



The company is a member of the Chemical Industry Council of Malaysia (CICM) and is a signatory to the "Responsible Care" programme. The company is also a major participant in the activities of the Business Council for Sustainable Development in Malaysia (BCSDM) and the environment committee of the Malaysian International Chamber of Commerce and Industry (MICCI).

The agricultural sector is anticipating stable conditions through much of 2003. CPO prices are expected to be favorable due to a reduction in the supply of the world's edible oils and fats. Deteriorating weather conditions and moisture over much of the countries producing substitutable edible oils are expected to continue over early 2003. In the meantime, the demand for CPO from the major customers, namely China, India, the European Union and Pakistan is expected to continue. Demand for CPO may be further buoyed by the Government's efforts to expand markets. If these conditions persist, and activities are successful, it will augur well for the fertilizer industry through increased fertilizer demand for improved crop yields.

Any volatility in the Middle East would have an adverse impact on raw materials, much of which are sourced from the region. Any increase in petroleum and gas prices would have an effect on costs of transportation, insurance premiums and ease of freight. Should volatility be averted, it could well benefit the fertilizer industry.

The Chemical Business

The local manufacturing industry continued its sluggish rebound against the backdrop of a struggling world economy in Year 2002. In the face of this depressed manufacturing environment, CCM Chemicals recorded a 11% drop in turnover to RM225 million and a reduced profit before tax of RM1.0 million.

Once again, both the manufacturing and trading businesses continued to suffer from the impact of a shrinking and an increasingly competitive business environment. The manufacturing business was severely affected by depressed world caustic prices which led to the decline in local selling prices to record low levels. The trading businesses also fell short of expectations largely due to declining market demand.

A number of structural improvements have been introduced in both the manufacturing and trading businesses respectively which should return them to the previous higher performance levels if the expected economic recovery unfolds in 2003.

Syarikat adalah ahli Majlis Industri Kimia Malaysia (CICM) dan penandatanganan program "Keprihatinan Bertanggungjawab". Syarikat juga adalah peserta utama aktiviti Majlis Perniagaan bagi Pengkelan Pembangunan di Malaysia (BCSDM) dan ahli jawatankuasa alam sekitar Dewan Perniagaan dan Perindustrian Antarabangsa Malaysia (MICCI).

Sektor pertanian dijangkakan akan mengalami keadaan yang stabil sepanjang tahun 2003. Harga minyak sawit dijangka akan bertambah baik dengan pengurangan bekalan minyak makan dan lemak sedunia. Keadaan cuaca dan kelembapan di kebanyakan negara pengeluar minyak makan gantian dijangka akan berlarutan sehingga awal 2003. Sementara itu permintaan minyak makan oleh pelanggan utama seperti China, India, Persekutuan Eropah dan Pakistan dijangka akan berterusan. Permintaan minyak makan akan terus dibaiki dengan usaha Kerajaan untuk meluaskan pasaran. Keadaan ini, jika berterusan dan aktiviti yang dijalankan berjaya, akan memanfaatkan industri pertanian dengan penambahan permintaan untuk memperbaiki hasil tanaman.

Ketidakstabilan di Timur Tengah akan memberi kesan buruk ke atas bahan mentah yang kebanyakannya didapatkan dari sana. Sebarang kenaikan harga petroleum dan gas akan menyebabkan kenaikan harga pengangkutan, premium insuran dan kemudahan pengangkutan. Sekiranya ketidakstabilan dapat dihindar, ia akan memanfaatkan industri pertanian.

Perniagaan Kimia

Industri perusahaan tempatan terus lembap disebalik ekonomi dunia yang tegang dalam tahun 2002. CCM Chemicals mencatatkan kejatuhan sebanyak 11% dalam perolehan kepada RM225 juta dan keuntungan sebelum cukai sebanyak RM1.0 juta dengan persekitaran perkilangan yang meleset.

