association of Accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
- fulfils such other requirements as prescribed or approved by the Exchange.

MEETINGS

i. Meetings shall be held no less than four (4) times a year;

ii. The quorum shall be two (2) members who must be Independent Directors;

iii. The Group Managing Director/Executive Director, the Group Finance Director and the Group Chief Internal Auditor shall normally be invited to attend the meeting;

iv. Any other Board members and any other representatives as deemed necessary shall be invited to attend the meeting;

v. The Committee shall meet with the external auditors, the internal auditors or both, excluding the attendance of other Directors or employees of the listed issuer at least twice a year or whenever is deemed necessary;

vi. The Secretary to the Committee shall be the Group Company Secretary.

AUTHORITY

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

i. to seek any information relevant to its activities from employees of the Group;

ii. the necessary resources required to carry out its duties and to obtain independent professional advice it considers necessary;

iii. to full and unlimited access to any information and documents pertaining to the Group.

RESPONSIBILITIES

i. To consider and recommend to the Board the nomination, appointment and termination of External Auditors, as well as the audit fee;

ii. To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;

iii. To review the quarterly and year-end financial statements of the Board, focusing particularly on:

- any change in accounting policies and practices;
- significant adjustments arising from the audit;
- the going concern assumption; and
- compliance with accounting standards and other legal requirements.

iv. To discuss problems and reservations arising from the interim and final audits, and any matter the external auditor may wish to discuss (in the absence of management where necessary);

v. To review the External Auditor's management letter and management's response;

vi. To carry out the following, in relation to the internal audit function of the Group:

- review and approve the annual audit plan;
- review the adequacy of the scope, functions, competency and resources of internal audit functions and that it has the necessary authority to carry out its work;
- review the internal audit plans and results of these activities and where necessary, ensure that appropriate actions are taken on the recommendations of these functions;
- review and endorse the audit charter which outlines the purpose, authority and responsibility of the Group Internal Audit;
- review the annual budget for Group Internal Audit;
- review any appraisal on performance as well as competency of the Group Internal Audit functions;
- approve any appointment or termination of senior staff members of the Group Internal Audit functions; and
- take cognisance of resignations of staff/members of the Group Internal Audit function and provide the resigning staff/members an opportunity to submit his reasons for resigning.

vii. To review any related-party transactions that may arise within the Group;

viii. To review the major findings of internal investigations and management's response; and

ix. To consider other topics as defined by the Board.

ACTIVITIES DURING THE YEAR

i. Reviewed and approved the internal audit plan of the Group;

ii. Reviewed the status report of internal audit activities of the Group for the year to ensure that all the planned activities were properly carried out;

iii. Reviewed the summary of the internal audit reports prepared by Group Internal Audit and monitoring the status of corrective actions taken by the Management to ensure all audit issues are addressed;

iv. Reviewed the management letters, reports and fees of the external auditors;

v. Evaluated the performance of the External Auditors and made recommendations to the Board on their re-appointment and audit fees;

vi. Reviewed the quarterly and annual reports of the Group prior to the submission to the Board for consideration and approval;

vii. Reviewed the related party transactions entered into by the Group and the disclosure of such transactions in the annual report and circular on recurrent related party transactions.

STATEMENT ON INTERNAL AUDIT FUNCTION

The Group has an in-house Internal Audit Department whose principal responsibility is to undertake regular and systematic audit assessments on the operations of the CCM Group of Companies so as to provide reasonable assurance that such internal control systems are adequate and continue to operate effectively and efficiently in achieving the objectives of the Group.

The total expenditure incurred for Group Internal Audit for the financial year, which amongst others includes departmental expenditures such as office running expenses, training expenses, travelling expenses, staff remuneration, etc. is estimated at RM1.1 million.

ACTIVITIES DURING THE YEAR

The Group Internal Audit had conducted various operational audits, follow-up audits as well as ad-hoc assignments for the CCM Group of Companies in accordance with the Audit and Compliance Committee's approved Audit Plan for 2010. Among the areas covered were Finance, Engineering, Production Planning, Technical, Maintenance, Procurement, Compliance, Sales, Regulatory Affairs, Quality Control, Performance and General Chemical Business, Logistics, Plant operations and Recurrent Related Party Transactions of CCM Berhad, CCM Fertilizers Sdn. Bhd., CCM Chemicals Sdn. Bhd., CCM Pharmaceuticals Sdn. Bhd., CCM Duopharma Biotech Berhad, CCM Water Systems Sdn. Bhd., CCM Usaha Kimia (M) Sdn. Bhd., Innovax Sdn. Bhd., Innovative Group, P.T CCM Agripharma, P.T. CCM Indonesia, CCM Singapore Pte. Ltd., CCM Siam Ltd., CCM Pharmaceuticals (S) Pte. Ltd. and CCM International Philippines Inc.

Report of the Risk Management Committee

The Board is pleased to issue the following report on the Risk Management Committee and its activities during the financial year ended 31 December 2010 to date.

COMPOSITION OF RISK MANAGEMENT COMMITTEE AND MEETINGS

Following the change to the Board membership during the year under review, a review of the Board Committees was conducted. The Board was of the view that the audit and risk were of high importance and warranted the Board to deliberate on them separately. As a result, the Audit and Risk Management Committee was split into two committees on 10 January 2011 which are the Audit and Compliance Committee and Risk Management Committee. The establishment of the Risk Management Committee focusing on enterprise risk management is important to identify principal risks and ensuring that appropriate systems to manage these risks are in place.

Under the former Audit and Risk Management Committee, the members comprised of three (3) members, all of whom are Non-Executive Directors. They were Abdul Rahim bin Abdul Hamid, Dato' Kalsom binti Abdul Rahman and Datuk Dr. Saharan bin Haji Anang who resigned from the Board of the Company on 11 October 2010, 10 January 2011 and 11 October 2010, respectively. Following the establishment of a separate Risk Management Committee, Azmi bin Mohd. Ali was appointed Chairman of the Committee while Professor Dato' Ir. Dr. Zaini bin Ujang and Kartini binti Hj. Abdul Manaf were appointed members of the Committee on 10 January 2011. The current composition of the Committee now stands at three (3) members.

Under the former Audit and Risk Management Committee, a total of eight (8) meetings were held during the year. The status of directorship and attendance record of each of the members during the year are as follows:

Name of Directors and Status	No. of Meetings Attended
Khalid bin Sufat **Chairman, Senior Independent Non-Executive Director** (appointed w.e.f. 11/10/2010 and resigned w.e.f. 10/01/2011)	2/2
Azmi bin Mohd. Ali **Non-Independent Non-Executive Director** (appointed w.e.f. 08/10/2010)	2/2
Abdul Rahim bin Abdul Hamid **Chairman, Independent Non-Executive Director** (resigned w.e.f. 11/10/2010)	6/6
Datuk Dr. Saharan bin Haji Anang **Independent Non-Executive Director** (resigned w.e.f. 11/10/2010)	5/6
Dato' Kalsom binti Abdul Rahman **Senior Independent Non-Executive Director** (appointed w.e.f. 25/02/2010 and resigned w.e.f. 10/01/2011)	6/6

Following the separation of functions between the audit and compliance and risk function, the new Risk Management Committee on 10 January 2011, a total of two (2) meetings were held to date. The status of directorship and attendance record of each of the members to date are as follows:

Name of Directors and Status	No. of Meetings Attended
Azmi bin Mohd. Ali **Chairman, Non-Independent Non-Executive Director** (appointed as Chairman w.e.f. 10/01/2011)	2/2
Professor Dato' Ir. Dr. Zaini bin Ujang **Non-Independent Non-Executive Director** (appointed w.e.f. 10/01/2011)	2/2
Kartini binti Hj. Abdul Manaf **Non-Independent Non-Executive Director** (appointed w.e.f. 10/01/2011)	2/2

Report of the Risk Management Committee

TERMS OF REFERENCE

PURPOSE

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

PRINCIPLES

i. CCM Group consciously takes measured amount of risks and manages these risks effectively to meet its long term goals and objectives.

ii. Risk Management is an integral part of the Group's business practice at all levels of the CCM Group.

iii. The Committee will keep under review the effectiveness of Group's Risk Management system, taking into account:

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

DUTIES

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

i. set risk appetite, approve framework, policy and process for managing risks, and accept risks beyond the approval discretion provided to the management.

ii. recommend to the Board the parameters of the CCM Group's risk-reward strategy, monitor the alignment of the Group's risk profile with the risk appetite and ensure that the Group maintains an appropriate level and quality of capital in line with the risks inherent in its activities and projected business performance.

iii. monitor changes anticipated for the economic and business environment, including consideration of emerging risks, legislative or regulatory changes, major initiatives and other factors considered relevant to the CCM Group's risk profile.

iv. receive reports from the Enterprise-wide Risk Management (EWRM) Committees and/or Group Risk Management Department (GRMD) which have been duly reviewed/deliberated by the Executive Risk Management Committee concerning:

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

MEMBERS AND MEETINGS

The Committee shall have at least three (3) members, all of whom shall be non-executive directors. The quorum for the Committee shall be two (2) members. In the absence of the Chairman of the Committee, the members present shall elect one of their number to chair the meeting. Any other Board members, the Group Managing Director/Executive Director and other officer or person as deemed necessary may be invited to attend the meeting. The Secretary of the Committee shall be the Group Company Secretary.

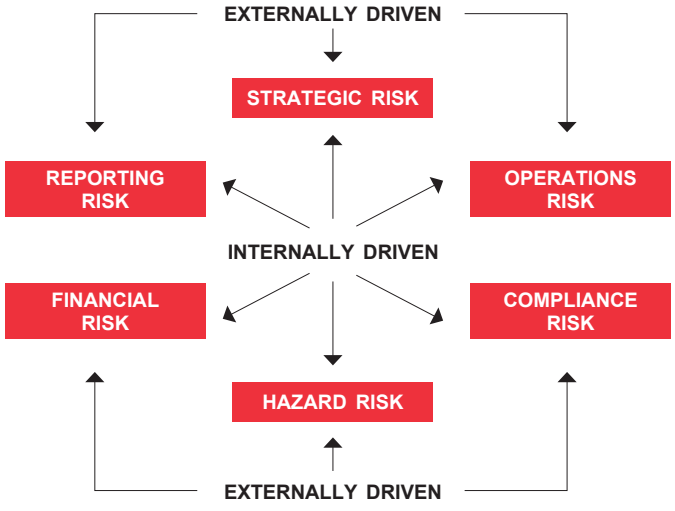
ENTERPRISE WIDE RISK MANAGEMENT

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

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

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

The risks facing the Group in its businesses and operations can result from internal and external factors. Hence, the context within which the Group manages the risks and key focus of accountability are as follows:



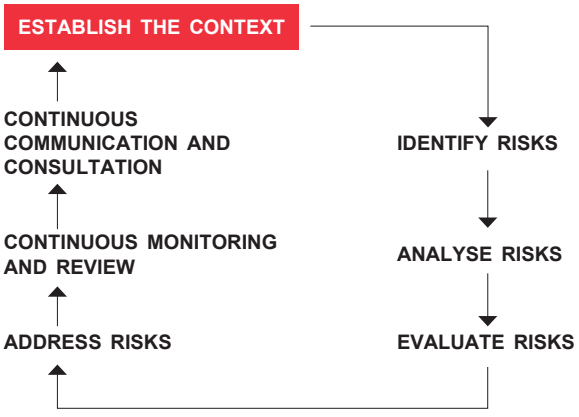
The Group recognises the broad spectrum of risks which it faces along with the opportunities which it seeks in its businesses and operations. It is hence, the Group's objective to maintain an effective Risk Management Programme to assess and mitigate these risks and thereby facilitate the Group in meeting 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 Committee. The GRMD facilitates the conduct of Risk Management activities outlined in the Programme which include updating of risk profiles, risk assessment associated with project management 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 pages 64 to 65 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 Managements attention is required. Extensive management of the risk is essential with focus on both reducing the likelihood of the risk and mitigating its consequence. Guidance from Board of Directors may be required where appropriate.

RISK B

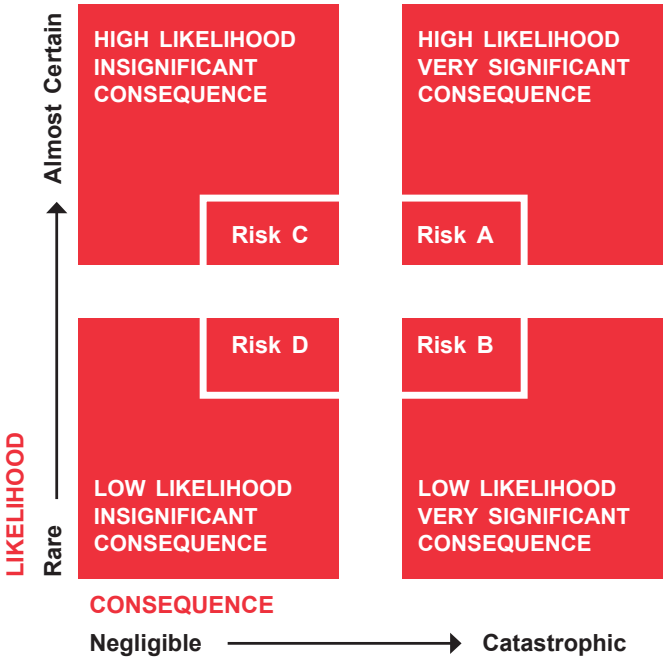
Considerable management attention is required including specifying management responsibility. Given the significant consequences of the risk, preventive control measures must be maintained effectively with regular assessment thereof in order to maintain the likelihood of the risk occurring at a low level.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

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

ACTIVITIES DURING THE YEAR

The Group Risk Management function has conducted various operational, strategic and related assignments in accordance with the approved Risk Management Programme for 2010. These include review and update of the business division's key strategic risk profiles, various operational risk registers, including those for the regional offices, and risk assessment of the new fertilizer plant and pharmaceutical warehouse projects. Special project assignments cover a wide spectrum of risk-based issues impacting both the current and potential future businesses.

Report of the Nomination and Remuneration Committee

The Board is pleased to issue the following report on the Nomination and Remuneration Committee and its activities during the financial year ended 31 December 2010 to date.

TERMS OF REFERENCE

OBJECTIVES

i. To recommend to the Board of Directors, candidates for all directorships in the Company and Group to be appointed by the shareholders or the Board;

ii. To recommend to the Board, directors to fill seats on Board Committees;

iii. To consider candidates for directorships proposed by the Group Managing Director/Executive Director and within bounds of practicability, by any other senior executive or any director or shareholder;

iv. To evaluate the effectiveness of the Board and Board Committees with regard to their structure, size, balance and composition including the required mix of skills, knowledge, expertise, experience, professionalism, integrity including core competencies which Non-Executive directors should bring to the Board, and contributions of each individual director;

v. To evaluate the candidates' ability to discharge such responsibilities/functions as expected from Non-Executive directors, in the case of candidates for the position of Independent Non-Executive directors;

vi. To provide adequate training and orientation to new Directors as well as continuous training to current Directors with respect to business, structure and management of the Group as well as the expectations of the Board;

vii. To recommend to the Board whether Directors retiring by rotation should be put forward for re-election;

viii. To ensure an appropriate framework and plan for Board and management succession in the Group;

ix. To review management's recommendations on appointment or promotions of senior management personnel of the Group;

x. To review and ensure that the policy on Directors' fees for the Company and Group are in line with market and industry practice and are reflective of the contribution of each individual director;

xi. To review and recommend to the Board policies on the remuneration package of Executive Directors of the Company as well as Managing Directors, Chief Executive Officers, Chief Operating Officers and General Managers of the CCM Group of Companies;

xii. To review and recommend to the Board the annual increment and bonus package for non-unionised employees in the CCM Group of Companies;

xiii. To review and recommend to the Board on any new Employees' Share Options Scheme of the CCM Group and/or amendments to the existing scheme.

MEMBERS AND MEETING

The Nomination and Remuneration Committee shall have at least three (3) members, all of whom shall be Non-Executive Directors with the majority being independent directors. The quorum for the Committee shall be two (2) members, of which one should be an independent director. In the absence of the Chairman of the Committee, the members present shall elect one of their number to chair the meeting. The Secretary of the Committee shall be the Group Company Secretary.

During the year, there was changes to the membership of the Board, resulting to changes to the composition of the Nomination and Remuneration Committee. Dato' Kalsom binti Abdul Rahman, Tan Sri Ab. Rahman bin Omar and Tan Sri Dato' Dr. Abu Bakar bin Suleiman who resigned from the Board of the Company on 10 January 2011, 10 January 2011 and 11 October 2010 respectively, also resigned from the Committee on even date. Azmi bin Mohd. Ali who was appointed a member on 8 October 2010 also resigned from the Committee on 10 January 2011 when the Board Committees' composition were reviewed. On 10 January 2011, Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman was

appointed as Chairman of the Committee, while Khalid bin Sufat and Dr. Leong Chik Weng were appointed as members of the Committee. The current composition of the Committee now stands at three (3) members.

