



CHEMICAL COMPANY OF MALAYSIA BERHAD

(Company No. 5136-T)

(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office

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

20 January 2003

Directors

Dato' Mohd Ibrahim bin Mohd Zain (*Non-Executive Chairman*)
Dato' Lim Say Chong (*Managing Director*)
Oh Kim Sun (*Executive Director*)
Hiu Woong Choong (*Executive Director*)
Haji Hassan bin Jaafar (*Non-Executive Director*)
Paisol bin Ahmad (*Non-Executive Director*)
Khet Kok Yin (*Non-Executive Director*)
Dato' David Chiu (*Non-Executive Director*)
Dato' N. Sadasivan (*Independent Non-Executive Director*)
Dato' Tan Kay Hock (*Independent Non-Executive Director*)
Ooi Boon Lcong (*Independent Non-Executive Director*)
Tan Sri Dato' Dr. Mohamed Yusof bin Hashim (*Independent Non-Executive Director*)
Eva Hui Yin Fun (*alternate to Dato' David Chiu*)

To:- The Shareholders of CCM

Dear Sir/Madam

OFFER FOR SALE BY AmMerchant Bank Berhad OF THE PROVISIONAL RIGHTS TO ALLOTMENT OF 88,040,592 WARRANTS TO THE SHAREHOLDERS OF CCM AT AN OFFER PRICE OF RM0.4522 PER WARRANT ON A RENOUNCEABLE BASIS OF ONE (1) WARRANT FOR EVERY FOUR (4) EXISTING ORDINARY SHARES HELD AT 5.00 P.M. ON 13 JANUARY 2003 ("OFFER FOR SALE").

1. INTRODUCTION

At an EGM held on 21 November 2002, the shareholders of CCM approved the Fund Raising Exercise which entails the issuance of RM200,000,000 nominal amount of 7-year 3% p.a. Fixed Rate Bonds with up to 115,765,192 detachable Warrants at 100% of the nominal amount of the Bonds. The Bonds With Warrants Issue was structured on a "Bought Deal" basis pursuant to which AmMerchant Bank and OCBC (acting as Co-Primary Subscribers) subscribed for the entire issue of the Bonds and offered the Bonds (without the Warrants) by way of private placement to Secondary Subscribers. This is in accordance with the Subscription Agreement entered into between the Company, AmMerchant Bank and OCBC. The Bonds and the Rights to Allotment were subsequently issued on 27 December 2002.

You are advised to read and understand the contents of this Abridged Prospectus. The details of the Offer For Sale are set out in the Circular to Shareholders dated 6 November 2002.

A certified true extract of the ordinary resolution approving the Fund Raising Exercise at the aforesaid FGM is attached in Appendix I of this Abridged Prospectus.

As at 9 January 2003, being the ex-date for the Offer For Sale, the issued and paid-up share capital of CCM was RM356,265,366 comprising 356,265,366 Shares, of which 4,103,000 Shares are held as treasury shares. Accordingly, the number of Warrants to be offered by AmMerchant Bank to the Entitled Shareholders on a basis of one (1) Warrant for every four (4) Shares held is 88,040,592 Warrants.

Pursuant to the Offer For Sale which is subject to the terms and conditions of the Abridged Prospectus, the Rights to Allotment will be offered by AmMerchant Bank to the Entitled Shareholders on a renounceable basis of one (1) Warrant for every four (4) existing Shares held at 5.00 p.m. on 13 January 2003 at an offer price of RM0.4522 per Warrant. In the event of an under-subscription by the Entitled Shareholders (i.e. even after all excess applications have been processed), the Rights to Allotment not subscribed for by the Entitled Shareholders would be retained by AmMerchant Bank and/or other parties subject to agreements to be entered into between the Warrant Subscriber and these parties. Certain shareholders of CCM have given their irrevocable written undertaking to subscribe in full for their entitlements of Warrants, the details of which are set out in Section 11 of this Abridged Prospectus.

In determining shareholders' entitlement to the Offer For Sale, fractional entitlements will be disregarded and fractional entitlements not taken up or allotted for any reason shall be dealt with in such manner as the Directors of CCM and/or the Offeror in their absolute discretion may deem fit.