Sekali lagi, kedua-dua perniagaan perkilangan dan perdagangan terjejas akibat penyusutan persekitaran perniagaan dan persaingan yang bertambah. Perniagaan perkilangan dijejas teruk oleh kemelesetan harga kaustik sedunia yang menyebabkan kejatuhan harga jualan tempatan kepada yang terendah. Perniagaan perdagangan juga adalah lebih buruk daripada jangkaan, disebabkan kemelesetan permintaan di pasaran.

Sekiranya ekonomi kembali pulih dalam tahun 2003, beberapa perubahan struktur yang telah diperkenalkan kepada perniagaan perkilangan dan perdagangan dijangka akan mengembalikannya kepada keadaan seperti dalam tahun dimana persembahan syarikat adalah menggalakkan.



The company's Asean regional expansion programme will continue on the back of the current operations in Singapore and Indonesia.

CCM Chemicals' drive towards Quality and Safety, Health and Environment (SHE) management excellence continued to pay dividends with a number of prestigious awards and initiatives. The company received the "Best Supplier of Raw Materials Award" from Huntsman Tioxide in February 2002 and successfully upgraded the Company's Quality Management Systems certification to ISO 9001 : 2000 for the Chlor-Alkali business. CCM Chemicals participated in the inaugural Responsible Care Award 2002 organised by the Chemical Industries Council Malaysia. In addition to a number of successfully conducted mock drills in Malaysia and Singapore, CCM Chemicals has also completed the Chemical Health Risk Assessment (CHRA) for all its sites.

At the Chemical Industries Council of Malaysia 2002 Responsible Care Award Ceremony on 18 February 2003, CCM Chemicals won the Gold Award in the category "Community Awareness and Emergency Response".

The Healthcare Business

The UPHA Group of Companies and CCM Pharma, achieved a profit before tax of RM7.4 million, an increase of 32% over the previous year against the backdrop of a softer economy and severe price competition from both local and multinational pharmaceutical companies.

UPHA continues to launch ethical products from its inhouse R & D development pipeline: Vascor, a lipid lowering agent for the control of cholesterol, Simtec, an anti-histamine, anti-allergy drug to alleviate the symptoms of skin allergy sufferers; Enoxin, a twice-daily dosing antibiotic for the treatment of bronchitis and lower respiratory tract infections and Carin, an anti-histamine for nasal and eye allergy. All these products enjoy strong competitive differentiation and will contribute positively to the growth of the business in years to come. Omesec launched in 1999, which provides cost effective treatment for acid related disorders, has emerged as one of the better selling generic drugs in the country.

UPHA also launched new products under its many successful over the counter ("OTC") brands. Besides Toco-E and Livguard, there were line extensions for the Champs brand with the introduction of Champs D-Worm 6 and Omega 3 with multi vitamins as well as Sloan's brand with Massage Liniment.

Program perkembangan serantau Asean syarikat akan diteruskan dengan operasi yang sedia ada di Singapura dan Indonesia.

Tumpuan CCM Chemicals kepada kecemerlangan pengurusan Kualiti dan Keselamatan, Kesihatan dan Alam Sekitar terus memberi pulangan dengan beberapa anugerah yang berprestij dan inisiatif. Syarikat menerima "Anugerah Pembekal Bahan Mentah Terbaik" daripada Huntsman Tioxide pada Februari 2002 disamping berjaya meningkatkan pengiktirafan Sistem Pengurusan Kualiti syarikat kepada ISO9001 : 2000 untuk perniagaan klor-alkali. CCM Chemicals mengambil bahagian dalam Anugerah Keprihatinan Bertanggungjawab 2002 (Responsible Care) sulung anjuran Majlis Industri Kimia Malaysia. CCM Chemicals telah menjalankan Taksiran Risiko Kesihatan Kimia di semua lokasinya, disamping menjalankan beberapa latihan olok-olok di semua tapaknya di Malaysia dan Singapura.