A total of eleven (11) meetings were held during the year to date. The attendance record of each member during the year are as follows:

Name of Directors and Status	No. of Meetings Attended
Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman **Chairman,** **Non-Independent Non-Executive Director** (appointed w.e.f. 10/01/2011)	1/1
Khalid bin Sufat **Senior Independent Non-Executive Director** (appointed w.e.f. 10/01/2011)	1/1
Dr. Leong Chik Weng **Independent Non-Executive Director** (appointed w.e.f. 10/01/2011)	1/1
Dato' Kalsom binti Abdul Rahman **Chairman,** **Senior Independent Non-Executive Director** (appointed w.e.f. 25/02/2010 and resigned w.e.f. 10/01/2011)	9/9
Tan Sri Ab. Rahman bin Omar **Non-Independent Non-Executive Director** (resigned w.e.f. 10/01/2011)	9/10
Tan Sri Dato' Dr. Abu Bakar bin Suleiman **Non-Independent Non-Executive Director** (resigned w.e.f. 11/10/2010)	7/7
Azmi bin Mohd Ali **Non-Independent Non-Executive Director** (appointed w.e.f. 08/10/2010 and resigned w.e.f. 10/01/2011)	3/3

ACTIVITIES DURING THE YEAR

During the year, the Committee:

i. Conducted the Board's effectiveness assessment and recommended improvement plans;

ii. Recommended for approval of the Board the appointment of new Directors to the Group;

iii. Recommended for approval of the Board the appointment of Directors to the Board Committees;

iv. Reviewed policy on Directors' fees for the Company and the Group;

v. Recommended for approval of the Board the remuneration package of the Group Managing Director/ Executive Director and Division Directors/Chief Executive Officer/Chief Operating Officers of the CCM Group of Companies;

vi. Reviewed and recommend for approval of the Board the annual global increment and bonus package for non-unionised employees of the Group;

vii. Ensured that all Directors received appropriate continuous training programmes in order to keep abreast with developments in the relevant industry and with changes in the relevant statutory and regulatory requirements;

viii. Reviewed the management's recommendation on appointment or promotions of senior management personnel of the Group;

ix. Reviewed and monitored the succession planning in the Company and the Group.

x. Considered other matters as referred by the Board.

Report of the Finance and Investment Committee

The Board is pleased to issue the following report on the Finance and Investment Committee and its activities during the financial year ended 31 December 2010 to date.

TERMS OF REFERENCE

i. To review and recommend to the Board of Directors the Group's operational plan and budget;

ii. To review and approve all capital expenditure in excess of RM1 million and up to RM20 million as proposed by companies within the Group;

iii. To review and recommend to the Board of Directors all capital expenditure in excess of RM20 million as proposed by companies within the Group;

iv. To review and recommend to the Board of Directors all acquisitions and divestments of companies (excluding dormant companies) and setting up of new business, irrespective of value;

v. To review and recommend to the Board of Directors all acquisition and disposal of company's assets and properties within the Group;

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

MEMBERS AND MEETINGS

The Committee shall have a minimum of three (3) members, all of whom are Non-Executive Directors. The quorum for the Committee shall be two (2) members. In the absence of the Chairman of the Committee, the members present shall elect one of their number to chair the meeting. The Secretary of the Committee shall be the Group Company Secretary.

CHANGES DURING THE YEAR

Following the expiration of contract of the Group Managing Director in June 2010 and as an interim measure, the members of the Finance and Investment Committee were appointed as members of the Executive Committee of the Board that assumed the function of the Group Managing Director. As such, the Finance and Investment Committee meetings were held together with the EXCO Meetings. A total of fourteen (14) meetings were held during the year to date.

The year also saw changes to the composition of the Finance and Investment Committee. The current composition of the Committee stands at four (4) members. The attendance record of each member during the year (in the case of Directors appointed after 1 January 2011, since the date of their appointment) to date is as follows:

Name of Directors and Status	No. of Meetings Attended
Datuk R. Karunakaran **Chairman, Independent Non-Executive Director** (appointed w.e.f. 10/01/2011)	2/2
Professor Dato' Ir. Dr. Zaini bin Ujang **Non-Independent Non-Executive Director** (appointed w.e.f. 10/01/2011)	2/2
Azmi bin Mohd. Ali **Non-Independent Non-Executive Director** (appointed w.e.f. 10/01/2011)	2/2
Dr. Leong Chik Weng **Independent Non-Executive Director** (appointed w.e.f. 11/10/2010)	2/2
E. Sreesanthan **Chairman, Non-Independent Non-Executive Director** (resigned w.e.f. 08/10/2010)	5/5
Tan Sri Dato' Dr. Abu Bakar bin Suleiman **Non-Independent Non-Executive Director** (resigned w.e.f. 11/10/2010)	4/5
Dato' Mohd. Nizam bin Zainordin **Non-Independent Non-Executive Director** (resigned w.e.f. 11/10/2010)	5/5
Dato' Kalsom binti Abdul Rahman **Senior Independent Non-Executive Director** (resigned w.e.f. 25/02/2010)	1/1

Report of the Executive Committee

The Board is pleased to issue the following report on the Executive Committee (EXCO) and its activities for the financial year ended 31 December 2010 to date.

TERMS OF REFERENCE

The EXCO was established as a temporary arrangement in view of the absence of the Group Managing Director's position to assume the roles and responsibilities of the Group Managing Director. The EXCO provides guidance and directs the respective Heads of Divisions and support departments in Head Office in the performance of their duties.

OBJECTIVES

i. To exercise all the power and authority of the Group Managing Director in the management and direction of the business affairs of the Group;

ii. To deliberate on all policy issues for reference to the Board for consideration;

iii. To review and recommend to the Board, strategies, annual plans and budgets of the Group, including any supplementary budget requests and periodical (monthly or quarterly) reports of operations and financial performance of the Group;

iv. To exercise business judgment to act in the best interest of the Group and its shareholders in achieving the strategies and objectives of the Group;

v. To form and delegate authorities to sub-committees where appropriate;

vi. To perform any other duties as shall be directed by the Board.

Upon establishment of the EXCO on 14 June 2010, the Committee comprised of three (3) members, all of whom are Non-Executive Directors who were E. Sreesanthan (Chairman), Tan Sri Dato' Dr. Abu Bakar bin Suleiman and Dato' Mohd. Nizam bin Zainordin. Following the resignation of E. Sreesanthan and Tan Sri Dato' Dr. Abu Bakar bin Suleiman from the Board and the Committee on 8 October 2010 and 11 October 2010 respectively, Dr. Leong Chik Weng and Amirul Feisal bin Wan Zahir were appointed as members effective 11 October 2010.

On 1 January 2011, the EXCO was dissolved following the appointment of Amirul Feisal bin Wan Zahir as Executive Director on the same day. The Executive Director would assume the role and responsibilities of the Group Managing Director.

A total of nine (9) meetings were held during the year. The attendance record of each member during the year was as follows:

Name of Directors and Status	No. of Meetings Attended
Dato' Mohd. Nizam bin Zainordin **Chairman, Non-Independent Non-Executive Director** (appointed as Chairman w.e.f. 11/10/2010)	8/9
Dr. Leong Chik Weng **Independent Non-Executive Director** (appointed w.e.f. 11/10/2010)	3/3
Amirul Feisal bin Wan Zahir **Non-Independent Non-Executive Director** (appointed w.e.f. 11/10/2010)	3/3
E. Sreesanthan **Chairman, Non-Independent Non-Executive Director** (resigned w.e.f. 08/10/2010)	6/6
Tan Sri Dato' Dr. Abu Bakar bin Suleiman **Non-Independent Non-Executive Director** (resigned w.e.f. 11/10/2010)	6/6

Report of the Government-Linked Companies Transformation Committee

The Board is pleased to issue the following report on the Government-Linked Companies Transformation (GLCT) Committee and its activities for the financial year ended 31 December 2010 to date.

TERMS OF REFERENCE

OBJECTIVES

i. To provide high level advisory and monitoring of Government-Linked Companies Transformation (GLCT) in CCM;

ii To evaluate and approve recommendations proposed by the Transformation Working Group (TWG);

iii. To fully implement the ten initiatives as laid out in the GLCT Manual by the end of 2007;

iv. To regularly update and report the progress of GLCT to the respective Government-Linked Investment Companies (GLIC), and in the case of CCM, to report and update Permodalan Nasional Berhad on a quarterly basis;

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

MEMBERS AND MEETINGS

The Committee shall have at least three (3) members, all of whom shall be non-executive directors. The quorum for the Committee shall be two (2) members. In the absence of the Chairman of the Committee, the members present shall elect one of their number to chair the meeting. The Secretary of the Committee shall be the Group Company Secretary.

At the beginning of the year, the Committee comprised of four (4) members, all of whom are Non-Executive Directors. During the year, two (2) members, E. Sreesanthan and Abdul Rahim bin Abdul Hamid, who resigned from the Company on 8 October 2010 and 11 October 2010 respectively, also resigned from the Committee on the same date. As at 31 December 2010, the GLCT Committee consisted of two (2) members, all of whom are Non-Executive Directors. They were Tan Sri Ab. Rahman bin Omar and Dato' Mohd. Nizam bin Zainordin.

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

Name of Directors and Status	No. of Meetings Attended
Tan Sri Ab. Rahman bin Omar **Chairman, Non-Independent Non-Executive Director**	4/4
Dato' Mohd. Nizam bin Zainordin **Non-Independent Non-Executive Director**	4/4
E. Sreesanthan **Non-Independent Non-Executive Director** (resigned w.e.f. 08/10/2010)	1/3
Abdul Rahim bin Abdul Hamid **Independent Non-Executive Director** (appointed w.e.f. 25/02/2010 and resigned w.e.f. 11/10/2010)	1/2
Dato' Kalsom binti Abdul Rahman **Senior Independent Non-Executive Director** (resigned w.e.f. 25/02/2010)	1/1

ACTIVITIES DURING THE YEAR

During the year, the Committee:

i. Reviewed and approved the Group's GLCT Plans for 2010;

ii. Recommended for approval the 2010 Headline Key Performance Indicators (KPIs) for the Group;

iii. Reviewed and approved the Quarterly Reporting to PNB on the progress of GLCT in the Group;

iv. Tracked and monitored the progress of implementation for all GLCT initiatives and reviewed the results and benefits achieved for year 2010.

DISSOLUTION OF THE GLCT COMMITTEE

One of the objectives of the GLCT Committee which was established in 2004 was to ensure that the initiatives as laid out in the GLCT Manual are implemented as planned. The Group has, to date, implemented the recommended initiatives and has embedded the GLC initiatives as part of the Group's internal processes. Consequently, it was agreed that the GLCT Committee be dissolved with effect from 10 January 2011.

Statement on Internal Control

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

The Board confirms that as an integral part of the system of internal control, there is an on-going Group-wide risk management process for identifying, evaluating and managing the significant risks faced by the Group. The Management has operated this process during the year under review and the process is subjected to regular review by the Board. Prior to the change in the Board composition, 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. Following the appointment of the Executive Director in January 2011, the Risk Management Council was renamed to Executive Risk Management Committee.

Recognising the increased importance of the risk management function, the Group has separated the functions of the risk management and internal audit into two separate departments which are now independently led by two separate Heads. The main objective is to ensure better control and clarity of focus on the key risk issues that affect the Group's activities and the implementation of appropriate mitigation measures to address them. Review meetings are carried out quarterly to establish progress and to verify the effectiveness of the actions taken. This will ensure a systematic, structured and disciplined approach to risk management is in place, consistent with the expectations of the Audit and Compliance Committee (previously known as Audit and Risk Management Committee) of the Board.

Management from each business or operations area applies a risk/ control self-assessment approach to identify the risks relating to their areas of supervision and control. These include the likelihood of these risks occurring; the consequences if they do occur and the actions being and/or to be taken to manage these risks to an acceptable level. The risk profiles and risk treatment measures determined from this process are documented in risk registers with each business or operations area having its respective risk register. The overall process is facilitated by the Group Risk Management Department ("Department") which is dedicated to the role.

The Department maintains regular communication and consultation with management and also facilitates risk analysis of strategic business objectives, operational initiatives and emerging issues in the Group. It also conducts periodic follow-up of the updating of risk profiles and the implementation of risk treatment measures by management. Training workshops are also conducted to keep abreast of developments in the area of risk management.

Until the beginning of the year, the key risks which were identified through the risk management process are reported to the Risk Management Council and the Board Audit and Risk Management Committee. The Divisional Risk Profiles enable the Board Audit and Risk Management Committee to focus on the key risks affecting the Group's businesses and operations and the system of internal control necessary to manage such risks. Following the change in the Board composition, a review of the Board Committees was conducted. The Board was of the view that the audit and risk were of high importance and warranted the Board to deliberate on them separately.

As a result the Audit and Risk Management Committee was split into two Committees on 10 January 2011, which are the Audit and Compliance Committee and the Risk Management Committee. As a result of the split, the key risks which are identified through the risk management process and the system of internal control to manage those risks are reported to the Senior Management and Board Committee, referred to as the Executive Risk Management Committee *(previously Risk Management Council)* and the Risk Management Committee *(previously the Audit and Risk Management Committee)*.

The Group Internal Audit independently reviews the adequacy and integrity of the system of internal control in managing the key risks and formerly, reports accordingly to the Audit and Risk Management Committee on a quarterly basis. With the split of the audit and risk function into two separate Board Committees, the Group Internal Audit reports its review of the adequacy and integrity of the systems of the internal control to the Audit and Compliance Committee. Where weaknesses have been identified as a result of the reviews, improvement measures are recommended to strengthen controls; and follow-up audits are conducted by Group Internal Audit to assess the status of implementation thereof by management. In carrying out its work, in addition to the approved annual audit plan, the Group Internal Audit also focuses on areas of priority as directed by the Audit and Compliance Committee.

The Group has a Project Review Committee *(previously known as 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 provides feedback and recommendation on projects/CAPEX/investments/annual budget to the Finance & Investment Committee ("FIC"). Where areas for improvement are identified including any relating to projects/investments, the Board considers the recommendations made by the FIC and provides appropriate direction.

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

The Board remains committed towards maintaining a sound system of internal control and believes that a balanced achievement of the Group's business objectives and operational efficiency can be attained. The Group continues to take measures to further strengthen the internal control environment.

Statement on Director's Responsibility

As required under the Companies Act 1965 ("Act"), the Directors on pages 21 to 28 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 2010.

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

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

This statement is made in accordance with a resolution of the Board of Directors dated 29 April 2011.

Other Disclosures

MATERIAL CONTRACTS

There are no other material contracts entered into by the CCM Group during the two (2) years preceding the date of this Circular, other than contracts entered into in the ordinary course of business:

As at 31 December 2010, the Group has material commitments for capital expenditure of RM53,909,000 (contracted but not provided for) and RM31,027,000 (authorized but not contracted for), amounting to a total of RM84,936,000.

RECURRENT RELATED PARTY TRANSACTION OF A REVENUE NATURE

At an Annual General Meeting ("AGM") held on 9 June 2010, the Company obtained a shareholders' mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations and are in the ordinary course of business with related parties. The said general mandate took effect from 9 June 2010 until the conclusion of the forthcoming Annual General Meeting of the Group. The disclosure of the recurrent related party transactions conducted during the financial period ended 31 December 2010 is set out on pages 142 to 143 and 154 to 155 of the Annual Report.

The Group intends to seek a renewal of the said general mandate and a proposed extension of scope of the shareholders mandate to apply to recurrent related party transactions of a revenue or trading nature with new related parties at the forthcoming Annual General Meeting of the Group. The details of the new mandate to be sought are furnished in the Circular to Shareholders dated 6 June 2011.

SHARE BUY-BACK

There were no repurchase of its issued and paid up shares since 2003. As at 31 December 2010, 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 2010, the Group has paid a sum of RM275,000 being fee for non audit work performed.

VARIATION IN RESULTS

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

PROFIT GUARANTEES

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

REVALUATION POLICY OF LANDED PROPERTY

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

IMPOSITION OF SANCTION AND PENALTIES

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

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

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

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

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

UTILISATION OF SUKUK PROCEEDS

	Amount (RM'000)	Utilised	Balance as at 31/12/10 (RM'000)
To refinance, wholly or partly the existing external borrowings which may include the existing bonds	300,000	–	300,000
To finance the Group's capital expenditure and/or any investment/acquisitions and/or working capital requirements and for payment of fees arising from the programmes	200,000	150,000	50,000

WARRANTS EXERCISED DURING THE YEAR

	Balance as at 1/1/10 RM'000	Exercised RM'000	Lapsed RM'000	Balance as at 31/12/10 RM'000
Warrant B	57,124	1,795	–	55,329

Directors' Report

for the year ended 31 December 2010

Amounts in RM'000 unless otherwise stated

The Directors of Chemical Company of Malaysia Berhad present their forty-ninth annual report together with the audited financial statements of the Group and of the Company for the year ended 31 December 2010. This report and the financial statements will be presented to the shareholders at the Annual General Meeting to be held on 27 June 2011.

PRINCIPAL ACTIVITIES

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

RESULTS

	Group	Company
Profit attributable to:		
Owners of the Company	15,372	17,079
Minority interest	17,699	–
	33,071	17,079

RESERVES AND PROVISIONS

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

DIVIDENDS

Since the end of the previous financial year, the Company paid a final tax exempt dividend of 8.00 sen per ordinary share totalling RM31,998,000, in respect of the financial year ended 31 December 2009 on 9 July 2010.

The final ordinary dividends recommended by the Directors in respect of the financial year ended 31 December 2010 is 2.65 sen per ordinary share, tax exempt dividend which if approved, will be paid on 22 July 2011 to shareholders registered at the close of business on 1 July 2011.