The offer price of the Rights to Allotment was arrived at based on the difference between the nominal amount of the Bonds and the issue price of the Bonds in terms of per unit of the Rights to Allotment. The sum of the price at which the Bonds are issued and the subscription value of the Rights to Allotment equals the nominal amount of the Bonds of RM200 million.

Each Warrant entitles the holder to subscribe for one (1) new Share in CCM within ten (10) years from the date of issue at an exercise price of RM1.36 per Warrant. The Exercise Price was determined based on a discount of approximately 9.48% over the five (5) day weighted average market price of CCM Shares up to 21 November 2002 of RM1.5024 and will be subjected to adjustments under certain circumstances in accordance with the provisions of the Deed Poll constituting the Warrants.

Holders of the Warrants will not have any voting rights in any general meeting of the Company. The new Shares in CCM when issued upon exercise of the Warrants will rank *pari passu* in all respects with the then existing issued Shares of the Company save and except that they will not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is on or before the date of allotment and issue of new CCM shares pursuant to the exercise of the Warrants.

The Fund Raising Exercise is subject to the following :-

- (a) the approval of the SC which was obtained on 10 October 2002;
- (b) the approval of the shareholders of CCM which was obtained at an EGM held on 21 November 2002; and
- (c) the approval-in-principle from the KLSE for the admission of the Warrants to the Official List of the KLSE and the listing of and quotation for the Warrants and new Shares to be issued upon exercise of the Warrants which was obtained on 18 December 2002.

The SC's approval as mentioned above was subject to, *inter-alia*, the following conditions :-

- (i) Prior approval to be obtained from the SC for any amendments to the terms and conditions of the Fund-Raising Exercise; and
- (ii) Exercise price of the Warrants to be determined at a discount of not more than 10% from the weighted average market price of the Share of CCM for a period of five (5) market days prior to price-fixing date.

Official quotation for the Warrants will commence after receipt of confirmation from MCD that the CDS accounts of the Entitled Shareholders who have elected to accept the Rights to Allotment or their renounees have been duly credited and Notices of Allotment have been despatched to these respective Entitled Shareholders / renounees.

Save for the ESOS and the Fund Raising Exercise, there are no other corporate exercise or scheme that has been approved by the SC but pending implementation as at 13 January 2003, being the latest practicable date prior to the printing of this Abridged Prospectus.

2. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT AND EXCESS RIGHTS TO ALLOTMENT APPLICATION

FULL INSTRUCTIONS FOR THE ACCEPTANCE AND PAYMENT FOR THE RIGHTS TO ALLOTMENT PROVISIONALLY OFFERED TO YOU ARE SET OUT IN THE ACCOMPANYING RIGHTS SUBSCRIPTION FORM. THE NOTICE OF PROVISIONAL OFFER AND RSF MUST NOT BE CIRCULATED UNLESS ACCOMPANIED BY THIS ABRIDGED PROSPECTUS. YOU ARE ADVISED TO READ THE RSF, THE NOTES AND THE INSTRUCTIONS THEREIN CAREFULLY.

Each Entitled Shareholder will be issued a RSF and will be entitled to subscribe for one (1) Rights to Allotment for every four (4) existing Shares held on Book Closure Date and he / she may accept in full or any part of his / her entitlement.

The Offer For Sale to the Entitled Shareholders of CCM are **renounceable**, in whole or in part, in favour of third parties.

2.1 Acceptance and Payment

If you wish to accept the Rights to Allotment provisionally offered to you either in full or in part, please complete Parts I and III of the RSF and submit it together with the appropriate remittance, to the Registrar at:-

Malaysian Share Registration Services Sdn Bhd
7th Floor, Exchange Square,
Bukit Kewangan,
50200 Kuala Lumpur
Malaysia

not later than 5.00 p.m. on 19 February 2003 or such later time and day as the Directors and Offeror may decide and announce. Where the closing date of acceptance is extended from the original closing date, the notice of such extension will be made not less than two (2) market days before the original closing date.