Dalam majlis penyampaian Anugerah Keprihatinan Bertanggungjawab anjuran Majlis Industri Kimia Malaysia pada 18 Februari 2003, CCM Chemicals memenangi Anugerah Emas dalam kategori "Kesedaran masyarakat dan Gerak Balas Kecemasan".

Perniagaan Penjagaan Kesihatan

Disebalik ekonomi yang lemah dan persaingan harga yang hebat daripada syarikat farmaseutikal tempatan dan antarabangsa, kumpulan Syarikat UPHA dan CCM Pharma, mencapai keuntungan sebelum cukai sebanyak RM7.4 juta, meningkat sebanyak 32% berbanding tahun sebelumnya.

UPHA meneruskan pelancaran produk etika menerusi saluran Penyelidikan dan Pembangunannya: Vascor, agen penurunan lipid untuk kawalan kolesterol, dan Simtec, antihistamin dan anti alahan untuk mengurangkan kesan pesakit alahan kulit; Enoxin, antibiotik dua kali sehari untuk bronchitis dan jangkitan salur respirasi bawah dan Carin, antihistamin alahan hidung dan mata. Kesemua produk ini menikmati saingan perbezaan yang hebat dan akan memberi sumbangan positif kearah pertumbuhan perniagaan di masa akan datang. Omesec yang dilancarkan pada 1999 memberikan rawatan berkesan kos untuk gangguan berkenaan asid dan merupakan salah satu ubat genarik yang laris jualannya di dalam negara.

UPHA juga telah melancarkan produk baru di bawah jenama di atas kaunternya. Disamping Toco-E dan Livguard, produk jenama Champs telah bertambah dengan memperkenalkan D-Worm 6 dan Omega 3 dengan multivitamin dan jenama Sloan's dengan 'Massage Linament'. Di dalam rangkaian Flavettes,



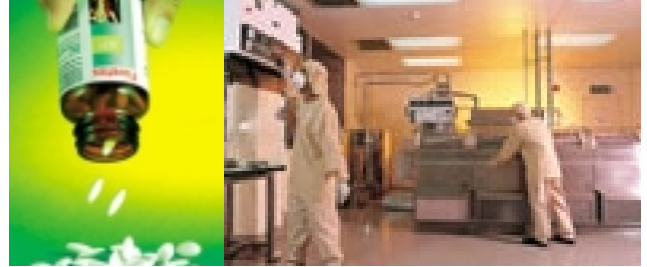
Amidst an increasingly competitive business environment, we introduced structural improvements in certain areas to be ready for the future.

Di dalam keadaan persaingan perniagaan yang semakin giat, kami telah memperkenalkan pembaharuan struktur di beberapa bahagian untuk menghadapi masa hadapan.



We will continue to invest in our R&D capability, with growth being underpinned by our strong product development pipeline.

Kita akan terus melabur dalam kebolehan Penyelidikan dan Pembangunan dengan pertumbuhan yang ditampung oleh saluran pembangunan produk yang kukuh.



Within the Flavettes range, four new products have been introduced. Neuroforte which revitalises nerve fibres and relieves pain; Cal D3 300mg and 600mg, and B-Complex Forte.

Exports continue to make inroads into the regional markets with successes in Singapore, Hong Kong and Indonesia. Export revenue of RM5.2 million registered a 25% increase over the previous year.

UPHA continues to invest in its R & D capability and the growth of the business is underpinned by the strong product development pipeline.

UPHA continued its rationalisation exercise and closed down Negeri Pharmacy, Seremban during the year.

The acquisition of a piece of land and building situated behind the current manufacturing operations at Bangi has been completed and will allow the business to consolidate its manufacturing, marketing and support functions into a single site over the next 3 to 5 years.

In 2002, Prima Health Pharmacy (Retail) Sdn Bhd incurred a pretax loss of RM3 million. Turnover for the year improved by 11% over 2001.