DIRECTORS OF THE COMPANY

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

Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman, Chairman (appointed on 30 November 2010)
Amirul Feisal bin Wan Zahir, Executive Director (appointed on 11 October 2010)
Azmi bin Mohd Ali (appointed on 8 October 2010)
Khalid bin Sufat (appointed on 11 October 2010)
Dr. Leong Chik Weng (appointed on 11 October 2010)
Professor Dato' Ir. Dr. Zaini bin Ujang (appointed on 10 January 2011)
Datuk Karownakaran @ Karunakaran A/L Ramasamy (appointed on 10 January 2011)
Kartini binti Haji Abdul Manaf (appointed on 10 January 2011)
Dato' Dr. Mohamad Hashim bin Ahmad Tajudin (resigned on 30 June 2010)
E. Sreesanthan (resigned on 8 October 2010)
Tan Sri Dato' Dr. Abu Bakar bin Suleiman (resigned on 11 October 2010)
Datuk Dr. Saharan bin Haji Anang (resigned on 11 October 2010)
Abdul Rahim bin Abdul Hamid (resigned on 11 October 2010)
Tan Sri Ab. Rahman bin Omar (resigned on 10 January 2011)
Dato' Kalsom binti Abdul Rahman (resigned on 10 January 2011)
Dato' Mohd Nizam bin Zainordin (resigned on 10 January 2011)

DIRECTORS' INTERESTS

None of the Directors holding office at 31 December 2010 had any interest in the ordinary shares and options of the Company and of its related companies during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued 1,795,000 ordinary shares of RM1.00 each for cash arising from conversion of 1,795,000 Warrants-B on the basis of one ordinary share at the price of RM1.36 per ordinary share for every warrant held.

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

Amounts in RM'000 unless otherwise stated

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.

Warrants

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

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

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

The Company has on 24 December 2009 fully redeemed the Bonds and fully settled the final interest payment for the Bonds in accordance with the terms and conditions of the Trust Deed dated 21 November 2002 relating to the issuance of the Bonds.

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

TREASURY SHARES

There were no changes in treasury shares during the year.

OTHER STATUTORY INFORMATION

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

(i) all known bad debts have been written off and adequate provision made for doubtful debts; and

(ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

(i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent; or

(ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading; or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

OTHER STATUTORY INFORMATION (CONTINUED)

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

(i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, except for the effects arising from the change in accounting policies as disclosed in the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2010 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.

IMMEDIATE AND ULTIMATE HOLDING COMPANY

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

AUDITORS

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

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

Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman

Amirul Feisal bin Wan Zahir

Kuala Lumpur,
Date: 29 April 2011

Statement by Directors

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

Amounts in RM'000 unless otherwise stated

In the opinion of the Directors, the financial statements set out on pages 75 to 146 are drawn up in accordance with the Financial Reporting Standards and Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 December 2010 and of their financial performance and cash flows for the year then ended.

In the opinion of the Directors, the information set out in Note 35 on page 147 has been properly compiled in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman

Amirul Feisal bin Wan Zahir

Kuala Lumpur,
Date: 29 April 2011

Statutory Declaration

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

Amounts in RM'000 unless otherwise stated

I, Abd Rahman bin Abdullah Thani, the officer primarily responsible for the financial management of Chemical Company of Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 75 to 147 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 29 April 2011.

Abd Rahman bin Abdullah Thani

Before me:

Commission for Oaths

Kuala Lumpur

Independent Auditors' Report

to the members of Chemical Company of Malaysia Berhad (Company No. 5136-T)
(Incorporated in Malaysia)

Amounts in RM'000 unless otherwise stated

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Chemical Company of Malaysia Berhad, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 75 to 146.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2010 and of their financial performance and cash flows for the year then ended.

Independent Auditors' Report

to the members of Chemical Company of Malaysia Berhad (Company No. 5136-T)
(Incorporated in Malaysia)
Amounts in RM'000 unless otherwise stated

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in note 7 to the financial statements. We have also considered the unaudited financial statements of CCM Investment Limited.

(c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 35 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

KPMG
Firm Number: AF 0758
Chartered Accountants

Ahmad Nasri Abdul Wahab
Approval Number: 2919/03/12(J)
Chartered Accountant

Petaling Jaya,
Date: 29 April 2011

Statements of Financial Position
as at 31 December 2010

Amounts in RM'000 unless otherwise stated

		Group			Company	
	Note	31.12.2010	31.12.2009 restated	1.1.2009 restated	31.12.2010	31.12.2009
Assets						
Property, plant and equipment	3	629,091	566,151	510,711	37,110	19,801
Intangible assets	4	303,245	314,636	234,054	63	63
Prepaid lease payments	5	6,921	7,872	7,137	–	–
Investment properties	6	42,682	47,667	72,724	127,600	135,667
Investment in subsidiaries	7	–	–	–	321,821	325,401
Investment in associate	8	8,004	8,361	7,196	–	–
Other investments	9	24,515	6,978	7,073	–	–
Deferred tax assets	10	3,269	1,706	4,324	–	–
Receivables	11	–	–	–	699,991	760,436
Total non-current assets		1,017,727	953,371	843,219	1,186,585	1,241,368
Trade and other receivables	11	409,204	370,131	569,901	12,145	24,021
Inventories	12	308,062	377,442	514,455	–	–
Current tax assets		61,035	62,187	31,865	43,759	42,725
Assets classified as held for sale	13	1,740	38,117	8,131	–	27,357
Cash and cash equivalents	14	212,159	227,342	155,483	87,738	123,408
Total current assets		992,200	1,075,219	1,279,835	143,642	217,511
Total assets		2,009,927	2,028,590	2,123,054	1,330,227	1,458,879
Equity						
Share capital		404,741	402,946	402,849	404,741	402,946
Reserves		78,752	33,134	30,046	27,594	17,272
Retained earnings		267,637	284,389	314,621	231,121	246,040
Total equity attributable to equity holders of the Company	15	751,130	720,469	747,516	663,456	666,258
Minority interest		126,884	115,660	111,075	–	–
Total equity		878,014	836,129	858,591	663,456	666,258
Liabilities						
Loans and borrowings	16	311,254	460,890	187,120	300,000	450,000
Deferred tax liabilities	10	21,193	15,441	33,468	2,022	2,807
Total non-current liabilities		332,447	476,331	220,588	302,022	452,807
Provision	17	850	667	656	–	–
Trade and other payables	18	222,138	206,736	303,246	42,674	97,498
Current tax liabilities		46,522	41,058	14,078	42,075	37,316
Loans and borrowings	16	529,956	467,669	725,895	280,000	205,000
Total current liabilities		799,466	716,130	1,043,875	364,749	339,814
Total liabilities		1,131,913	1,192,461	1,264,463	666,771	792,621
Total equity and liabilities		2,009,927	2,028,590	2,123,054	1,330,227	1,458,879

The notes on pages 83 to 146 are an integral part of these financial statements.

Statements of Comprehensive Income
for the year ended 31 December 2010

Amounts in RM'000 unless otherwise stated

		Group		Company	
	Note	2010	2009	2010	2009
Revenue	19	1,639,039	1,571,809	26,367	29,834
Cost of goods sold		(1,397,620)	(1,366,436)	(861)	(1,069)
Gross profit		241,419	205,373	25,506	28,765
Other income		6,210	18,486	1,782	3,103
Distribution expenses		(50,305)	(41,245)	–	–
Administrative expenses		(75,532)	(82,920)	(4,019)	(8,492)
Other expenses		(33,278)	(53,834)	(5,297)	(6,437)
Results from operating activities		88,514	45,860	17,972	16,939
Finance income		3,267	2,444	32,719	14,777
Finance costs		(34,654)	(33,890)	(28,404)	(26,288)
Operating profit	20	57,127	14,414	22,287	5,428
Share of profit of equity accounted investee, net of tax		2,073	1,165	–	–
Profit before tax		59,200	15,579	22,287	5,428
Income tax expense	22	(26,129)	(10,511)	(5,208)	3,337
Profit for the year		33,071	5,068	17,079	8,765
Other comprehensive income, net of tax					
Foreign currency translation difference for foreign operations		123	3,429	–	–
Fair value of available-for-sale financial assets		(8,687)	–	–	–
Surplus on revaluation of property, plant and equipment		34,644	–	9,676	–
Deferred tax liability on revaluation surplus		(3,693)	–	–	–
Other comprehensive income for the year, net of tax	23	22,387	3,429	9,676	–
Total comprehensive income for the year		55,458	8,497	26,755	8,765

	Note	Group 2010	Group 2009	Company 2010	Company 2009
Profit/(Loss) attributable to:					
Owners of the Company		15,372	(5,820)	17,079	8,765
Minority interest		17,699	10,888	–	–
Profit for the year		33,071	5,068	17,079	8,765
Total comprehensive income attributable to:					
Owners of the Company		35,549	(2,391)	26,755	8,765
Minority interest		19,909	10,888	–	–
Total comprehensive income for the year		55,458	8,497	26,755	8,765
Basic earnings per ordinary share (sen)	24	3.80	(1.44)		
Diluted earnings per ordinary share (sen)	24	3.34	(0.89)		

The notes on pages 83 to 146 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2010

Amounts in RM'000 unless otherwise stated

		<---------- Attributable to equity holders of the Company ----------->											
		<---------- Non-distributable ----------> Distributable											
Group	**Note**	**Share capital**	**Share premium**	**Capital redemption reserve**	**Translation reserve**	**Fair value reserve**	**Revaluation reserve**	**Other capital reserve**	**Treasury shares**	**Retained earnings**	**Total**	**Minority interest**	**Total equity**
At 1 January 2009		402,849	20,221	73	(12,439)	–	25,045	2,982	(5,836)	314,621	747,516	111,075	858,591
Foreign exchange translation differences		–	–	–	3,485	–	(56)	–	–	–	3,429	–	3,429
Realisation of revaluation reserve on the disposal of property		–	–	–	–	–	(6)	–	–	6	–	–	–
Realisation of revaluation on landed property		–	–	–	–	–	(373)	–	–	373	–	–	–
Total other comprehensive income for the year		–	–	–	3,485	–	(435)	–	–	379	3,429	–	3,429
Profit for the year		–	–	–	–	–	–	–	–	(5,820)	(5,820)	10,888	5,068
Total comprehensive income for the year		–	–	–	3,485	–	(435)	–	–	(5,441)	(2,391)	10,888	8,497
Issue of shares:													
Conversion of warrants		97	38	–	–	–	–	–	–	–	135	–	135
Dividends to owners of the company	25	–	–	–	–	–	–	–	–	(24,791)	(24,791)	–	(24,791)
Dividends to minority interest		–	–	–	–	–	–	–	–	–	–	(7,914)	(7,914)
Acquisition of subsidiary	31	–	–	–	–	–	–	–	–	–	–	1,611	1,611
At 31 December 2009		402,946	20,259	73	(8,954)	–	24,610	2,982	(5,836)	284,389	720,469	115,660	836,129

Group	Note	Share capital	Share premium	Capital redemption reserve	Translation reserve	Fair value reserve	Revaluation reserve	Other capital reserve	Treasury shares	Retained earnings	Total	Minority interest	Total equity
		<---------- Attributable to equity holders of the Company ---------->											
		<---------- Non-distributable ---------->								Distributable			
At 1 January 2010													
– as previously stated		402,946	20,259	73	(8,954)	–	24,610	2,982	(5,836)	284,389	720,469	115,660	836,129
– effect of adopting FRS 139		–	–	–	–	25,348	–	–	–	(287)	25,061	–	25,061
At 1 January 2010, restated		402,946	20,259	73	(8,954)	25,348	24,610	2,982	(5,836)	284,102	745,530	115,660	861,190
Foreign exchange translation differences		–	–	–	123	–	–	–	–	–	123	–	123
Fair value of available for sale		–	–	–	–	(8,687)	–	–	–	–	(8,687)	–	(8,687)
Deferred tax on revaluation gain	10	–	–	–	–	–	(3,141)	–	–	–	(3,141)	(552)	(3,693)
Surplus on revaluation of properties		–	–	–	–	–	31,882	–	–	–	31,882	2,762	34,644
Realisation of revaluation reserve on the disposal of property		–	–	–	–	–	(180)	–	–	180	–	–	–
Realisation of revaluation on landed property		–	–	–	–	–	(373)	–	–	373	–	–	–
Total other comprehensive income for the year		–	–	–	123	(8,687)	28,188	–	–	553	20,177	2,210	22,387
Profit for the year		–	–	–	–	–	–	–	–	15,372	15,372	17,699	33,071
Total comprehensive income for the year		–	–	–	123	(8,687)	28,188	–	–	15,925	35,549	19,909	55,458
Issue of shares:													
Conversion of warrants		1,795	646	–	–	–	–	–	–	–	2,441	–	2,441
Dividends to owners of the company	25	–	–	–	–	–	–	–	–	(31,998)	(31,998)	–	(31,998)
Dividends to minority interests		–	–	–	–	–	–	–	–	–	–	(8,472)	(8,472)
Dilution for changes in stake		–	–	–	–	–	–	–	–	(392)	(392)	(213)	(605)
At 31 December 2010		404,741	20,905	73	(8,831)	16,661	52,798	2,982	(5,836)	267,637	751,130	126,884	878,014
		Note 15		Note 15	Note 15	Note 15	Note 15		Note 15				

The notes on pages 83 to 146 are an integral part of these financial statements.

Statement of Changes in Equity
for the year ended 31 December 2010

Amounts in RM'000 unless otherwise stated

		<---------- *Non-distributable* ---------->					*Distributable*	
Company	**Note**	**Share capital**	**Share premium**	**Capital redemption reserve**	**Revaluation reserve**	**Treasury shares**	**Retained earnings**	**Total equity**
At 1 January 2009		402,849	20,221	73	2,776	(5,836)	262,066	682,149
Profit for the year		–	–	–	–	–	8,765	8,765
Total comprehensive income for the year		–	–	–	–	–	8,765	8,765
Issue of shares:								
Conversion of warrants		97	38	–	–	–	–	135
Dividends to owners of the company	25	–	–	–	–	–	(24,791)	(24,791)
At 31 December 2009		402,946	20,259	73	2,776	(5,836)	246,040	666,258
At 1 January 2010		402,946	20,259	73	2,776	(5,836)	246,040	666,258
Surplus on revaluation of properties		–	–	–	9,676	–	–	9,676
Profit for the year		–	–	–	–	–	17,079	17,079
Total comprehensive income		–	–	–	9,676	–	17,079	26,755
Issue of shares:								
Conversion of warrants		1,795	646	–	–	–	–	2,441
Dividends to owners of the company	25	–	–	–	–	–	(31,998)	(31,998)
At 31 December 2010		404,741	20,905	73	12,452	(5,836)	231,121	663,456
		Note 15		Note 15	Note 15	Note 15	Note 15	

The notes on pages 83 to 146 are an integral part of these financial statements.

Statements of Cash Flows

for the year ended 31 December 2010

Amounts in RM'000 unless otherwise stated

	Note	Group 2010	Group 2009	Company 2010	Company 2009
Cash flows from operating activities					
Profit before tax		59,200	15,579	22,287	5,428
Adjustments for:					
Allowance for impairment of goodwill		5,500	17,480	–	–
Amortisation of prepaid lease payments		439	464	–	–
Change in fair value of investment properties		(3,361)	(2,300)	(52)	(2,300)
Depreciation of property, plant and equipment	3	44,206	42,702	1,222	1,312
Dividend income from subsidiaries		–	–	(21,441)	(24,785)
Gain on disposal of property, plant and equipment		(2,347)	(799)	(1,731)	–
Gain on disposal of asset held for sale		(3,804)	–	(1,522)	–
Gain on disposal of investment properties		(160)	–	(160)	–
Loss/(Gain) on revaluation of property, plant and equipment		8,955	(56)	–	–
Finance costs		34,654	33,890	28,404	26,288
Finance income		(3,267)	(2,444)	(32,719)	(14,777)
Impairment loss on asset held for sale		140	–	–	–
Share of profit of equity accounted investee, net of tax		(2,073)	(1,165)	–	–
Property, plant and equipment written off		809	52	–	280
Operating profit/(loss) before working capital		138,891	103,403	(5,712)	(8,554)
Changes in working capital:					
Inventories		69,380	146,565	–	–
Payables and accruals		(40,136)	(103,925)	(50,639)	46,748
Receivables, deposits and prepayments		19,165	215,594	72,321	87,669
Cash generated from operations		187,300	361,637	15,970	125,863
Finance costs paid		(34,654)	(33,890)	(28,404)	(26,288)
Finance income received		3,267	2,444	32,719	14,777
Income taxes paid		(19,017)	(29,262)	(1,234)	(772)
Net cash generated from operating activities		136,896	300,929	19,051	113,580
Cash flows from investing activities					
Acquisition of investment properties		–	–	(227)	(411)
Acquisition of other investment		(100)	–	–	–
Acquisition of property, plant and equipment	3	(87,770)	(105,539)	(8,861)	(1,001)
Acquisition of subsidiaries, net of cash and cash equivalent acquired	31	–	(119,285)	–	(119,285)
Dividends received from subsidiaries		–	–	20,407	20,185
Dividend received from associate		2,430	–	–	–
Increase in investment in subsidiaries		–	–	(605)	(850)
Proceeds from disposal of property, plant and equipment		3,325	4,016	1,737	–
Proceeds from disposal of asset held for sale		41,921	8,131	28,879	–
Proceeds from disposal of investment properties		8,506	–	8,506	–
Net cash (used in)/generated from investing activities		(31,688)	(212,677)	49,836	(101,362)

Statements of Cash Flows

for the year ended 31 December 2010

Amounts in RM'000 unless otherwise stated

	Note	Group		Company	
		2010	2009	2010	2009
Cash flows from financing activities					
Dividends paid to minority shareholders		(8,472)	(7,914)	–	–
Dividends paid to owners of the Company	25	(31,998)	(24,791)	(31,998)	(24,791)
Increase in deposits pledged with banks		(25)	(522)	–	–
Proceeds from loans and borrowings		–	450,000	–	50,000
Proceeds from exercise of warrants		2,441	135	2,441	135
Repayment of loans and borrowings		(87,349)	(436,434)	(75,000)	–
Net cash (used in)/generated from financing activities		(125,403)	(19,526)	(104,557)	25,344
Exchange difference on translation of the financial statements of foreign operations		4,987	2,611	–	–
Net (decrease)/increase in cash and cash equivalents		(15,208)	71,337	(35,670)	37,562
Cash and cash equivalents at 1 January	(i)	226,820	155,483	123,408	85,846
Cash and cash equivalents at 31 December	(i)	211,612	226,820	87,738	123,408

Cash and cash equivalents

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

	Group		Company	
	2010	2009	2010	2009
Cash and bank balances	73,478	69,527	4,180	1,987
Deposits with licensed banks (excluding deposits pledged)	138,134	157,293	83,558	121,421
	211,612	226,820	87,738	123,408

The notes on pages 83 to 146 are an integral part of these financial statements.