Payment by residents must be made in Ringgit Malaysia by Banker's Draft, Cashier's Order, Money Order or Postal Order purchased within Malaysia only or drawn on a Bank or Post Office in Malaysia and made payable to "CCM WARRANTS A/C" and crossed "A/C PAYEE ONLY" and endorsed on the reverse side with the name and address of the applicant in block letters, identity card number and the applicant's CDS account number for the full amount payable for the Rights to Allotment accepted plus any bank commission charges if the Banker's Draft or Cashier's Order or Money Order or Postal Order is drawn on a Bank or Post Office outside of Kuala Lumpur. Payment must be made in exact amount. Any excess or insufficient amount may be rejected at the absolute discretion of the Directors and Offeror. Personal cheque(s) or any other modes of payment not mentioned above will be rejected.

Payment by non-residents must be made in equivalent foreign currencies or in Ringgit Malaysia from the external accounts. In respect of remittance in foreign currencies, instructions must be given by the non-resident to the receiving banks to convert the foreign currencies into Ringgit Malaysia and to issue a Banker's Draft, Cashier's Order, Money Order or Postal Order purchased within Malaysia only or drawn on a Bank or Post Office in Malaysia and made payable to "CCM WARRANTS A/C" and crossed "A/C PAYEE ONLY" and endorsed on the reverse side with the name and address of the applicant in block letters, passport number and the applicant's CDS account number for the full amount payable for the Rights to Allotment accepted plus any bank commission charges if the Banker's Draft, Cashier's Order, Money Order or Postal Order is drawn on a Bank or Post Office outside of Kuala Lumpur. Payment must be made in exact amount. Any excess or insufficient amount may be rejected at the absolute discretion of the Directors and Offeror. Personal cheque(s) or any other modes of payment not mentioned above will be rejected.

Entitled Shareholders are entitled to accept part of their entitlement. The minimum number of Rights to Allotment that can be accepted is one (1) Right to Allotment. However, applicants should take note that a trading board lot for the Rights to Allotment and the Warrants comprises 1,000 Rights to Allotment and 1,000 Warrants respectively.

If acceptance and payment(s) for any part of the Rights to Allotment provisionally offered to you are not received by the Registrar by 5.00 p.m. on 19 February 2003 or such later time and day as the Directors and Offeror may decide and announce, such provisional offer will be deemed to have been declined and will be cancelled and the Rights to Allotment not taken up will be allotted for excess Rights to Allotment application. Thereafter, the remaining Rights to Allotment, if any, will be retained by AmMerchant Bank and/or other parties pursuant to any arrangement between AmMerchant Bank and these parties.

2.2 Overseas Applicants

The making of the offer to or by any persons (including without limitation nominees, trustees and custodians) who are citizens or nationals of, or residents in, jurisdictions outside Malaysia ("Overseas Applicants") may be affected by the laws of the relevant jurisdictions. Such Overseas Applicants should seek the relevant information about and observe any applicable legal requirements. No person receiving a copy of this Abridged Prospectus and RSF in any jurisdiction other than Malaysia may treat the same as constituting an invitation or offer to him, nor should he in any event, use such RSF if, in the relevant jurisdiction, such an invitation or offer cannot lawfully be made to him or the RSF cannot be lawfully used without contravention of any relevant registration or other legal requirements. In such circumstances, this Abridged Prospectus and the RSF are sent for information only unless the Overseas Applicant establishes a Malaysian address for service and the acceptance of the Rights to Allotment made in Malaysia. The Board therefore urges Overseas Applicants to take immediate action upon receipt of this letter to establish a Malaysian address for service and notify the same in writing to the Company's Registrar, Malaysian Share Registration Services Sdn Bhd, 7th Floor, Exchange Square, Bukit Kewangan, 50200 Kuala Lumpur, Malaysia.

It is the sole responsibility of the Overseas Applicants receiving a copy of this Abridged Prospectus and RSF and wishing to accept the offer to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any of the governmental, exchange control or other consents which may be required, other compliance with other necessary formalities needing to be observed and the payment of any issues, transfer or other taxes or other duties due in such jurisdiction. The Overseas Applicants will be responsible for payment of any issues, transfer or any other taxes or other requisite payments due in such jurisdiction and CCM shall be entitled to be fully indemnified and held harmless by such Overseas Applicants for any issue, transfer or other taxes or duties as such person may be required to pay. Overseas Applicants should consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to accept the Rights to Allotment.