The retail market throughout 2002 remained challenging with major growth registering only in the Hypermarket sector. Prima Health continued to be an active participant in the Mega Sales Campaign organised by the Government.

Year 2002 saw Prima Health opening five new outlets. These were in Batu Feringgi (Penang), Masai (Johor), Rawang (Selangor), Gurun (Kedah) and Sri Damansara (Selangor). Initial results from these outlets have been broadly in line with expectations. At the end of 2002, Prima Health had 18 outlets operating, 10 in the Klang Valley and 8 outside the Klang Valley. The stated objective of the company remains to prepare itself for the eventual separation of the prescription and dispensing market. Selection of new sites is predicated on high consumer density areas and this strategy will continue.

It is expected that national consumer sentiment will improve in 2003, barring any unforeseen external shocks. In line with this, it is expected that Prima Health turnover will continue to improve. Prima Health will continue to embark on an aggressive expansion program in 2003, identifying and opening new outlets in line with the strategy of being a broad based community pharmacy. Given that the separation of

empat produk baru telah diperkenalkan. Neuroforte yang mencergaskan saraf dan melegakan sakit; Cal D3 300mg dan 600mg, dan B-Complex Forte.

Eksport terus menembusi pasaran serantau dengan kejayaan di Singapura, Hong Kong dan Indonesia. Hasil eksport sebanyak RM5.2 juta mencatatkan peningkatan sebanyak 25% berbanding tahun sebelumnya.

UPHA meneruskan pelaburan di dalam kebolehan penyelidikan dan pembangunannya. Saluran pembangunan produk yang kukuh menampung pertumbuhan perniagaan ini.

UPHA meneruskan usaha rasionalisasinya dengan menutup Negeri Pharmacy, di Seremban dalam tahun semasa.

Pembelian sekeping tanah dan bangunan yang terletak di belakang tapak perkilangan di Bangi membolehkan perniagaan meyatukan aktiviti perkilangan, pemasaran dan fungsi bantuan di dalam satu lokasi dalam masa 3 hingga 5 tahun.

Dalam tahun 2002, Prima Health Pharmacy (Retail) Sdn Bhd mencatatkan kerugian sebelum cukai sebanyak RM3 juta. Perolehan bertambah sebanyak 11% berbanding tahun 2001.

Pasaran runcit di sepanjang tahun 2002 terus mencabar dengan pertumbuhan utama dalam sector Pasaraya. Prima Health meneruskan penglibatan dengan aktif dalam Jualan Mega anjuran Kerajaan.

Prima Health membuka 5 cawangan baru dalam tahun 2002, iaitu Batu Feringgi (Pulau Pinang), Masai (Johor), Rawang (Selangor), Gurun (Kedah) dan Sri Damansara (Selangor). Persembahan awal cawangan-cawangan ini kebanyakannya adalah seperti yang dijangka. Pada akhir 2002, Prima Health mempunyai 18 cawangan, 10 di Lembah Kelang dan 8 di luar Lembah Kelang. Syarikat berpegang teguh kepada objektif nyatanya iaitu bersedia untuk manghadapi pengasingan pasaran preskripsi dan pembahagian, terus menjadi objektif nyata syarikat. Strategi pemilihan tapak-tapak baru yang bertumpu kepada kawasan-kawasan yang mempunyai kepadatan penduduk yang tinggi akan diteruskan.

Sentimen pengguna kebangsaan dijangka pulih dalam tahun 2003, melainkan berlakunya sebarang kejutan luar yang tidak dijangka. Seajar dengan ini perolehan Prima Health akan bertambah baik. Prima Health akan meneruskan program perkembangan yang agresif dalam 2003, mengenalpasti dan membuka cawangan baru seajar dengan strategi untuk menjadi farmasi masyarakat yang luas. Memandangkan pengasingan



prescription and dispensing is not expected in the short term, concentration will be placed on margin performance and also sales of non prescriptive items in all outlets.