Notes to the Financial Statements

Amounts in RM'000 unless otherwise stated

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

Principal place of business and registered office:

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

The consolidated financial statements of the Company as at and for the year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in an associate. The financial statements of the Company as at and for the year ended 31 December 2010 do not include other entities.

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

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

The financial statements were approved by the Board of Directors on 29 April 2011.

1. BASIS OF PREPARATION

(a) Statement of compliance

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

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

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 March 2010

- Amendments to FRS 132, *Financial Instruments: Presentation – Classification of Rights Issues*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010

- FRS 1, *First-time Adoption of Financial Reporting Standards* (revised)
- FRS 3, *Business Combinations* (revised)
- FRS 127, *Consolidated and Separate Financial Statements* (revised)
- Amendments to FRS 2, *Share-based Payment*
- Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
- Amendments to FRS 138, *Intangible Assets*
- IC Interpretation 12, *Service Concession Agreements*
- IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*
- IC Interpretation 17, *Distributions of Non-cash Assets to Owners*
- Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*

Amounts in RM'000 unless otherwise stated

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

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

- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*
  - *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*
  - *Additional Exemptions for First-time Adopters*
- Amendments to FRS 2, *Group Cash-settled Share Based Payment Transactions*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
- IC Interpretation 4, *Determining whether an Arrangement contains a Lease*
- IC Interpretation 18, *Transfers of Assets from Customers*
- Improvements to FRSs (2010)

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

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

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

- FRS 124, *Related Party Disclosures* (revised)
- IC Interpretation 15, *Agreements for the Construction of Real Estate*

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

- from the annual period beginning 1 January 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 March 2010, 1 July 2010 and 1 January 2011 except for Amendments to FRS 132, FRS 1, Amendments to FRS 2, IC Interpretation 12, IC Interpretation 17, Amendments to FRS 1, Amendments to FRS 2, IC Interpretation 18 which are not applicable to the Group or the Company; and
- from the annual period beginning 1 January 2012 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2011 and 1 January 2012, except for Amendments to IC Interpretation 14 and 15 which are not applicable to the Group or the Company.

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively or which requires extended disclosures, is not expected to have any financial impacts to the current and prior periods' financial statements upon their first adoption.

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

The impacts and disclosures as required by FRS 108.30(b), *Accounting Policies, Changes in Accounting Estimates and Errors*, in respect of applying FRS 7 and FRS 139 are not disclosed by virtue of the exemptions given in these respective FRSs.

Following the announcement by the MASB on 1 August 2008, the Group's and the Company's financial statements will be prepared in accordance with the International Financial Reporting Standards ("IFRS") framework for annual periods beginning on 1 January 2012. The change of the financial reporting framework is not expected to have any significant impact on the financial position and performance of the Group and the Company.

1. BASIS OF PREPARATION (CONTINUED)

(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:

- Note 2(c) – Financial instruments
- Note 2(d) – Property, plant and equipment
- Note 2(g) – Investment property
- Note 2(i) – Non-current assets held for sale

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by Group entities, other than those disclosed in the following notes:

- Note 2(c) – Financial instruments
- Note 2(t) – Operating segments

(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. Subsidiaries are consolidated using the purchase method of accounting. Under the purchase method of accounting, 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 statement of financial position at cost less impairment losses, unless the investment is classified held for sale.

Amounts in RM'000 unless otherwise stated

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(ii) Associates

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

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or included in a disposal group that is classified as held for sale. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity accounted associates, after adjustments, if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

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

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

(iii) Changes in Group composition

The Group treats all 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.

(iv) Minority interest

Minority interest at the end of the reporting period, 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 statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Minority interests in the results of the Group are presented in the consolidated statement of comprehensive income as an allocation of the comprehensive income for the year between minority interest and the owners 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 investments 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 transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency

(i) Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies at the reporting period are retranslated to the functional currency at the exchange rate at that date.

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

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

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

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2006 which are reported using the exchange rates at the dates of the acquisition.

The income and expenses of foreign operations, excluding operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR"). When a foreign operation is disposed of, in part of or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FCTR within equity.

(c) Financial instruments

Arising from the adoption of FRS 139, *Financial Instruments: Recognition and Measurement*, with effect from 1 January 2010, financial instruments are categorised and measured using accounting policies as mentioned below. Before 1 January 2010, different accounting policies were applied. Significant changes to the accounting policies are discussed in Note 32.

(i) Initial recognition and measurement

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

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

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

Amounts in RM'000 unless otherwise stated

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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

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

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

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

(b) Held-to-maturity investments

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

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

(c) Loans and receivables

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

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

(d) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see note 2(l)(i)).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

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

Financial liabilities

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

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

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

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

(iii) Financial guarantee contracts

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

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Regular way purchase or sale of financial assets

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

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

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

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

(v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss.

Amounts in RM'000 unless otherwise stated

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment

(i) Recognition and measurement

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

Property, plant and equipment under the revaluation model

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

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

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

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

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other expenses" respectively in the profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

(ii) Subsequent costs

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leasehold assets were depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

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

• Leasehold land	48 to 96 years
• Freehold building	50 years
• Long term leasehold building	10 years to 50 years
• Short term leasehold building	10 years to 50 years
• Plant, machinery and equipment	4 years to 13 years

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

(e) Leased assets

(i) Finance lease

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

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

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised in the statement of financial position of the Group or the Company. 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.

In the previous years, a leasehold land that normally had an indefinite economic life and title was not expected to pass to the lessee by the end of the lease term was treated as an operating lease. The payment made on entering into or acquiring a leasehold land that was accounted for as an operating lease represents prepaid lease payments, except for leasehold land classified as investment property.

Amounts in RM'000 unless otherwise stated

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leased assets (continued)

(ii) Operating lease (continued)

The Group has adopted the amendment made to FRS 117, *Leases* in 2010 in relation to the classification of lease of land. Leasehold land which in substance is a finance lease has been reclassified and measured as such retrospectively.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations and is measured at cost less any accumulated impairment losses.

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.

For business acquisitions beginning from 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.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

(ii) Marketing rights

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

(iii) Brand name

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

(iv) Other intangible assets

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

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

(v) Subsequent expenditure

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible assets (continued)

(vi) Amortisation

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

(g) Investment property

(i) Investment property carried at fair value

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

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

An investment property under construction before 1 January 2010 was classified as property, plant and equipment and measured at cost. Such property is measured at cost 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 profit or loss.

Following the amendment made to FRS 140, *Investment Property*, with effect from 1 January 2010, investment property under construction is classified as investment property. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

(ii) Reclassification to/from investment property

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

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its deemed cost for subsequent accounting.

(iii) Determination of fair value

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio every year, 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.

Amounts in RM'000 unless otherwise stated

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investment property (continued)

(iii) Determination of fair value (continued)

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, where appropriate:

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

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

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

(h) Inventories

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

The cost of inventories is measured based on weighted average cost formula, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

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

(i) Non-current assets held for sale

Non-current assets 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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Construction work in progress

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

Construction work in progress is presented as part of trade and other receivables as amount due from contract customers in the statement of financial position. If payments received from customers exceed the income recognised, then the difference is presented as deferred income in the statement of financial position.

(k) Cash and cash equivalents

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

(l) Impairment of assets

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiaries and investment in associates) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

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

An impairment loss in respect of available-for-sale financial assets is recognised in the profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through the profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the profit or loss.

Amounts in RM'000 unless otherwise stated

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of assets (continued)

(ii) Other assets

The carrying amounts of other assets (except for inventories, assets arising from construction contract, deferred tax asset, assets arising from employee benefits, investment property that is measured at fair value and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

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

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

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

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(m) Equity instruments

Instrument classified as equity are measured at cost on initial recognition and are not re-measured subsequently.

(i) Issue expenses

Incremental costs directly attributable to the issue of equity instruments 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.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Employee benefits

(i) Short term employee benefits

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

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(o) Provision

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

(i) Warranties

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

(ii) Contingent liabilities

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

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

(iii) Onerous contracts

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

Amounts in RM'000 unless otherwise stated

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Revenue recognition

(i) Goods sold

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

(iii) Construction contracts

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

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

(iv) Rental income

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

(v) Dividend income

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

(q) Interest income and borrowing costs

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

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

Before 1 January 2010, all borrowing costs were recognised in profit or loss using the effective interest method in the period in which they are incurred.

Following the adoption of FRS 123, *Borrowing Costs*, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Interest income and borrowing costs (continued)

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

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

(r) Income tax

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

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, and the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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

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

(s) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. 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.

(t) Operating segments

In the previous years, a segment was a distinguishable component of the Group that was engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment) which was subject to risks and rewards that were different from those of other segments.

Following the adoption of FRS 8, *Operating Segments*, an operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Group Managing Director/Executive Director of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Amounts in RM'000 unless otherwise stated

3. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land	Freehold land	Freehold buildings	Long term leasehold buildings	Short term leasehold buildings	Plant, machinery and equipment	Under construction	Total
Cost/Valuation								
At 1 January 2009	–	33,465	42,453	113,212	367	534,516	13,862	737,875
Effect of improvement of FRS 117	126,367	–	–	–	–	–	–	126,367
As restated at 1 January 2009	126,367	33,465	42,453	113,212	367	534,516	13,862	864,242
Additions	411	1	3,699	1,358	619	62,208	37,243	105,539
Acquisition through business combination	2,075	–	–	–	–	4,557	–	6,632
Reclassification	–	–	2,388	–	–	31,088	(33,476)	–
Transfer to assets held for sale	(8,000)	(1,001)	–	(350)	–	(1,850)	–	(11,201)
Disposals	–	–	–	–	–	(19,337)	–	(19,337)
Write-off	–	–	–	–	–	(75)	–	(75)
At 31 December 2009/ 1 January 2010	120,853	32,465	48,540	114,220	986	611,107	17,629	945,800
Additions	–	–	434	761	505	19,174	66,896	87,770
Reclassification	–	–	(5,261)	35,288	28,577	(23,026)	(35,578)	–
Transfer to assets held for sale	–	(1,355)	(525)	–	–	–	–	(1,880)
Disposals	–	–	–	–	–	(3,657)	–	(3,657)
Write-off	–	–	–	–	–	(8,457)	–	(8,457)
Effect of movements in exchange rates	–	–	–	–	–	(2,646)	–	(2,646)
Revaluation loss	–	–	–	–	(8,955)	–	–	(8,955)
Revaluation surplus	5,053	20,329	3,115	6,147	–	–	–	34,644
Adjustment on revaluation	(2,903)	–	(2,661)	(10,144)	–	–	–	(15,708)
At 31 December 2010	123,003	51,439	43,642	146,272	21,113	592,495	48,947	1,026,911

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (continued)	Leasehold land	Freehold land	Freehold buildings	Long term leasehold buildings	Short term leasehold buildings	Plant, machinery and equipment	Under construction	Total
Depreciation								
At 1 January 2009	–	–	2,496	5,723	275	340,841	–	349,335
Effect of improvement of FRS 117	4,196	–	–	–	–	–	–	4,196
Restated at 1 January 2009	4,196	–	2,496	5,723	275	340,841	–	353,531
Depreciation	1,983	–	1,911	3,951	43	34,814	–	42,702
Transfer to assets held for sale	(415)	–	–	(26)	–	–	–	(441)
Disposals	–	–	–	–	–	(16,120)	–	(16,120)
Write-off	–	–	–	–	–	(23)	–	(23)
At 31 December 2009/ 1 January 2010	5,764	–	4,407	9,648	318	359,512	–	379,649
Depreciation for the year	1,878	–	4,535	3,424	2,580	31,789	–	44,206
Reclassification	–	–	(1,461)	–	–	1,461	–	–
Disposals	–	–	–	–	–	(2,679)	–	(2,679)
Write-off	–	–	–	–	–	(7,648)	–	(7,648)
Adjustment on revaluation	(2,903)	–	(2,661)	(10,144)	–	–	–	(15,708)
At 31 December 2010	4,739	–	4,820	2,928	2,898	382,435	–	397,820
Carrying amounts								
At 1 January 2009, restated	122,171	33,465	39,957	107,489	92	193,675	13,862	510,711
At 31 December 2009/ 1 January 2010	115,089	32,465	44,133	104,572	668	251,595	17,629	566,151
At 31 December 2010	118,264	51,439	38,822	143,344	18,215	210,060	48,947	629,091

Amounts in RM'000 unless otherwise stated

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Freehold land	Freehold buildings	Under construction	Plant, machinery and equipment	Total
Cost/Valuation					
At 1 January 2009	15,400	623	–	9,372	25,395
Additions	–	–	–	1,001	1,001
Write-off	–	–	–	(600)	(600)
At 31 December 2009/1 January 2010	15,400	623	–	9,773	25,796
Additions	–	–	8,437	424	8,861
Disposals	–	–	–	(582)	(582)
Revaluation surplus/(loss)	9,700	(24)	–	–	9,676
Adjustment on revaluation	–	(60)	–	–	(60)
At 31 December 2010	25,100	539	8,437	9,615	43,691
Depreciation					
At 1 January 2009	–	36	–	4,967	5,003
Depreciation for the year	–	12	–	1,300	1,312
Write-off	–	–	–	(320)	(320)
At 31 December 2009/1 January 2010	–	48	–	5,947	5,995
Depreciation for the year	–	12	–	1,210	1,222
Disposals	–	–	–	(576)	(576)
Adjustment on revaluation	–	(60)	–	–	(60)
At 31 December 2010	–	–	–	6,581	6,581
Carrying amounts					
At 1 January 2009	15,400	587	–	4,405	20,392
At 31 December 2009/1 January 2010	15,400	575	–	3,826	19,801
At 31 December 2010	25,100	539	8,437	3,034	37,110

Property, plant and equipment under construction

During the year ended 31 December 2010, the Group incurred the following:

(i) installation and implementation of a new software of the Group and Company; costs incurred up to the period end date totalled RM8,437,000 (2009: Nil).

(ii) installation of new plant and machinery for manufacturing of a wide range of pharmaceutical products; costs incurred up to the period end date totalled RM40,510,000 (2009: RM17,629,000).

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Property, plant and equipment under the revaluation model

The Group's land and buildings were revalued in December 2010 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	
	2010	**2009**	**2010**	**2009**
Land and buildings	313,316	253,531	2,819	2,928

The carrying amounts of land at 1 January 2009 and 31 December 2009 have been adjusted following the adoption of the amendments to FRS 117, *Leases*, where leasehold land, in substance is a finance lease, has been reclassified from prepaid lease payments to property, plant and equipment.

4. INTANGIBLE ASSETS

Group	Note	Goodwill	Marketing rights	Trademark	Brands	Total
Cost						
At 1 January 2009		212,638	17,353	63	4,000	234,054
Acquisition through business combinations		98,292	–	–	–	98,292
Effect of movement in exchange rates		–	(230)	–	–	(230)
At 31 December 2009/ 1 January 2010		310,930	17,123	63	4,000	332,116
Reversal of contingent consideration	4.4	(4,185)	–	–	–	(4,185)
Effect of movement in exchange rates		–	(1,706)	–	–	(1,706)
At 31 December 2010		306,745	15,417	63	4,000	326,225
Accumulated impairment loss						
At 1 January 2009		–	–	–	–	–
Impairment loss		17,480	–	–	–	17,480
At 31 December 2009/ 1 January 2010		17,480	–	–	–	17,480
Impairment loss		5,500	–	–	–	5,500
At 31 December 2010		22,980	–	–	–	22,980

Amounts in RM'000 unless otherwise stated

4. INTANGIBLE ASSETS (CONTINUED)

Group (continued)	Note	Goodwill	Marketing rights	Trademark	Brands	Total
Carrying amounts						
At 1 January 2009		212,638	17,353	63	4,000	234,054
At 31 December 2009/ 1 January 2010		293,450	17,123	63	4,000	314,636
At 31 December 2010		283,765	15,417	63	4,000	303,245

Company	Trademark
Cost	
At 1 January 2009/At 31 December 2009/ 1 January 2010/At 31 December 2010	63
Accumulated impairment losses	
At 1 January 2009/At 31 December 2009/ 1 January 2010/At 31 December 2010	–
Carrying amount	
At 1 January 2009/At 31 December 2009/ 1 January 2010/At 31 December 2010	63

4.1 Material intangible assets

Goodwill

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

Marketing rights

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

Brands

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

4. INTANGIBLE ASSETS (CONTINUED)

4.2 Amortisation and impairment charge

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

4.3 Impairment testing for cash-generating units containing goodwill

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

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

	Group	
	2010	**2009**
Subsidiaries in pharmaceuticals division	193,850	195,350
Subsidiaries in chemicals division	89,915	98,100
	283,765	293,450

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

The value in use was determined by discounting the future cash flows based on the following key assumptions:

(a) Cash flows were projected based on past experience, actual operating results and 3 years budget. Cash flows for a further 7-year period were extrapolated using a steady growth rate of 8 percent for subsidiaries of pharmaceuticals division and 5 percent with declining growth rate for subsidiaries of chemicals division. Management believes that these 10 years forecast period was justified due to the long term nature of the business.