Persons receiving this Abridged Prospectus and RSF (including without limitation custodians, nominees and trustees) must not, in connection with the offer, distribute or send it into any jurisdiction where to do so would or might contravene local securities, exchange control or relevant laws or regulations. If this Abridged Prospectus and RSF are received by any persons in such jurisdiction, or by the agent or nominee of such a person, he must not seek to accept the offer unless he has complied with and observed the laws of the relevant jurisdiction in connection therewith. Any persons who does forward this Abridged Prospectus and RSF to any such jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this section under Overseas Applicants for CCM reserves the right to reject a purported acceptance of the Rights to Allotment from any Overseas Applicants in any jurisdiction.

CCM reserves the rights, in its absolute discretion, to treat any acceptance as invalid if it believes that such acceptance may violate any applicable legal or regulatory requirements.

If acceptance and payment for the Rights to Allotment provisionally offered to you are not received by the Share Registrars of CCM, Malaysian Share Registration Services Sdn Bhd, 7th Floor, Exchange Square, Bukit Kewangan, 50200 Kuala Lumpur, Malaysia by 5.00 p.m. on 19 February 2003 or such later time and day as the Directors and Offeror may decide and announce, being the last day and time for acceptance and payment, the said provisional offer to you will be deemed to have been declined and will be cancelled.

2.3 Excess Rights to Allotment Application

If you wish to apply for additional Rights to Allotment in addition to those provisionally offered to you, please complete Part II of the RSF (in addition to Parts I and III) and forward the RSF together with a separate remittance for the full amount payable for the excess Rights to Allotment applied for plus any bank commission charges if the Banker's Draft or Cashier's Order or Money Order or Postal Order is drawn on a Bank or Post Office outside of Kuala Lumpur to the Registrar (the address as set out in page 4 of this Abridged Prospectus) not later than 5.00 p.m. on 19 February 2003 or such later time and day as the Directors and Offeror may decide and announce. Payments for the excess Rights to Allotment should be made in the same manner as described under Section 2.1 for the acceptance and payment for the Rights to Allotment provisionally offered to you, except that the Banker's Draft, Cashier's Order, Money Order or Postal Order should be made payable to "CCM EXCESS WARRANTS A/C".

The minimum number of additional Rights to Allotment that can be applied for is one (1) Right to Allotment. However, applicants should take note that a trading board lot for the Rights to Allotment and the Warrants comprises 1,000 Rights to Allotment and 1,000 Warrants respectively.

The Directors and Offeror reserve the right to allot any unsubscribed Rights to Allotment to excess Rights to Allotment applicants in such manner as they deem fit or expedient in the interest of the Company and they reserve the right to refuse any application without assigning any reason thereto. Where the Rights to Allotment are allotted to successful applicants, the rounding up of odd lots, as far as practicable, would be the main criterion for the allotment of such Rights to Allotment and such Rights to Allotment would be allotted in a non-discriminatory manner.

2.4 Sale / Transfer of the Rights to Allotment

Under the CDS environment, the processes of splitting, nomination and renunciation are replaced by electronic book-entries made in the CDS account of the entitled person and the new purchaser. The Rights to Allotment will be credited into your CDS account. You will be notified of the crediting via the Notice of Provisional Allotment. You may sell part or all of the Rights to Allotment allotted to you.

If you wish to sell all or part of your Rights to Allotment, you may do so through your dealer or remisier for the period up to the last day of trading of the Rights to Allotment. You may immediately sell or transfer your Rights to Allotment (in accordance with the Rules of MCD) in full or in part without first having to request the Company for a splitting of your Rights to Allotment.

In selling all or part of your Rights to Allotment, you need not deliver any document, including the RSF, to the stockbroker. However, you must ensure that you have sufficient Rights to Allotment standing to the credit of your CDS account for the settlement of the sale.

The purchaser(s) / renounee(s) can collect a copy of RSF for the acceptance of his/her/their rights from his/her/their stockbroker(s), the KLSE's website at www.klse.com.my, the Registrar's office or the Company's registered office.

If you have sold only part of your Rights to Allotment, you may still accept the balance of your Rights to Allotment by completing Parts I and III of the RSF.