Your Company's investment in the hospital business has not yielded expected results. While the Seremban Medical Centre had been operated near capacity throughout 2002, the Shah Alam and Miri facilities were running at a loss.

During the year, your Company awarded five scholarships to deserving students in the local universities. Currently, there are a total of sixteen students studying in University Malaya, University Kebangsaan Malaysia, University Science Malaysia and University Putra Malaysia under the CCM scholarship scheme.

Outlook for 2003

Looking ahead, 2003 promises to be another tough year. The global economic climate is very uncertain. 2003 will also see the start of the implementation of the ASEAN Free Trade Area under which tariffs on a wide range of products will be drastically reduced. This will pose threats to your Company's business and at the same time provide fresh opportunities.

Your Company has raised RM200 million by way of a bonds issue, with an attractive coupon rate of 3% per annum. This has not only strengthened the capital base of your Company but has also made available additional funds to finance further expansions and to take advantage of investment opportunities as and when they arise.

Conclusion

On behalf of the Board, I would like to thank all staff, shareholders, customers and suppliers for their contributions in 2002. We look forward to your continued support.

Thank you.

Dato' Mohd Ibrahim bin Mohd Zain

Chairman / Pengerusi

preskripsi dan pembahagian yang dijangka tidak akan berlaku buat sementara waktu, tumpuan diberikan terhadap margin pencapaian dan jualan barangan tanpa preskripsi di semua cawangan.

Pelaburan Syarikat anda dalam perniagaan Hospital tidak memberi pulangan yang dijangkakan. Sementara Pusat Perubatan di Seremban telah beroperasi hampir dengan keupayaan, kemudahan di Shah Alam dan Miri telah mengalami kerugian.

Dalam tahun semasa, Syarikat anda menganugerahkan lima biasiswa kepada pelajar-pelajar di universiti tempatan yang layak menerimanya. Kini, sejumlah enam belas pelajar yang menuntut di Universiti Malaya, Universiti Kebangsaan Malaysia, University Science Malaysia dan Universiti Putra Malaysia berada di bawah sekim biasiswa ini.