(b) The anticipated growth rate for revenue was projected in accordance with the Group's 3 years budget and subsequently projected based on growth rate as stated in note (a) above.

(c) A pre-tax discount rate of 5.9 percent (2009: 5.5 percent) was applied in determining the recoverable amount. The discount was estimated based on the Group weighted average cost of capital ("WACC").

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

4.4 Reversal of contingent consideration

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

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

Amounts in RM'000 unless otherwise stated

5. PREPAID LEASE PAYMENTS

Group	Unexpired period less than 50 years	Unexpired period more than 50 years	Total
Cost/Valuation			
At 1 January 2009	32,085	102,367	134,452
Effect of improvement of FRS 117	(24,000)	(102,367)	(126,367)
As restated at 1 January 2009	8,085	–	8,085
Effect of movements in exchange rates	1,199	–	1,199
At 31 December 2009/1 January 2010	9,284	–	9,284
Effect of movements in exchange rates	(512)	–	(512)
At 31 December 2010	8,772	–	8,772
Amortisation			
At 1 January 2009	2,243	2,901	5,144
Effect of improvement of FRS 117	(1,295)	(2,901)	(4,196)
As restated at 1 January 2009	948	–	948
Amortisation for the year	464	–	464
At 31 December 2009/1 January 2010	1,412	–	1,412
Amortisation for the year	439	–	439
At 31 December 2010	1,851	–	1,851
Carrying amounts			
At 1 January 2009, restated	7,137	–	7,137
At 31 December 2009/1 January 2010	7,872	–	7,872
At 31 December 2010	6,921	–	6,921

6. INVESTMENT PROPERTIES

	Group		Company	
	2010	**2009**	**2010**	**2009**
At 1 January	47,667	72,724	135,667	160,313
Additions	–	–	227	411
Transfer to assets held for sale	–	(27,357)	–	(27,357)
Change in fair value	3,361	2,300	52	2,300
Disposals	(8,346)	–	(8,346)	–
At 31 December	42,682	47,667	127,600	135,667
Included in the above are:				
Freehold land	26,300	24,963	28,800	27,432
Leasehold land with unexpired lease period of less than 50 years	4,000	3,200	–	–
Leasehold land with unexpired lease period of more than 50 years	11,082	17,845	83,608	93,702
Buildings	1,300	1,659	15,192	14,533
At 31 December	42,682	47,667	127,600	135,667

All the investment properties are determined based on market values.

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

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

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

Malaysia	**Yields**
Office buildings, warehouses and factory	5.30% – 5.62% (2009: 4.15% – 4.94%)
Residential house	0.8% (2009: 0.8%)

Amounts in RM'000 unless otherwise stated

7. INVESTMENT IN SUBSIDIARIES

	Company	
	2010	**2009**
At cost:		
Unquoted shares	326,021	329,601
Less: Accumulated impairment loss	(4,200)	(4,200)
	321,821	325,401

Details of the subsidiaries are as follows:

Name of subsidiaries	**Country of incorporation**	**Principal activities**	**Effective ownership interest**	
			2010 %	**2009 %**
CCM Fertilizers Sdn. Bhd. and its subsidiaries:	Malaysia	Manufacture and marketing of fertilizers	50.1	50.1
Max Agriculture Sdn. Bhd.	Malaysia	Dormant	50.1	50.1
CCMF Agronomic and Technical Services Sdn. Bhd.*	Malaysia	Dormant	50.1	50.1
CCM Chemicals Sdn. Bhd. and its subsidiaries:	Malaysia	Manufacture and marketing of chlor-alkali and coagulant products and marketing of industrial and specialty chemicals	80.0	80.0
CCM Watercare Sdn. Bhd.	Malaysia	Marketing of water treatment products	80.0	80.0
CCM Singapore Pte. Ltd.*	Singapore	Marketing of chlor-alkali and coagulant products	80.0	80.0
CCM Chemtrans Sdn. Bhd.	Malaysia	Dormant	80.0	80.0
CCM Chemtrade Sdn. Bhd.	Malaysia	Dormant	80.0	80.0
PT CCM Indonesia*	Indonesia	Marketing of chlor-alkali and coagulant products and industrial chemicals	80.0	80.0
CCM Pharma Sdn. Bhd.	Malaysia	Investment holding	100.0	100.0
Innovax Sdn. Bhd.	Malaysia	Research and development of pharmaceutical products	100.0	100.0

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest	
			2010 %	2009 %
Usaha Pharma (M) Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
CCM Agriculture (Sabah) Sdn. Bhd.	Malaysia	Investment holding	100.0	100.0
CCM Agriculture Sdn. Bhd.	Malaysia	Manufacturing and marketing of fertilizers	100.0	100.0
CCM International Sdn. Bhd. and its subsidiaries:	Malaysia	Investment holding	100.0	100.0
CCM Pharmaceuticals (S) Pte. Ltd.*	Singapore	Distribution, wholesaler of medicinal and pharmaceutical products	100.0	100.0
P.T. CCM AgriPharma*	Indonesia	Manufacturing and trading of fertilizers and importing and trading of pharmaceutical products	100.0	100.0
CCM Siam Ltd*	Thailand	Engage in the business of fertilizers, chemicals and pharmaceuticals	100.0	100.0
CCM Marketing Sdn. Bhd. and its subsidiaries:	Malaysia	Investment holding	100.0	100.0
CCM Duopharma Biotech Berhad and its subsidiary:	Malaysia	Investment holding	73.7	73.7
Duopharma (M) Sendirian Berhad	Malaysia	Manufacturing, distributing, importing and exporting of pharmaceutical products and medicines	73.7	73.7
Euphorex Corporation Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
Liberal Wira Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
Usaha Progresif Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
Upha Pharmaceutical Manufacturing (M) Sdn. Bhd.	Malaysia	Manufacturing of pharmaceutical products and sales of medicines	100.0	100.0

Amounts in RM'000 unless otherwise stated

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest	
			2010 %	2009 %
CCM Pharmaceuticals Sdn. Bhd. and its subsidiaries:	Malaysia	Marketing and sales of medicine and pharmaceutical products	100.0	100.0
CCM Biopharma Sdn. Bhd. (f.k.a. Ho Han Medical Company Sdn. Bhd.)	Malaysia	Dormant	100.0	100.0
Sentosa Pharmacy Sdn. Bhd.	Malaysia	Marketing of pharmaceutical and healthcare products	100.0	100.0
Unique Pharmacy (Ipoh) Sdn. Bhd.	Malaysia	Marketing of pharmaceutical and healthcare products	100.0	100.0
Unique Pharmacy (Penang) Sdn. Bhd.	Malaysia	Marketing of pharmaceutical and healthcare products	100.0	100.0
Negeri Pharmacy Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
CCM Agri-Max Sdn. Bhd.	Malaysia	Marketing of wide range of fertilizers	100.0	100.0
CCM Usaha Kimia (M) Sdn. Bhd. and its subsidiary:	Malaysia	Marketing of chlor-alkali and chemical products	100.0	100.0
CCM Water Systems Sdn. Bhd.	Malaysia	Designing, manufacturing, installing, commissioning and providing maintenance services for water purification and waste water treatment plant systems and sale of its related products.	100.0	98.4
CCM Investments Limited** and its subsidiary:	British Virgin Islands	Investment holding	100.0	100.0
CCM International (Philippines), Inc.*	Republic of Philippines	Distribution, importing and exporting of pharmaceuticals and chemicals product	99.9	99.9
Yayasan CCM (Limited by Guarantee)	Malaysia	To receive and administer funds for education and charitable purposes, all for the public welfare.	100.0	100.0

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest	
			2010 %	2009 %
Innovative Polymer Systems Sdn. Bhd.	Malaysia	Manufacturing of hydrogel coating products.	93.06	93.06
Innovative Resins Sdn. Bhd.	Malaysia	Investment holding	93.06	93.06
Delta Polymer Systems Sdn. Bhd.	Malaysia	Manufacturing and trading of coating products.	93.05	93.05

* Not audited by KPMG

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

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

As a result of the above acquisition, the total shareholding of the Company in CCMWS now stands at 528,173 ordinary shares of RM1.00 each, representing approximately 5.28% of the issued and paid up capital of CCMWS and through existing shares already owned by another company within the Group, effectively CCMWS becomes wholly owned subsidiary of the Company.

8. INVESTMENT IN ASSOCIATE

	Group		Company	
	2010	2009	2010	2009
At cost:				
Unquoted shares	1,408	1,408	–	–
Share of post acquisition reserves	9,026	6,953	–	–
Dividend received from associate	(2,430)	–	–	–
	8,004	8,361	–	–

Amounts in RM'000 unless otherwise stated

8. INVESTMENT IN ASSOCIATE (CONTINUED)

Group	Country of incorporation	Effective ownership interest	Revenue (100%)	Profit (100%)	Total assets (100%)	Total liabilities (100%)
2010						
Orica-CCM Energy Systems Sdn. Bhd.	Malaysia	45.0%	30,406	4,607	25,650	7,464
2009						
Orica-CCM Energy Systems Sdn. Bhd.	Malaysia	45.0%	31,642	2,588	23,209	4,911

9. OTHER INVESTMENTS

Group	Share Quoted in Malaysia	Share Quoted outside Malaysia	Total
2010			
Non-current			
Available-for-sale Financial assets	100	24,415	24,515
Representing items:			
At fair value	100	24,415	24,515
Market value of quoted investments	100	24,415	24,515
2009			
Non-current			
At cost	–	6,978	6,978
Market value	–	33,101	33,101

The comparative figures as at 31 December 2009 have not been presented based on the new categorisation of financial assets resulting from the adoption of FRS 139 by virtue of the exemption given in FRS 7.44AA.

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	
Group	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Property, plant and equipment	–	–	30,588	24,264	30,588	24,264
Provisions	(4,006)	(5,347)	–	11	(4,006)	(5,336)
Other temporary difference	(8,056)	(3,825)	56	463	(8,000)	(3,362)
Tax loss carry-forwards	(658)	(1,831)	–	–	(658)	(1,831)
Tax (assets)/liabilities	(12,720)	(11,003)	30,644	24,738	17,924	13,735
Set off	9,451	9,297	(9,451)	(9,297)	–	–
Net tax (assets)/liabilities	(3,269)	(1,706)	21,193	15,441	17,924	13,735

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Company	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Property, plant and equipment	–	–	2,022	2,807	2,022	2,807
Net tax liabilities	–	–	2,022	2,807	2,022	2,807

Unrecognised deferred tax assets

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

	Group	
	2010	**2009**
Tax losses carry-forward	(27,918)	(16,276)
Other deductible temporary differences	1,080	3,895
	(26,838)	(12,381)

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

Amounts in RM'000 unless otherwise stated

10. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Movement in temporary differences during the year

	At 1.1.2009	Recognised in profit or loss (Note 22)	At 31.12.2009	Recognised in profit or loss (Note 22)	Recognised in equity	At 31.12.2010
Group						
Property, plant and equipment	27,700	(3,436)	24,264	2,631	3,693	30,588
Provisions	6,448	(11,784)	(5,336)	1,330	–	(4,006)
Other items	(1,222)	(2,140)	(3,362)	(4,638)	–	(8,000)
Tax loss carry-forward	(3,782)	1,951	(1,831)	1,173	–	(658)
	29,144	(15,409)	13,735	496	3,693	17,924
Company						
Property, plant and equipment	3,109	(302)	2,807	(785)	–	2,022
Provisions	(392)	392	–	–	–	–
Other items	15,392	(15,392)	–	–	–	–
	18,109	(15,302)	2,807	(785)	–	2,022

11. TRADE AND OTHER RECEIVABLES

	Note	Group 2010	Group 2009	Company 2010	Company 2009
CURRENT					
Trade					
Trade receivables		392,082	329,732	–	–
Amount due from contract customers	11.1	2,440	3,344	–	–
		394,522	333,076	–	–
Non-trade					
Amount due from subsidiaries	11.2	–	–	7,074	21,850
Amount due from associate	11.2	23	136	17	17
Deposits		2,916	2,881	255	234
Other receivables		4,916	18,318	390	340
Prepayments		6,827	15,720	4,409	1,580
		14,682	37,055	12,145	24,021
Total current		409,204	370,131	12,145	24,021

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

		Group		Company	
	Note	2010	2009	2010	2009
NON-CURRENT					
Non-trade					
Amount due from subsidiaries	11.3	–	–	699,991	760,436
Total non-current		–	–	699,991	760,436

11.1 Construction work in progress

		Group		Company	
	Note	2010	2009	2010	2009
Aggregate costs incurred to date		20,187	67,997	–	–
Add: Attributable profits less foreseeable loss		4,868	2,399	–	–
		25,055	70,396	–	–
Less: Progress billings		(22,834)	(69,482)	–	–
		2,221	914	–	–
Amount due from contract customers		2,440	3,344	–	–
Amount due to contract customers	18	(219)	(2,430)	–	–
		2,221	914	–	–

11.2 The non-trade receivables due from subsidiaries and associate are unsecured, subject to interest ranging from 4.19% to 4.36% (2009: 4.19% to 4.30%) and repayable on demand.

11.3 The advances to subsidiary companies are unsecured, subject to interest ranging from 4.19% to 4.36% (2009: 4.19% to 4.30%) and are not repayable over the next 12 months.

Amounts in RM'000 unless otherwise stated

12. INVENTORIES

	Group	
	2010	**2009**
Raw materials	82,046	79,878
Work-in-progress	8,201	8,799
Finished goods	196,211	250,922
Spares and consumables	21,604	37,843
	308,062	377,442

In 2010, the write-down of inventories to net realisable value amounted to RM3,046,000 (2009: RM9,584,000) and write-off of inventories amounted to RM3,349,000 (2009: RM2,620,000). The write-down and write-off are included in cost of sales.

13. ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2010	**2009**
Reclassified from property, plant and equipment, and investment properties	1,880	38,117
Impairment loss	(140)	–
	1,740	38,117

An impairment loss of RM140,000 (2009: Nil) was recognised as other operating expense in the profit or loss of the Group to write down the assets to fair value less cost to sell.

	Company	
	2010	**2009**
Reclassified from investment properties	–	27,357

In 2010, the Group and the Company disposed of assets which was classified as held for sale in 2009 for a consideration of RM41,921,000 and RM28,879,000 respectively.

14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010	2009	2010	2009
Cash and bank balances	73,478	69,527	4,180	1,987
Deposits are placed with licensed banks	138,681	157,815	83,558	121,421
	212,159	227,342	87,738	123,408

Included in deposits placed with licensed banks of a subsidiary within the Group is RM547,000 (2009: RM522,000) pledged for a bank facility granted to a subsidiary.

15. CAPITAL AND RESERVES

Share capital

	Group and Company			
	Amount 2010	Number of shares 2010 '000	Amount 2009	Number of shares 2009 '000
Authorised:				
Ordinary shares of RM1 each	800,000	800,000	800,000	800,000
Issued and fully paid:				
Ordinary shares of RM1 each				
At 1 January	402,946	402,946	402,849	402,849
Conversion of warrants	1,795	1,795	97	97
At 31 December	404,741	404,741	402,946	402,946

Capital redemption reserve

The capital redemption 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 the Group entities with functional currency other than RM.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

Revaluation reserve

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

Amounts in RM'000 unless otherwise stated

15. CAPITAL AND RESERVES (CONTINUED)

Treasury shares

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

There were no repurchase of its issued shares capital since 2003. At 31 December 2010, the Group held 2,998,000 (2009: 2,998,000) of the Company's shares.

Retained Earnings

The Finance Act, 2007 introduced a single tier company income tax system with effect from 1 January 2008. As such, the Section 108 tax credit as at 31 December 2010 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

Subject to agreement by the Inland Revenue Board, the Company has moved into the single tier dividend system. As such, all its distributable reserves at 31 December 2010 are available to be paid out as dividends.

Warrants

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

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

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

The Company has on 24 December 2009 fully redeemed the Bonds and fully settled the final interest payment for the Bonds in accordance with the terms and conditions of the Trust Deed dated 21 November 2002 relating to the issuance of the Bonds.

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

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

16. LOANS AND BORROWINGS

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

		Group		Company	
	Note	2010	2009	2010	2009
Non-current					
Secured term loan	16.1	838	1,715	–	–
Unsecured Musyarakah medium term notes	16.2	–	150,000	–	150,000
Unsecured 3-years term loan	16.3	300,000	300,000	300,000	300,000
Unsecured non-revolving loan	16.5	10,416	9,175	–	–
		311,254	460,890	300,000	450,000
Current					
Secured term loan	16.1	451	–	–	–
Unsecured bank overdrafts		18,421	12,062	–	–
Unsecured bankers' acceptances		133,450	140,337	–	–
Unsecured revolving credit	16.4	204,832	266,558	130,000	170,000
Unsecured term loan		14,468	42,461	–	35,000
Unsecured non-revolving loan	16.5	8,334	6,251	–	–
Unsecured Musyarakah medium term notes	16.2	150,000	–	150,000	–
		529,956	467,669	280,000	205,000

16.1 Secured Term Loan

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

(i) Letter of Comfort from Chemical Company of Malaysia Berhad;

(ii) First party first legal charge of RM11.5 million over leasehold factory land and building of the subsidiary together with joint and several guarantee by 3rd party; and

(iii) First party second legal charge of RM2.0 million over leasehold factory land and building of the subsidiary.