Further instructions to complete the various forms forming the RSF are set out therein.

2.5 Form of Issuance

The KLSE has already prescribed the securities of CCM that are listed on the Main Board of the KLSE to be deposited with MCD. Accordingly, the Rights to Allotment are prescribed securities and as such the Securities Industry (Central Depositories) Act, 1991, Securities Industry (Central Depositories) Amendment Act, 1998 and the Rules of MCD shall apply in respect of the dealings in the said Rights to Allotment. You must have a CDS account in order to subscribe for the Rights to Allotment.

The acceptance of the Rights to Allotment by you or the new purchaser shall mean consent to receiving such Rights to Allotment as deposited securities which will be credited directly into the respective CDS account.

All applicant of excess Rights to Allotment must state his / her CDS account number and such Rights to Allotment shall be credited directly into his / her CDS account.

You are required to use one (1) RSF for each acceptance/ application if you have more than one (1) CDS account having been credited with the Rights to Allotment.

2.6 Notice of Allotment

No acknowledgement of receipt of the RSF or the remittance accompanying them will be made by the Registrar or the Company. No physical certificates will be issued to you in respect of the Rights to Allotment or the Warrants. However, a Notice of Allotment will be despatched to you by ORDINARY POST within fifteen (15) market days from the last date of acceptance and payment for the Rights to Allotment / excess Rights to Allotment at the address shown on the RSF at your own risk.

Where any incomplete or inaccurate or excess application is not accepted or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded without interest and shall be despatched by ORDINARY POST to the applicant within **fifteen (15)** market days from the last date of acceptance and payment for the Rights to Allotment / excess Rights to Allotment to the address shown on the RSF at the applicant's own risk.

Applicants should note that the RSF and payment, once lodged with the Registrar, cannot be subsequently withdrawn.

THE LATEST TIME AND DATE FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS TO ALLOTMENT WILL BE AT 5.00 P.M. ON 19 FEBRUARY 2003 OR SUCH LATER TIME AND DAY AS THE DIRECTORS AND OFFEROR MAY DECIDE AND ANNOUNCE.

3. DETAILS OF THE OFFER FOR SALE

The issue of the Warrants in conjunction with the issue of the Bonds was approved by the shareholders of CCM at an EGM convened on 21 November 2002. The Warrants are constituted by the Deed Poll.

The following statements on the terms and conditions of the Warrants are a summary of, and are subject to the detailed provisions of the Deed Poll. The Warrant Holders are entitled to the benefits of, are bound by, and are deemed to have notice of, all provisions contained in the Deed Poll. Terms not defined herein shall bear the same meaning assigned to it under the Deed Poll. Where there are any definitions in this section that are inconsistent with the definitions set out in this Abridged Prospectus, the definition as set out in the Deed Poll shall prevail.

3.1 Principal Terms of the Warrants

Warrant Subscriber : AmMerchant Bank
Number of warrants : To issue 88,040,592 Warrants to subscribe for 88,040,592 new ordinary shares of RM1.00 each in CCM on the basis of one (1) Warrant for every four (4) existing shares held in CCM.

Form and Denomination	<p>: The Warrants will be issued in registered form and will be immediately detached from the Bonds upon issue.</p> <p>Upon allotment, the Warrants to be issued will be credited into the relevant Central Depository System accounts of the Warrant Holders and separately traded upon issue.</p> <p>For purpose of trading on the KLSE, a board lot of Warrants will be 1,000 Warrants carrying the right to subscribe for 1,000 Shares in CCM.</p>
Offer Price	<p>: The Warrant Subscriber will offer for sale the Warrants to the shareholders of CCM at an offer price of RM0.4522 per Warrant.</p>
Warrants Entitlement	<p>: Each Warrant entitles the registered holder to subscribe for one (1) new ordinary share of RM1.00 each in CCM during the Exercise Period at the Exercise Price. The Warrants' entitlement is subject to adjustments under the terms and conditions set out in the Deed Poll executed by CCM.</p>
Exercise Price	<p>: Fixed at RM1.36 per Warrant, subject to adjustments under certain circumstances in accordance with the provisions of the Deed Poll.</p>
Exercise Period	<p>: The Warrants may be exercised at any time on or before the date falling ten (10) years from the date of issue. Warrants not exercised during the Exercise Period will thereafter lapse and cease to be valid.</p>
Adjustment to Exercise Price and number of Warrants outstanding	<p>: Should there be an adjustment in the exercise price and/or number of Warrants in the event of alteration to the share capital of CCM, the said adjustment shall be adjusted in accordance with the provisions as contained in the Deed Poll governing the Warrants.</p>
Rights to participate in distribution or offer of Warrants or shares	<p>: The Warrants' holders shall have no participating rights whatsoever in any shares or other securities issued or offered from time to time by the Company.</p>
Mode of Exercise	<p>: The registered holder of the Warrant shall pay cash for the Exercise Price when subscribing for new ordinary shares in CCM.</p>
Deed Poll	<p>: The Warrants will be constituted under a Deed Poll executed by CCM on 22 November 2002.</p>