Pandangan Tahun 2003

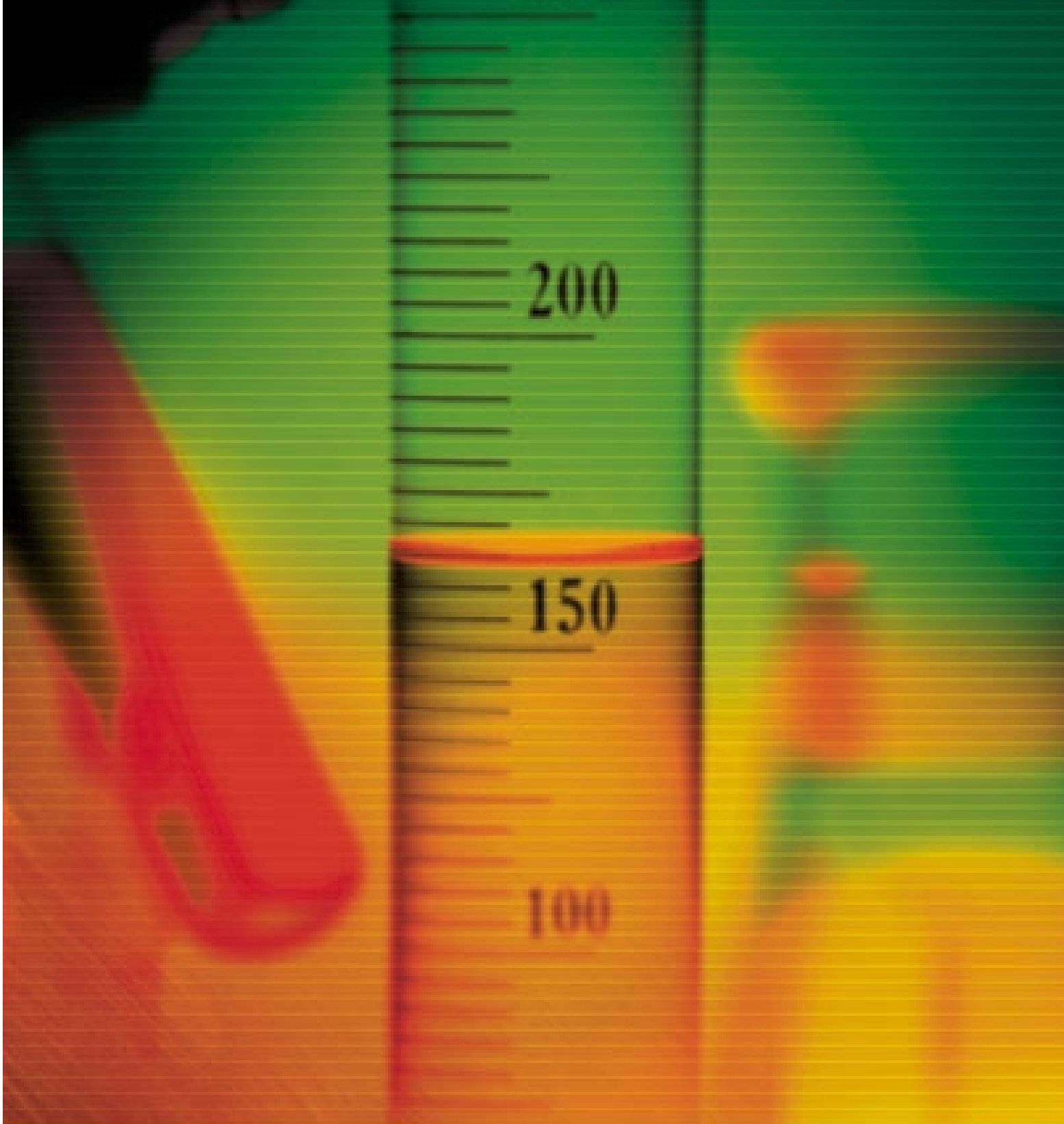
Tahun 2003 dijangka merupakan satu lagi tahun yang mencabar. Keadaan ekonomi global susah dijangka. 2003 akan menampakkan permulaan pelaksanaan Kawasan Perdagangan Bebas ASEAN di mana tarif ke atas sebilangan besar produk akan turun dengan mendadak. Disamping memberi peluang baru, keadaan ini juga akan mengancam perniagaan Syarikat anda.

Syarikat anda telah mengujutkan RM200 juta menerusi penerbitan bon, dengan harga kupon yang menarik sebanyak 3% setahun. Ini bukan sahaja mengukuhkan lagi dasar modal Syarikat anda, malah telah memberikan dana tambahan untuk membiayai pengembangan selanjutnya serta merebut peluang pelaburan yang wujud dari masa ke semasa.