16.2 Unsecured Musyarakah Medium Term Notes

On 28 November 2008, the Company issued RM150,000,000 nominal amount of 3 year fixed rate Musyarakah Medium Term Notes ("MMTN") at 5.95% (2009: 5.95%). Some of the significant covenants of the MMTN are:-

Financial Covenants

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

(i) The Finance to Equity Ratio of not more than 1.5 times (2009: 1.5 times).

(ii) The Profit/Interest Cover Ratio of at least 2 times (2009: 2 times).

Amounts in RM'000 unless otherwise stated

16. LOANS AND BORROWINGS (CONTINUED)

16.2 Unsecured Musyarakah Medium Term Notes

Negative Covenants

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

(i) Create or permit to subsist any Security Interest over any of its present of future assets, other than those permitted by the financing document and trust deed.

(ii) Reduce its authorized and/or issued shares save and except for any decrease in its issued capital resulting from purchase or cancellation of its own shares pursuant to Section 67A of the Companies Act 1965.

(iii) Add, delete, vary or amend its Memorandum or Articles of Association in a manner inconsistent of the Financing Document other than those permitted by the financing document and trust deed.

(iv) Dispose any assets in excess of 5% of the Group's net assets (as reflected in the latest consolidated annual audited financial statements) in any financial year other than those permitted by the financing document and trust deed.

(v) Not to manage and conduct business affairs of the Group in a manner consistent with the provisions and conditions of the financing document and trust deed.

16.3 Unsecured 3-years Term Loan

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

Significant covenant

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

(i) the consolidated Total Indebtedness to Consolidated Networth Ratio shall not be exceeding 1.5 times.

(ii) the consolidated Networth shall not be less than RM750 million.

(iii) the interest Coverage Ratio of not less than 2 times.

16.4 Unsecured Revolving Credit

On 22 July 2009, the Company has issued an unsecured RM80 million 1 year Revolving Credit (RC) Facility with AmBank (M) Berhad at the rate of 3.32%.

Significant conditions

The RC is subject to fulfilment of the following covenants:

(i) the borrower shall maintain a gearing ratio of not more than 1.5 times (2009: 1.5 times) during the tenure of the facility.

(ii) the borrower shall maintain at least 2.0 times (2009: 2.0 times) Earnings Before Interest, Income Tax and Depreciation during the tenure of the facility.

16.5 Unsecured Non-Revolving Loan

On 10 July 2009, a subsidiary has received an unsecured non-revolving loan facility of RM25 million from The Bank of Nova Scotia Berhad. During the year, the subsidiary has utilised RM18,750,000 (2009: RM15,426,000) of the said facility.

16. LOANS AND BORROWINGS (CONTINUED)

16.5 Unsecured Non-Revolving Loan (continued)

Significant covenants

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

(i) not to pledge any of its assets, present and future, without the prior written consent of the Bank;

(ii) remain a subsidiary of Chemical Company of Malaysia Berhad;

(iii) cross default to other indebtness of the Company and its subsidiaries;

(iv) the total liabilities to tangible net worth ratio of the subsidiary company does not exceed 1.75 (2009: 1.75); and

(v) the debt service cover ratio of the subsidiary company is at least 2.0 times (2009: 2.0 times).

Terms and debt repayment schedule

Group	Year of maturity	Carrying amount	Under 1 year	1-2 years	2-5 years	Over 5 years
2010						
Unsecured 3-years term loan	2012	300,000	–	300,000	–	–
Unsecured Musyarakah medium term note	2011	150,000	150,000	–	–	–
Secured term loan	2013	1,289	451	838	–	–
Unsecured term loan	2011	14,468	14,468	–	–	–
Unsecured bank overdrafts	2011	18,421	18,421	–	–	–
Unsecured bankers' acceptances	2011	133,450	133,450	–	–	–
Unsecured revolving credits	2011	204,832	204,832	–	–	–
Unsecured non-revolving loan	2013	18,750	8,334	10,416	–	–
		841,210	529,956	311,254	–	–
2009						
Unsecured 3-years term loan	2012	300,000	–	–	300,000	–
Unsecured Musyarakah medium term note	2011	150,000	–	150,000	–	–
Secured term loan	2013	1,715	–	–	1,715	–
Unsecured term loan	2010	42,461	42,461	–	–	–
Unsecured bank overdrafts	2010	12,062	12,062	–	–	–
Unsecured bankers' acceptance	2010	140,337	140,337	–	–	–
Unsecured revolving credits	2010	266,558	266,558	–	–	–
Unsecured non-revolving loan	2013	15,426	6,251	8,334	841	–
		928,559	467,669	158,334	302,556	–

Amounts in RM'000 unless otherwise stated

16. LOANS AND BORROWINGS (CONTINUED)

Terms and debt repayment schedule (continued)

Company	Year of maturity	Carrying amount	Under 1 year	1-2 years	2-5 years	Over 5 years
2010						
Unsecured 3-years term loan	2012	300,000	–	300,000	–	–
Unsecured Musyarakah medium term notes	2011	150,000	150,000	–	–	–
Unsecured revolving credit	2011	130,000	130,000	–	–	–
		580,000	280,000	300,000	–	–
2009						
Unsecured 3-years term loan	2012	300,000	–	–	300,000	–
Unsecured Musyarakah medium term notes	2011	150,000	–	150,000	–	–
Unsecured term loan	2010	35,000	35,000	–	–	–
Unsecured revolving credit	2010	170,000	170,000	–	–	–
		655,000	205,000	150,000	300,000	–

17. PROVISION

	Group	
Warranties	**2010**	**2009**
At 1 January	667	656
Provision made during the year	574	200
Provision used during the year	(391)	(189)
At 31 December	850	667

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 (2009: 2 years).

18. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2010	2009	2010	2009
Trade					
Trade payables		147,798	125,035	–	–
Amount due to contract customers	11.1	219	2,430	–	–
		148,017	127,465	–	–
Non-trade					
Accrued expenses		35,802	36,801	–	9,026
Amount due to subsidiaries	18.1	–	–	19,640	88,472
Other payables		38,319	42,470	23,034	–
		74,121	79,271	42,674	97,498
		222,138	206,736	42,674	97,498

18.1 The non-trade payables due to subsidiaries are unsecured, interest bearing ranging from 4.19% to 4.36% (2009: 4.19% to 4.30%) and repayable on demand.

19. REVENUE

	Group		Company	
	2010	2009	2010	2009
Sales	1,623,947	1,551,871	–	–
Construction contracts	13,243	8,850	–	–
Services	1,161	10,389	–	–
Rental income from investment properties	688	699	4,926	5,049
Dividends	–	–	21,441	24,785
	1,639,039	1,571,809	26,367	29,834

Amounts in RM'000 unless otherwise stated

20. OPERATING PROFIT

	Group		Company	
	2010	**2009**	**2010**	**2009**
Operating profit is arrived at after charging:				
Impairment loss:				
– Goodwill	5,500	17,480	–	–
– Trade Receivables	3,585	15,835	–	–
– Asset held for sale	140	–	–	–
Amortisation of prepaid lease payments	439	464	–	–
Auditors' remuneration				
– Statutory Audit				
Auditor of the Company	470	430	50	50
Other auditors	40	78	–	–
– Other services by auditor of the Company	275	376	103	369
Bad debts written off	35	216	–	–
Depreciation of property, plant and equipment	44,206	42,702	1,222	1,312
Interest expense:				
– Subsidiaries	–	–	1,421	374
– Bank overdraft	1,123	810	164	150
– Revolving credits	4,963	7,417	4,071	6,748
– Bankers' acceptances	2,797	4,269	–	–
– Bond issues	–	5,901	–	5,901
– Term loans	1,403	2,779	1,212	2,610
– Unsecured 3-years term loan	12,552	10,505	12,552	10,505
– Other borrowings	11,816	2,209	10,405	–
Loss on damaged goods	–	60	–	–
Property, plant and equipment written off	809	52	–	280
Rental expenses on property leases	6,093	8,691	1,035	1,035
Rental expenses on equipment	3,005	41	–	–
Research and development costs expensed as incurred	6,610	5,012	–	–
Personnel expenses (including key management personnel)				
– Contribution to Employees Provident Fund	10,839	11,142	1,432	1,519
– Wages, salaries and others	84,697	83,270	8,227	7,950
Write-down of inventories	3,046	9,584	–	–
Write-off of inventories	3,349	2,620	–	–
Net foreign exchange loss	3,332	749	–	–
Loss on revaluation of property, plant and equipment	8,955	–	–	–

20. OPERATING PROFIT (CONTINUED)

	Group		Company	
	2010	2009	2010	2009
and after crediting:				
Reversal of impairment loss on trade receivables	940	203	–	–
Change in fair value of investment properties	3,361	2,300	52	2,300
Gain on disposal of property, plant and equipment	2,347	799	1,731	–
Interest income:				
– Subsidiaries	–	–	30,882	12,982
– Associate	3	4	–	–
– Fixed deposits	3,074	2,300	1,837	1,795
– Others	190	140	–	–
Net foreign exchange gain	6,338	8,842	–	–
Rental income from property subleases	–	555	–	–
Gain on revaluation of property, plant and equipment	–	56	–	–
Gain on disposal of asset held for sale	3,804	–	1,522	–
Gain on disposal of investment properties	160	–	160	–

21. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2010	2009	2010	2009
Directors				
– Fees	410	645	410	550
– Remuneration	564	1,090	564	1,090
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	84	180	84	180
	1,058	1,915	1,058	1,820
Other key management personnel:				
– Remuneration	4,808	1,277	2,267	1,277
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	316	42	142	42
	5,124	1,319	2,409	1,319

Other key management personnel comprises certain members of senior management of Group entities, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

Amounts in RM'000 unless otherwise stated

22. INCOME TAX EXPENSE

Recognised in profit or loss

	Note	Group 2010	Group 2009	Company 2010	Company 2009
Income tax expense		26,129	10,511	5,208	(3,337)
Share of tax of equity accounted associate		791	415	–	–
Total income tax expense		26,920	10,926	5,208	(3,337)
Major components of income tax expense include:					
Current tax expense					
Malaysian – current year		25,989	18,661	6,143	8,995
– prior year		(1,322)	1,529	(150)	2,970
Overseas – current year		602	1,772	–	–
– prior year		364	3,958	–	–
Total current tax expense		25,633	25,920	5,993	11,965
Deferred tax expense					
Origination and reversal of temporary differences		1,146	(2,507)	(785)	(3,336)
Overprovision in prior years		(650)	(12,902)	–	(11,966)
Total deferred tax expense	10	496	(15,409)	(785)	(15,302)
		26,129	10,511	5,208	(3,337)
Share of tax of equity accounted associate		791	415	–	–
Total income tax expense		26,920	10,926	5,208	(3,337)

Reconciliation of effective tax rate

	Group 2010 %	Group 2009 %	Company 2010 %	Company 2009 %
Profit before tax	100	100	100	100
Income tax at Malaysian tax rate of 25%	25	25	25	25
Non-deductible expenses	32	113	77	81
Non-taxable income	(8)	(2)	(78)	–
Tax exempt income	(8)	(23)	–	–
Overprovision in prior years	(3)	(48)	(1)	(167)
Change in unrecognised temporary differences	6	2	–	–
	44	67	23	(61)

23. OTHER COMPREHENSIVE INCOME

	Before tax	Tax expense	Net of tax
Group			
2010			
Foreign currency translation differences for foreign operations			
– Gains arising during the year	123	–	123
Fair value of available-for-sale financial assets			
– Loss arising during the year	(8,687)	–	(8,687)
Revaluation of property, plant and equipment	34,644	(3,693)	30,951
	26,080	(3,693)	22,387
2009			
Foreign currency translation differences for foreign operations			
– Gains arising during the year	3,429	–	3,429
Company			
2010			
Revaluation of property, plant and equipment	9,676	–	9,676

24. EARNINGS PER ORDINARY SHARE

Basic earnings/(loss) per ordinary share

The calculation of basic earnings/(loss) per ordinary share at 31 December 2010 was based on the profit/(loss) attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2010	2009
Profit/(Loss) for the year attributable to ordinary shareholders	15,372	(5,820)

Amounts in RM'000 unless otherwise stated

24. EARNINGS PER ORDINARY SHARE (CONTINUED)

Basic earnings/(loss) per ordinary share (continued)

Weighted average number of ordinary shares

	Group	
	2010	**2009**
Issued ordinary shares at 1 January	402,946	402,849
Effect of ordinary shares issued	1,795	97
Weighted average number of ordinary shares at 31 December	404,741	402,946

	Group	
	2010 Sen	**2009 Sen**
Basic earnings/(loss) per ordinary share	3.80	(1.44)

Diluted earnings/(loss) per ordinary share

The calculation of diluted earnings/(loss) per ordinary share at 31 December 2010 was based on profit/(loss) 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	
	2010	**2009**
Profit/(Loss) for the year attributable to ordinary shareholders	15,372	(5,820)
Interest expense on convertible warrants, net of tax	–	1,748
Profit/(Loss) attributable to ordinary shareholders (diluted)	15,372	(4,072)

Weighted average number of ordinary shares diluted

	Group	
	2010	**2009**
Weighted average number of ordinary shares at 31 December	404,741	402,876
Effect of conversion of warrants	55,329	57,123
Weighted average number of ordinary shares (diluted) at 31 December	460,070	459,999

24. EARNINGS PER ORDINARY SHARE (CONTINUED)

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 during which the options were outstanding.

	Group	
	2010 Sen	**2009 Sen**
Diluted earnings per ordinary share	3.34	(0.89)

25. DIVIDENDS

Dividends recognised in the current year by the Company are:

	Sen per share (net of tax)	**Total amount**	**Date of payment**
2010			
Final 2009 ordinary (tax exempt - single tier)	8.00	31,998	9 July 2010
2009			
Final 2008 ordinary	6.20	24,791	23 July 2009

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

	Sen per share
Final ordinary (tax exempt – single tier)	2.65

Amounts in RM'000 unless otherwise stated

26. OPERATING SEGMENT

Business segments

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

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

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

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Group Managing Director/Executive Director (the chief operating decision maker). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment asset is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Group Managing Director/Executive Director. Segment total asset is used to measure the return of assets of each segment.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Group Managing Director/Executive Director. Hence no disclosure is made on segment liability.

26. OPERATING SEGMENT (CONTINUED)

	Fertilizers		Chemicals		Pharmaceuticals		Others		Eliminations		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Segment profit/(loss)	3,433	6,573	17,673	(15,459)	12,378	27,097	20,740	8,802	(21,153)	(21,945)	33,071	5,068
Included in the measure of segment profit/(loss):												
Total external revenue	930,757	897,181	457,592	430,705	250,002	242,546	688	1,377	–	–	1,639,039	1,571,809
Inter-segment revenue	–	105	1,735	1,314	–	128	25,679	28,457	(27,414)	(30,004)	–	–
Revaluation loss	8,955	–	–	–	–	–	–	–	–	–	8,955	–
Write-down of inventories	1,421	7,315	1,318	960	306	1,310	–	–	–	–	3,046	9,584
Impairment of intangible assets	–	–	4,000	17,480	1,500	–	–	–	–	–	5,500	17,480
Share of profit of associates	–	–	2,073	1,165	–	–	–	–	–	–	2,073	1,165
Not included in the measure of segment profit but provided to Chief Executive Officer:												
Depreciation and Amortisation	(12,837)	(8,496)	(13,027)	(16,977)	(13,606)	(13,450)	(5,175)	(4,243)	–	–	(44,645)	(43,166)
Finance costs	(11,931)	(14,788)	(7,248)	(3,994)	(18,244)	(4,378)	(29,353)	(26,288)	32,122	15,558	(34,654)	(33,890)
Finance income	329	2,805	1,256	268	1,660	431	32,909	14,975	(32,887)	(16,035)	3,267	2,444
Income tax expense	(14,130)	(10,045)	(10,165)	99	(7,661)	(8,455)	(5,252)	3,290	11,079	4,600	(26,129)	(10,511)

Notes to the Financial Statements

Amounts in RM'000 unless otherwise stated

26. OPERATING SEGMENT (CONTINUED)

	Fertilizers		Chemicals		Pharmaceuticals		Others		Eliminations		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Segment assets	667,022	649,850	415,906	384,090	765,278	780,553	1,357,375	1,490,202	(1,203,658)	(1,284,466)	2,001,923	2,020,229
Investment in associate	–	–	8,004	8,361	–	–	–	–	–	–	8,004	8,361
Additions to non-current assets other than financial instrument and deferred tax assets	36,802	65,109	7,083	16,015	35,023	22,982	8,862	1,433	–	–	87,770	105,539

Geographical segments

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

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets.

	Malaysia		Indonesia		Other regions		Unallocated		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Geographical segments										
Revenue	1,240,021	1,213,764	301,161	284,123	97,857	73,922	–	–	1,639,039	1,571,809
Segment assets	1,726,906	1,753,638	248,787	237,948	34,234	37,004	–	–	2,009,927	2,028,590

27. FINANCIAL INSTRUMENTS

Certain comparative figures have not been presented for 31 December 2009 by virtue of the exemption given in paragraph 44AA of FRS 7.

27.1 Categories of financial instruments

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

(a) Loans and receivables (L&R);

(b) Fair value through profit or loss (FVTPL):
– Derivatives

(c) Available-for-sale financial assets (AFS); and

(d) Other financial liabilities measured at amortised cost (OL).

2010	Carrying amount	L&R/ (OL)	FVTPL -Derivatives	AFS
Financial assets				
Group				
Other investments	24,515	–	–	24,515
Trade and other receivables	402,377	402,377	–	–
Cash and cash equivalents	212,159	212,159	–	–
	639,051	614,536	–	24,515
Company				
Trade and other receivables	707,727	707,727	–	–
Cash and cash equivalents	87,738	87,738	–	–
	795,465	795,465	–	–
Financial liabilities				
Group				
Loans and borrowings	(841,210)	(841,210)	–	–
Trade and other payables, including derivatives	(216,719)	(216,660)	(59)	–
	(1,057,929)	(1,057,870)	(59)	–
Company				
Loans and borrowings	(580,000)	(580,000)	–	–
Trade and other payables	(42,674)	(42,674)	–	–
	(622,674)	(622,674)	–	–

Amounts in RM'000 unless otherwise stated

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.2 Net gains and losses arising from financial instruments

	Group
	2010
Available-for-sale financial assets	
– recognised in other comprehensive income	(8,687)
Loans and receivables	2,747
Financial liabilities measured at amortised cost	(34,654)
	(40,594)

27.3 Financial Risk Management

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

- Credit risk
- Liquidity risk
- Market risk

27.4 Credit risk

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

(i) Receivables

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 180 days, which are deemed to have higher credit risk, are monitored individually.

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.4 Credit risk (continued)

(i) Receivables (continued)

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

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

	Group
	2010
Malaysia	273,728
Indonesia	102,795
Others	15,559
	392,082

Impairment losses

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

Group	Gross	Individual impairment	Collective impairment	Net
2010				
Not past due	233,865	–	–	233,865
Past due 0-30 days	128,143	–	–	128,143
Past due 31-180 days	28,518	(230)	–	28,288
Past due more than 180 days	28,298	(20,402)	(6,110)	1,786
	418,824	(20,632)	(6,110)	392,082

The movements in the allowance for impairment losses of trade receivables during the year were:

	Group
	2010
At 1 January, as previously stated	23,909
Effect of adoption of FRS139	287
At 1 January, restated	24,196
Impairment loss recognised	3,585
Impairment loss reversed	(940)
Impairment loss written off	(99)
At 31 December	26,742

Amounts in RM'000 unless otherwise stated

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.4 Credit risk (continued)

(i) Receivables (continued)

Impairment losses

Although some of the receivables are secured by third party financial guarantees, it is impracticable to estimate the fair values of the guarantees obtained.

The allowance account in respect of receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

(ii) Investments and other financial assets

Risk Management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Group has only invested in fixed deposits. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

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

The fixed deposits are unsecured.

(iii) Inter company balances

Risk Management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

Impairment losses

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to the subsidiaries. Nevertheless, these advances have been overdue for less than a year. Non-current loans to subsidiaries are not overdue.

27.5 Liquidity risk

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

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

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.5 Liquidity risk (continued)

Maturity analysis

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

	Carrying amount	Contractual interest/ profit rate	Contractual cash flows	Under 1 year	1-2 years	2-5 years	More than 5 years
Group							
2010							
Secured term loan	1,289	7.05%	1,422	528	894	–	–
Unsecured term loan	14,468	1.03%-2.45%	14,468	14,468	–	–	–
Unsecured Musyarakah medium term notes	150,000	5.95%	150,000	150,000	–	–	–
Unsecured 3-years term loan	300,000	3.92%-3.95%	322,091	11,820	310,271	–	–
Unsecured non-revolving loan	18,750	3.49%-4.10%	19,583	8,918	10,665	–	–
Unsecured bank overdraft	18,421	1.50%-6.55%	18,421	18,421	–	–	–
Unsecured bankers' acceptance	133,450	3.05%-3.55%	133,450	133,450	–	–	–
Unsecured revolving credit	204,832	2.95%-3.85%	204,832	204,832	–	–	–
Trade and other payables	216,719		216,719	216,719	–	–	–
	1,057,929		1,080,986	759,156	321,830	–	–
Company							
2010							
Unsecured 3-years term loan	300,000	3.92%-3.95%	322,091	11,820	310,271	–	–
Unsecured Musyarakah medium term notes	150,000	5.95%	150,000	150,000	–	–	–
Unsecured revolving credit	130,000	2.95%-3.85%	130,000	130,000	–	–	–
Trade and other payables	42,674		42,674	42,674	–	–	–
	622,674		644,765	334,494	310,271	–	–

Amounts in RM'000 unless otherwise stated

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.6 Market risk

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

27.6.1 Interest rate risk

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

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

The excess fund placed with licensed banks and other financial institutions and corporations are for certain periods during which the interest rates are fixed. The management reviews the interest rates at regular intervals.

Exposure to interest rate risk

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
Fixed rate instruments				
Financial assets	138,704	157,951	790,640	903,724
Financial liabilities	(790,812)	(892,037)	(599,640)	(708,472)
	(652,108)	(734,086)	191,000	195,252
Floating rate instruments				
Financial liabilities	(50,398)	(36,522)	–	(35,000)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.6 Market risk (continued)

27.6.1 Interest rate risk (continued)

Interest rate risk sensitivity analysis (continued)

Cash flow sensitivity analysis for variable rate instruments

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

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

27.6.2 Currency risk

The Group and the Company are exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S Dollar, Singapore Dollar, Hong Kong Dollar, Indonesian Rupiah, Euro Dollar, Thai Baht, Australia Dollar and Great Britain Pound Sterling.

In respect of other monetary assets and liabilities held in currencies other than Ringgit Malaysia, the Group and the Company ensure that the net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates where necessary to address short term imbalances. The Group will also enter into foreign currency forward contracts in the normal course of business in order to manage its exposure against foreign currency fluctuations on sales and purchases transactions denominated in foreign currencies.

Risk management objectives, policies and processes for managing the risk

Currently, the Group does not hedge these exposures. However, the Management keep this policy under review.

Exposure to foreign currency risk

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

	2010		
Group	***Denominated in***		
In thousands RM	**USD**	**SGD**	**BHT**
Trade receivables	34,045	3,206	4,390
Trade payables	(53,904)	(173)	(4,186)
Net exposure in the statement of financial position	(19,859)	3,033	204

Amounts in RM'000 unless otherwise stated

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.6 Market risk (continued)

27.6.2 Currency risk (continued)

Currency risk sensitivity analysis

A 10 percent strengthening of the Ringgit Malaysia ("RM") against the following currencies at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

Group 2010	Profit/ (Loss)
USD	1,489
SGD	(227)
BHT	(15)

A 10 percent weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

27.7 Fair values of financial instruments

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

The 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.

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

	2010		2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Group				
Quoted shares	24,515	24,515	33,101	33,101
Forward exchange contracts:				
– Liabilities	59	59	–	–
Unsecured 3-years term loan	300,000	300,000	300,000	300,000
Unsecured non-revolving loan	18,750	18,750	15,426	15,426
Company				
Unsecured 3-years term loan	300,000	300,000	300,000	300,000

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.7 Fair values of financial instruments (continued)

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

Quoted shares

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

Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Non-derivative financial liabilities

Fair value is determined using estimated future cash flows discounted using related market rate for a similar instrument at the period end date.

28. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

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

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

Amounts in RM'000 unless otherwise stated

29. CAPITAL AND OTHER COMMITMENTS

	Group		Company	
	2010	**2009**	**2010**	**2009**
Capital expenditure commitments plant and equipment				
Authorised but not contracted for	31,027	24,829	–	–
Contracted but not provided for	53,909	20,705	42,558	470
	84,936	45,534	42,558	470

30. RELATED PARTIES

Identity of related parties

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

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The Key Management personnel include all the Directors of the Group, and certain members of Senior Management of the Group.

The Group has a related party relationship with its subsidiaries (see note 7) and associate (see note 8).

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

	Transaction value year ended 31 December		Balance outstanding as at 31 December	
	2010	**2009**	**2010**	**2009**
Group				
Sales of products to significant investors that has influence over a subsidiary	26,488	25,586	9,181	5,385
Company				
Dividend income from subsidiaries	21,441	24,785	–	53,681
Rental income from subsidiaries	4,238	4,144	647	708
Shared cost charged to subsidiaries	14,338	10,000	14,338	–

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

30. RELATED PARTIES (CONTINUED)

Identity of related parties (continued)

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

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 interests.

31. ACQUISITIONS OF SUBSIDIARIES AND MINORITY INTEREST

On 20 January 2009, the Company acquired the following companies for an aggregate purchase consideration of RM122,733,000 satisfied by cash:

(a) 480,000 ordinary shares of RM1.00 each in Innovative Polymer Systems Sdn. Bhd. ("IPSSB");

(b) 99,999 ordinary shares of RM1.00 each in Innovative Resins Sdn. Bhd. ("IRSB"); and

(c) 1,000 ordinary shares of RM1.00 each in Delta Polymer Systems Sdn. Bhd. ("DPSSB")

The acquisition had the following effect on the Group's assets and liabilities at the acquisition date:

	Pre-acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
Property, plant and equipment	2,884	1,673	4,557
Prepaid lease payments	2,075	–	2,075
Receivables, deposits and prepayments	15,824	–	15,824
Inventories	9,552	–	9,552
Cash and cash equivalents	4,251	–	4,251
Payables and accruals	(7,426)	–	(7,426)
Loans and borrowings	(1,978)	–	(1,978)
Net identifiable assets and liabilities	25,182	1,673	26,855
Minority shareholders interest			(1,611)
Goodwill on acquisition			98,292
Consideration paid, satisfied in cash*			123,536
Cash acquired			(4,251)
Net cash outflow			119,285

* Inclusive of direct cost attributed to the acquisition amounting to RM803,000.

Amounts in RM'000 unless otherwise stated

32. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

	Fair value reserve		Retained earnings	
Group	**2010**	**2009**	**2010**	**2009**
At 1 January, as previously stated	–	–	284,389	314,621
Adjustments arising from adoption of FRS 139:				
– Fair valuation of equity securities classified as available-for-sale	25,348	–	–	–
– Impairment of trade and other receivables, net of tax	–	–	(287)	–
At 1 January, as restated	25,348	–	284,102	314,621

There is no impact to the basic and diluted earnings per ordinary share for the current or preceding financial year arising from this adjustment.

FRS 139, *Financial Instruments: Recognition and Measurement*

The adoption of FRS 139 has resulted in several changes to accounting policies relating to recognition and measurement of financial instruments. Significant changes in accounting policies are as follows:

Investments in equity securities

Prior to the adoption of FRS 139, investments in non-current equity securities, other than investments in subsidiaries and associates were measured at cost less allowance for diminution in value which is other than temporary. With the adoption of FRS 139, quoted investments in non-current equity securities, other than investments in subsidiaries and associates are now categorised and measured as available-for-sale as detailed in note 2(c).

Inter-company loans

Prior to the adoption of FRS 139, inter-company loans were recorded at cost. With the adoption of FRS 139, inter-company loans are now recognised initially at their fair values, which are estimated by discounting the expected cash flows using the current market interest rate of a loan with similar risk and tenure. Finance income and costs are recognised in profit or loss using the effective interest method.

Impairment of trade and other receivables

Prior to the adoption of FRS 139, an allowance for doubtful debts was made when a receivable is considered irrecoverable by the management. With the adoption of FRS 139, an impairment loss is recognised for trade and other receivables and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

These changes in accounting policies have been made in accordance with the transitional provisions of FRS 139. In accordance to the transitional provisions of FRS 139 for first-time adoption, adjustments arising from remeasuring the financial instruments at the beginning of the financial year were recognised as adjustments of the opening balance of retained earnings or another appropriate reserve. Comparatives are not adjusted.

Consequently, the adoption of FRS 139 does not affect the basic and diluted earnings per ordinary share for prior periods. It is not practicable to estimate the impact arising from the adoption of FRS 139 to the current year's basic and diluted earnings per share.

32. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONTINUED)

FRS 8, *Operating Segments*

As of 1 January 2010, the Group determines and presents operating segments based on the information that internally is provided to the Chief Executive Officer/Executive Director, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of FRS 8. Previously operating segments were determined and presented in accordance with FRS 114, *Segment Reporting*.

Comparative segment information has been re-presented. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

FRS 101 (revised), *Presentation of Financial Statements*

The Group applies revised FRS 101 (revised) which became effective as of 1 January 2010. As a result, the Group presents all non-owner changes in equity in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it is in conformity with the revised standard. Since the change only affects presentation aspects, there is no impact on earnings per share.

FRS 117, *Leases*

The Group has adopted the amendment to FRS 117. The Group has reassessed and determined that all leasehold land of the Group which are in substance is finance leases and has reclassified the leasehold land to property, plant and equipment. The change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendment.

The reclassification does not affect the basic and diluted earnings per ordinary share for the current and prior periods.

33. SUBSEQUENT EVENT

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

The above acquisition was carried out in two tranches on 12 January 2011 and 28 February 2011 at a total purchase price of RM6,986,748 satisfied in cash. As at 28 February 2011, the Company owns 100% equity interest in Innovative Polymer Systems Sdn. Bhd., Innovative Resins Sdn. Bhd. and Delta Polymer Systems Sdn. Bhd.

Amounts in RM'000 unless otherwise stated

34. COMPARATIVE FIGURES

FRS 101 (revised), *Presentation of Financial Statements*

Arising from the adoption of FRS 101 (revised), income statements for the year ended 31 December 2009 have been re-presented as statement of comprehensive income. All non-owner changes in equity that were presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. Consequently, components of comprehensive income are not presented in the statement of changes in equity.

FRS 117, *Leases*

Following the adoption of the amendment to FRS 117, certain comparatives have been re-presented as follows:

	Group			
	31.12.2009		1.1.2009	
	As restated	As previously stated	As restated	As previously stated
Property, plant and equipment	566,151	451,062	510,711	388,450
Prepaid lease payments	7,872	122,961	7,137	129,308

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

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the prescribed format of presentation.

The breakdown of the retained profits of the Group as at 31 December 2010, into realised and unrealised profits, pursuant to the directive, is as follows:

	RM'000
Total retained profits	
– Realised	260,066
– Unrealised	7,571
	267,637

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

Analysis of Shareholdings
as at 30 April 2011

Authorised Share Capital	:	RM800,000,000
Issued and Fully Paid Share Capital	:	RM404,741,117
Class of Shares	:	Ordinary Shares of RM1.00 each
Voting Rights	:	One vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS
as at 30 April 2011

Size of Holdings	No. of Holders	%	No. of Shares	%
1-99	337	7.64	5,881	0.00
100 – 1,000	755	17.12	568,677	0.15
1,001 – 10,000	2,477	56.16	10,984,881	2.71
10,001 – 100,000	768	7.41	21,418,406	5.29
100,001 to less than 5% of issued shares	72	1.63	53,330,512	13.18
5% and above of issued shares	2	0.04	318,432,760	78.67
Total	**4,411**	**100.0**	**404,741,117**	**100.0**

SUBSTANTIAL SHAREHOLDERS
as at 30 April 2011

Names	Direct Holdings No.	Direct Holdings *%	Indirect Holdings No.	Indirect Holdings %
1. Permodalan Nasional Berhad	280,387,460	69.28	–	–
2. Yayasan Pelaburan Bumiputra[a]	–	–	280,387,460	69.28
3. Citigroup Nominees (Tempatan) Sdn. Bhd. – Employees Provident Fund Board	38,045,300	9.40	–	–

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

LIST OF TOP THIRTY (30) SHAREHOLDERS
as at 30 April 2011

No.	Names	Holdings	%
1	PERMODALAN NASIONAL BERHAD	280,387,460	69.28
2	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. – Employees Provident Fund Board	38,045,300	9.40
3	PUBLIC NOMINEED (ASING) SDN. BHD. – Pledged Securities Account for Billion Victory Sdn. Bhd. (KLC)	18,000,000	4.45
4	LEMBAGA TABUNG HAJI	7,542,100	1.86
5	CHEMICAL COMPANY OF MALAYSIA BERHAD – Share Buy Back Account	2,998,000	0.74
6	G.T.Y. HOLDINGS SDN. BHD.	2,500,000	0.62
7	MAYBAN NOMINEES (TEMPATAN) SDN. BHD. – Mayban Trustees Berhad for Public Ittikal Fund (N14011970240)	1,753,400	0.43
8	EMPLOYEES PROVIDENT FUND BOARD	1,500,000	0.37
9	AMANAHRAYA TRUSTEES BERHAD – Public Islamic Select Treasures Fund	1,285,400	0.32
10	HSBC NOMINEES (TEMPATAN) SDN. BHD. – HSBC (M) Trustee Bhd for MAAKL Al-Faid (4389)	1,281,400	0.32
11	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. – Exempt an for Prudential Fund Management Berhad	871,300	0.22
12	AFFIN NOMINEES (ASING) SDN. BHD. – UOB Kay Hian Pte. Ltd. for Wee Shuk Theng	848,332	0.21
13	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. – Pledged Securities Account for Nor Hayati Binti Abd Malik (1181002)	630,000	0.16
14	HSBC NOMINEES (ASING) SDN. BHD. – Exempt an for Credit Suisse (SG BR-TST-ASING)	602,200	0.15
15	HSBC NOMINEES (TEMPATAN) SDN. BHD. – HSBC (M) Trustee Bhd for MAAKL Al-Fauzan (5170)	595,600	0.15
16	LEBAR DAUN CONSTRUCTION SDN. BHD.	550,000	0.14
17	CITIGROUP NOMINEES (ASING) SDN. BHD. – CBNY for DFA Emerging Markets Small Cap Series	472,600	0.12
18	MAYBAN NOMINEES (TEMPATAN) SDN. BHD. – Chua Eng Ho Wa'a @ Chua Eng Wah	422,500	0.10
19	LEE YEE CHONG	422,000	0.10