Kesimpulan

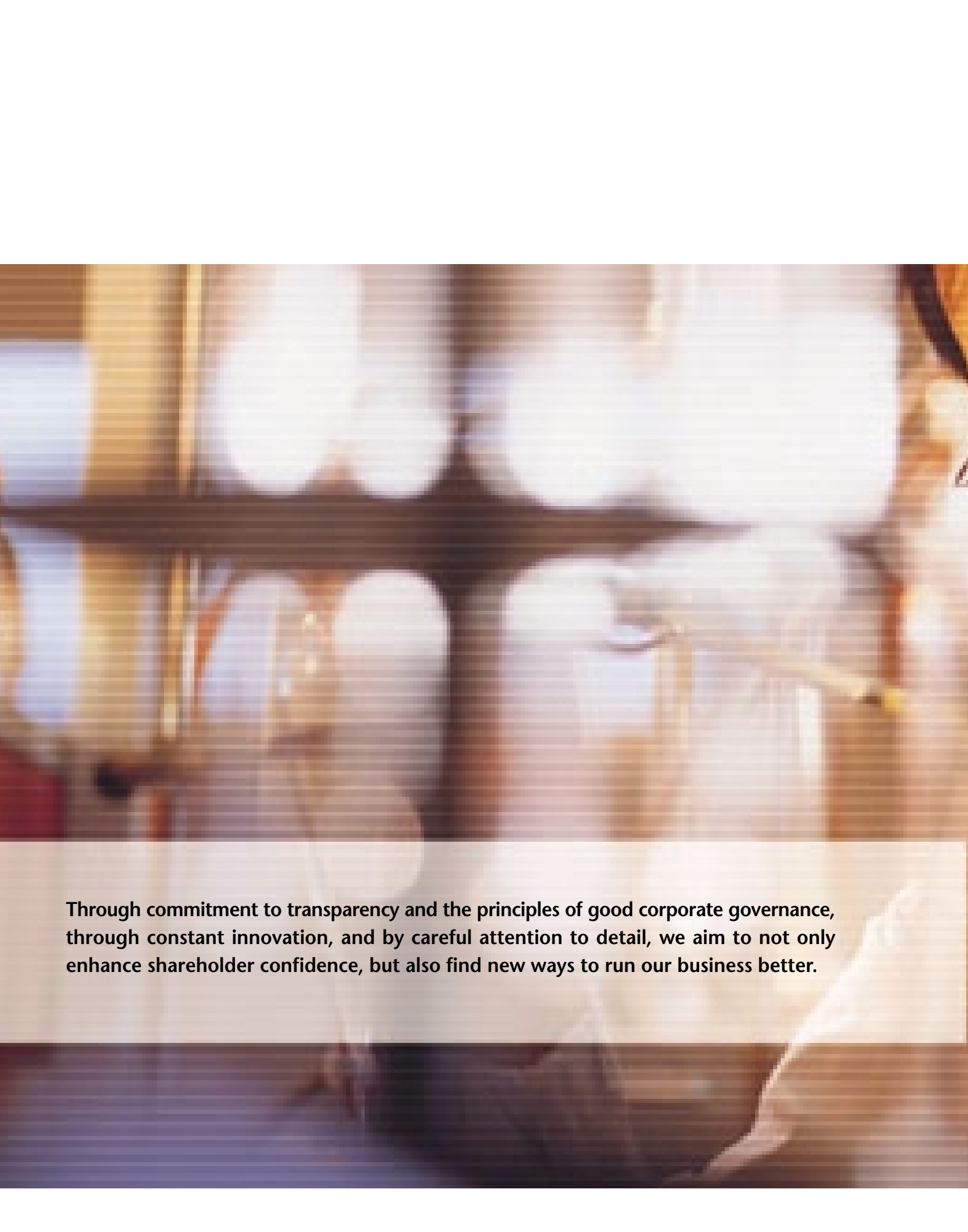
Bagi pihak Lembaga Pengarah, saya ingin mengucapkan terima kasih kepada semua kakitangan, pemegang saham, pelanggan dan pembekal di atas sumbangan mereka dalam tahun 2002. Kami mengharapkan sokongan yang berterusan dari anda sekalian.

Terima Kasih.



Among the milestones we have achieved this year is the successful upgrading of the Company's Quality Systems certification to ISO 9001:2000 for the Chlor-Alkali business.

Di antara kejayaan yang dicapai dalam tahun ini adalah peningkatan pengiktirafan Sistem Pengurusan Kualiti Syarikat kepada ISO 9001:2000 untuk perniagaan klor-alkali.



Through commitment to transparency and the principles of good corporate governance, through constant innovation, and by careful attention to detail, we aim to not only enhance shareholder confidence, but also find new ways to run our business better.