Analysis of Shareholdings
as at 30 April 2011

LIST OF TOP THIRTY (30) SHAREHOLDERS
as at 30 April 2011

No.	Names	Holdings	%
20	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD – Lee Foundation, States of Malaya (00-00197-000)	420,000	0.10
21	GOH ING SING	405,000	0.10
22	EQUITY HEIGHTS SDN. BHD.	400,000	0.10
23	MENG HIN HOLDINGS SDN. BHD.	391,896	0.10
24	PEE YU CHI	360,000	0.09
25	WONG THIAN SOON	340,000	0.08
26	LIM HOE HUP SENDIRIAN BERHAD	322,000	0.08
27	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. – Pledged Securities Account for Yeoh Keat Chye (SEC 17 PJ-CL)	319,000	0.08
28	CITIGROUP NOMINEES (ASING) SDN. BHD. – CBNY for Dimensional Emerging Markets Value Fund	311,000	0.08
29	CITIGROUP NOMINEES (ASING) SDN. BHD. – Exempt an for OCBC Securities Private Limited (Client A/C-NR)	285,568	0.07
30	LABUAN REINSURANCE (L) LTD	269,500	0.07

Analysis of Warrant Holdings
as at 30 April 2011

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

DISTRIBUTION OF SHAREHOLDINGS
as at 30 April 2011

Size of Warrant Holdings	No. of Warrant-B Holders	% of Warrant-B Holders	No. of Warrant-B	% of Total Warrant-B
Less than 100	31	5.90	1,218	0.00
100 - 1,000	195	37.14	162,063	0.29
1,001 – 10,000	256	48.76	993,705	1.80
10,001 – 100,000	41	7.81	1,050,816	1.90
100,001 to less than 5% of issued shares	1	0.20	300,000	0.54
5% and above of issued shares	1	0.19	52,821,503	95.47
	525	**100.0**	**55,329,305**	**100.0**

SUBSTANTIAL WARRANT HOLDERS
as at 30 April 2011

Names	Direct		Indirect	
	No. of Warrant-B held	*%	No. of Warrant-B held	%
1. Permodalan Nasional Berhad	52,821,503	95.47	–	–
2. Yayasan Pelaburan Bumiputra[a]	–	–	52,821,503	95.47

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

Analysis of Warrant Holdings
as at 30 April 2011

LIST OF TOP THIRTY (30) WARRANT HOLDERS
as at 30 April 2011

No.	Names	Holdings	%
1	PERMODALAN NASIONAL BERHAD	52,821,503	95.47
2	AMSEC NOMINEES (TEMPATAN) SDN. BHD.	306,000	0.55
3	TA NOMINEES (TEMPATAN) SDN. BHD.	124,000	0.22
4	MAYBAN NOMINEES (TEMPATAN) SDN. BHD.	97,800	0.18
5	TAN AH KEE	97,000	0.18
6	LIM EIK HOY	85,000	0.15
7	N SADASIVAN A/L N N PILLAY	50,000	0.09
8	BOO KWIE LIANG	50,000	0.09
9	MRS WINNIE HAMZAH SENDUT	42,000	0.08
10	LIM TEH REALTY SDN. BERHAD	40,000	0.07
11	HDM NOMINEES (ASING) SDN. BHD.	35,000	0.06
12	PUBLIC NOMINEES (TEMPATAN) SDN. BHD.	31,033	0.06
13	AMSEC NOMINEES (ASING) SDN. BHD.	25,000	0.05
14	PRETAM SINGH A/L CHANAN SINGH	25,000	0.05
15	HLG NOMINEE (TEMPATAN) SDN. BHD.	25,000	0.05
16	CITIGROUP NOMINEES (ASING) SDN. BHD.	25,000	0.05
17	TAM LEY CHIAN	25,000	0.05
18	TAN SEE GHEE	25,000	0.05
19	LIM YONG KEAT	20,000	0.04
20	SOON KHIAT VOON	20,000	0.04
21	OSK NOMINEES (ASING) SDN. BERHAD	20,000	0.04
22	NG SU YEE	20,000	0.04
23	TEOH OOI KING ONG	20,000	0.04
24	LOH YEW VOON @ LAU AH MOI	18,832	0.03
25	CHIN MOH PLANTATIONS SDN. BERHAD	18,000	0.03
26	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD.	17,000	0.03
27	GOH HUA SIA	17,000	0.03
28	ANG SIEW HOONG	17,000	0.03
29	KOH PEE LEONG	16,000	0.03
30	MAHESWARI I/K RATNASINGAM	15,333	0.03

List of Top Ten (10) Properties
as at 31 December 2010

Location	Tenure	Lease Period	Area (square metre)	Description	Approximate Age of Building	Net Book Value (RM million)	Date of Valuation
Shah Alam Works Padang Jawa Selangor Darul Ehsan	Leasehold	99 years (1973-2072)	286,992	Industrial land, factory and offices	12-41 years	75.50	November 2010
CCM Duopharma GM1391 & GM2239 Lot No. 2599 & 2600 Mukim and District of Klang Selangor Darul Ehsan	Freehold	–	23,270	Industrial land, factory, warehouse and offices	16 years	64.70	November 2010
UPHA Factory Lot 11454, 11458, 11459 Mukim of Kajang	Leasehold	99 years (1987-2086)	22,099	Industrial land, factory and office	21-62 years	63.50	November 2010
Lahad Datu CCMA Fertilizer Plant CCM Agriculture (Sabah) Lot No. 33A, Phase 2, POIC Complex Jln Kastam, Lahad Datu	Leasehold	98 years (2006-2104)	67,421	Industrial land, factory and offices	1 year	43.80	November 2010
No. 18 & 18A Jalan Tun Ismail Kuala Lumpur	Freehold	–	8,878	Residential land and buildings	43 years	27.60	November 2010
No. 16A Jalan Tun Ismail Kuala Lumpur	Freehold	–	8,498	Residential land and building	43 years	25.64	November 2010
Pasir Gudang Works Pasir Gudang Johor Darul Takzim	Leasehold	60 years (1991-2051)	104,599	Industrial land, factory and offices	19 years	24.10	November 2010
CCM Pharma No. 2, Jalan Saudagar U1/16 Seksyen U1 Hicom Glenmarie Industrial Park, Shah Alam Selangor Darul Ehsan	Freehold	–	5,907	Industrial land, factory and offices	14 years	21.80	November 2010
CCM Water Systems Sdn. Bhd. PT No. 609 & 610 Seksyen 16 Dictrict of Petaling Shah Alam Selangor Darul Ehsan	Leasehold	99 years (1995-2094)	14,492	Industrial land, factory and offices	16 years	13.00	November 2010
Kemena Land Bintulu Lot 3121 & Lot 3122 Block 26 Kemena Land District	Leasehold	60 years (1998-2058)	78,752	Industrial land and factory	2 years	11.50	November 2010

Recurrent Related Party Transactions of a Revenue Nature

As at the Annual General Meeting held on 9 June 2010, 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 2010 pursuant to the shareholders mandate are as follows:-

Transaction	Vendor/Provider	Purchaser/Recipient	Aggregate Value[1] (RM'000)	Related Parties
Purchase/Sale of chemicals	CCM Chemicals Sdn. Bhd. (CCMC)	CCM Usaha Kimia (M) Sdn. Bhd.	25,000	*Interested Director/ Interested Person Connected:* Amirul Feisal bin Wan Zahir[2]
Sale of fertilizers	P.T. CCM Agripharma (PTCCMA)	P.T. TH Indo Plantations	120,000	*Interested Major Shareholder:* Lembaga Tabung Haji (LTH)[3]
Purchase/Sale of chemicals	CCMC	Innovative Group	20,000	*Interested Director/ Interested Person Connected:* Amirul Feisal bin Wan Zahir[2]
Purchase/Sale of fertilizers	CCM Fertilizers Sdn. Bhd. (CCMF)	CCM Agri-Max Sdn. Bhd. (CCMAM)	200,000	*Interested Major Shareholder:* LTH[3] *Interested Director/ Interested Person Connected:* Amirul Feisal bin Wan Zahir[2]
Purchase/Sale of fertilizers	CCMF	CCM Agriculture Sdn. Bhd. (CCMA)	180,000	*Interested Major Shareholder:* LTH[3] *Interested Director/ Interested Person Connected:* Amirul Feisal bin Wan Zahir[2]
Purchase/Sale of fertilizers	CCMF	PTCCMA	100,000	*Interested Major Shareholder:* LTH[3] *Interested Director/ Interested Person Connected:* Amirul Feisal bin Wan Zahir[2]
Sale of fertilizers	CCMF	TH Plantations Berhad	40,000	*Interested Major Shareholder:* LTH[3]
Rental of warehouse cum office at Lot PT 200, Persiaran Selangor, 40000 Shah Alam, Selangor	CCMF	CCMAM	200	*Interested Major Shareholder:* LTH[3] *Interested Director/ Interested Person Connected:* Amirul Feisal bin Wan Zahir[2]

Transaction	Vendor/Provider	Purchaser/Recipient	Aggregate Value[1] (RM'000)	Related Parties
Sale of fertilizers	CCMAM	CCMF	22,000	*Interested Major Shareholder:* LTH[3] *Interested Director/ Interested Person Connected:* Amirul Feisal bin Wan Zahir[2]
Purchase/Sale of fertilizers	CCMF	CCM Siam Limited	25,000	*Interested Major Shareholder:* LTH[3] *Interested Director/ Interested Person Connected:* Amirul Feisal bin Wan Zahir[2]

** There was no deviation from the Actual Value exceeding the Estimated Aggregate Value by 10% or more in the Existing Mandate*

Notes:-

1. The values are estimates based on the audited financial statements for the financial year ended 31 December 2010. Due to the nature of the transactions, the actual value of transactions may vary from the estimated value disclosed above. Disclosure is made in CCM's 2010 Annual Report of the actual breakdown of the aggregate value of transactions conducted as required under Paragraph 3.1.5 of Practice Note 12 of the Listing Requirements, pursuant to the Proposed Shareholders' Mandate.

2. Amirul Feisal bin Wan Zahir is the Executive Director of CCM effective 1 January 2011. He is a Director of CCMC and CCMF and has no direct interest in these companies. Amirul Feisal bin Wan Zahir is an interested director and an interested "Person(s) connected" as defined in the Definition section of this Circular and is deemed interested in the Proposed Shareholders Mandate by virtue of him being a director and person connected to CCM.

3. LTH holds direct interest of 49.9% in the issued share capital of CCMF and 1.86% in the issued share capital of CCM. LTH holds an indirect interest of 95% in P.T. TH Indo Plantations *(formerly known as P.T. Multigambut Industri)* and a direct interest of 64.38% in TH Plantations Berhad and therefore, has interests in both companies.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Forty-Ninth Annual General Meeting of the Company will be held at **Ballroom 3, Hotel InterContinental Kuala Lumpur** (formerly the Nikko Hotel), **Jalan Ampang, 50450 Kuala Lumpur on Monday, 27 June 2011 at 10.00 a.m.** for the following purposes:-

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2010 together with the Reports of the Directors and Auditors thereon. — **Ordinary Resolution 1**

2. To approve a final tax exempt dividend of 2.65 sen per ordinary share for the financial year ended 31 December 2010. — **Ordinary Resolution 2**

3. To re-elect the following Directors retiring under Article 96 of the Articles of Association of the Company.

   (a) Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman — **Ordinary Resolution 3**
   (b) Amirul Feisal bin Wan Zahir — **Ordinary Resolution 4**
   (c) Azmi bin Mohd Ali — **Ordinary Resolution 5**
   (d) Dr. Leong Chik Weng — **Ordinary Resolution 6**
   (e) Khalid bin Sufat — **Ordinary Resolution 7**
   (f) Professor Dato' Ir. Dr. Zaini bin Ujang — **Ordinary Resolution 8**
   (g) Datuk R. Karunakaran — **Ordinary Resolution 9**
   (h) Kartini binti Hj. Abdul Manaf — **Ordinary Resolution 10**

4. To approve the Directors' fees of RM410,044.00 for the financial year ended 31 December 2010. — **Ordinary Resolution 11**

5. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. — **Ordinary Resolution 12**

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 Resolution:-

7. Proposed Renewal of Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate") — **Ordinary Resolution 13**

   "That subject to the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company and/or its subsidiaries shall be mandated to enter into the recurrent related party transactions of a revenue or trading nature with the related party as specified in Sections 2.2.1 and 2.2.4 of the Circular to Shareholders dated 6 June 2011 which are necessary for the Company and/or its subsidiaries' day-to-day operations subject further to the following:

   (i) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public, and the transactions are undertaken on arm's length basis and are not to the detriment of the minority shareholders;

(ii) the approval is subject to annual renewal and shall continue to be in force until:-

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the forthcoming AGM at which such mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;

(b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143[1] of the Companies Act, 1965 but shall not extend to such extension as may be allowed pursuant to Section 143[2] of the Companies Act, 1965; or

(c) revoked or varied by resolution passed by the shareholders in a general meeting, whichever is the earlier; and

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

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

NOTICE OF BOOK CLOSURE

NOTICE IS HEREBY GIVEN that subject to the approval of the Shareholders at the forthcoming AGM, the proposed final tax exempt dividend of 2.65 sen per ordinary share in respect of the Company's financial year ended 31 December 2010 will be paid on 22 July 2011 to shareholders whose names appear in the Record of Depositors on 1 July 2011.

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

(a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 1 July 2011 in respect of ordinary transfer; and

(b) Shares deposited into the Depositor's Securities Account before 12.30 p.m. on 29 June 2011 in respect of shares which are exempted from mandatory deposit.

(c) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

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

Kuala Lumpur
Date: 6 June 2011

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

2. Where a member of the Company appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.

3. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

4. The instrument appointing a proxy must be deposited with the Company's Registrar, Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time appointed for holding the meeting.

Explanatory Notes on Special Business

(i) Ordinary Resolution 13 - 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 13 are set out in the Circular to Shareholders dated 6 June 2011.

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

Pursuant to Paragraph 8.27(2), Appendix 8A of the Listing Requirements of Bursa Malaysia Securities Berhad

The details of the eight (8) Directors seeking re-election and their interest in the securities of the Company are set out in their respective profiles which appear in the Directors' Profiles on pages 21 to 28 of this Annual Report.

Proxy Form

CHEMICAL COMPANY OF MALAYSIA BERHAD (5136-T)
(Incorporated in Malaysia)

I/We _____
(FULL NAME IN CAPITAL LETTERS)

of _____
(FULL ADDRESS)

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

_____
(FULL NAME IN CAPITAL LETTERS)

of _____

_____
(FULL ADDRESS)

as my/our proxy to vote for me/us at the Forty-Ninth Annual General Meeting of the Company to be held at **Ballroom 3, Hotel InterContinental Kuala Lumpur** (formerly the Nikko Hotel), **Jalan Ampang, 50450 Kuala Lumpur** on **Monday**, **27 June 2011** at **10.00 a.m.** and at any adjournment thereof.

My/Our Proxy is to vote as indicated below (Please indicate with an "X" how you wish to cast your vote)

			FOR	AGAINST
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2010 and the Report of the Directors and Auditors thereon.	**Ordinary Resolution 1**	☐	☐
2.	To approve a final tax exempt dividend of 2.65 sen per ordinary share.	**Ordinary Resolution 2**	☐	☐
3.	Election of Directors under Article 96:			
	(a) Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman	**Ordinary Resolution 3**	☐	☐
	(b) Amirul Feisal bin Wan Zahir	**Ordinary Resolution 4**	☐	☐
	(c) Azmi bin Mohd Ali	**Ordinary Resolution 5**	☐	☐
	(d) Dr. Leong Chik Weng	**Ordinary Resolution 6**	☐	☐
	(e) Khalid bin Sufat	**Ordinary Resolution 7**	☐	☐
	(f) Professor Dato' Ir. Dr. Zaini bin Ujang	**Ordinary Resolution 8**	☐	☐
	(g) Datuk R. Karunakaran	**Ordinary Resolution 9**	☐	☐
	(h) Kartini binti Hj. Abdul Manaf	**Ordinary Resolution 10**	☐	☐
4.	To approve the directors' fees for financial year ended 31 December 2009.	**Ordinary Resolution 11**	☐	☐
5.	To re-appoint Messrs KPMG as Auditors.	**Ordinary Resolution 12**	☐	☐
6.	**Special Business:** Proposed Renewal of Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate").	**Ordinary Resolution 13**	☐	☐

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member of the Company appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy must be deposited with the Company's Registrar, Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time appointed for holding the meeting.

_____
Signature/Seal

_____
No. of shares

Signed this _____ day of _____ 2011.

fold

affix
postage
stamp

The Registrar

CHEMICAL COMPANY OF MALAYSIA BERHAD (5136-T)

Level 6, Symphony House

Block D13, Pusat Dagangan Dana 1

Jalan PJU 1A/46

47301 Petaling Jaya

Selangor Darul Ehsan

Malaysia

fold

13th Floor, Menara PNB
201-A, Jalan Tun Razak
50400 Kuala Lumpur
Malaysia
tel + 603 2612 3888
fax + 603 2612 3999
www.ccm.com.my