- Listing Status** : Approval-in-principle has been obtained from the KLSE on 18 December 2002 for the admission of the Warrants to the Official List of the KLSE and to deal in and quotation for the Warrants and new Shares to be issued upon exercise of the Warrants.
- Voting Rights** : The Warrants do not entitle the registered holders thereof to any voting rights in any general meeting of the Company unless the Warrants' holder becomes a shareholder by exercising his Warrants Entitlement.
- Maximum number of new Shares in CCM to be issued upon full exercise of the Warrants** : 88,040,592 new Shares in CCM
- Status of New Ordinary Shares to be Issued pursuant to the Exercise of the Warrants** : The new Shares to be issued upon exercise of the Warrants will, upon allotment and issue, rank *pari passu* in all respects with the then existing issued Shares of the Company save that they shall not be entitled for any dividends, rights, allotments or other distributions, the entitlement date of which is on or before the date of allotment and issue of the new Shares arising from the exercise of the Warrants.
- Rights of Warrant Holders in the event of liquidation, etc.** : Where a resolution has been passed for members' voluntary winding-up of the Company or there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with one or more companies, then:-
- (a) for the purpose of such a winding-up, compromise or arrangement (other than a consolidation, amalgamation or merger in which the Issuer is the continuing corporation) to which the Warrant Holders, or some persons designated by them for such purposes by Special Resolution, will be a party, the terms of such winding-up, compromise or arrangement will be binding on all the Warrant Holders; and
 - (b) in any other case, every Warrant Holder will be entitled to elect to be treated as if he had immediately prior to the commencement of such winding-up, compromise or arrangement exercised the Subscription Rights represented by that Warrant to the extent specified in the Subscription Forms and be entitled to receive out of the assets of the Issuer which would be available in liquidation if he had on such date been the holder of the New Shares to which he would have become entitled pursuant to such exercise and the liquidator of the Issuer will give effect to such election accordingly.

Subject to the foregoing, if the Issuer is wound up or an order has been granted for such compromise or arrangement, all Subscription Rights which are not exercised within 6 weeks of the passing of the resolution for winding-up or before the court order lapses will cease to be valid for any purpose.

3.2 Rationale for the Fund Raising Exercise

After due consideration on various methods of fund raising, the Board of CCM is of the opinion that raising funds by way of a bonds issue is the most appropriate means to pursue its business plans.

The Bonds With Warrants Issue will provide the Company with financing at a fixed interest rate that is lower than the interest rate which would be charged on borrowings from financial institutions. The 3% p.a. coupon rate on the Bonds will give rise to interest savings for the Company, which in turn will enable the effective planning of operating costs and the elimination of risks associated with unforeseen volatile interest rate movements.

The Offer for Sale of Warrants will provide an opportunity for the shareholders of the Company to further increase their equity participation in the long-term growth of the Company by increasing their shareholding through the exercise of the Warrants.

The Warrants when exercised will provide additional funds to finance further expansions in addition to strengthening CCM's capital base.

3.3 Utilisation of Proceeds

As disclosed in the circular to shareholders dated 6 November 2002, the Proceeds of RM200,000,000 (RM160,190,000 from the issuance of Bonds and the balance from the sale of Warrants pursuant to the Offer For Sale) raised from the Fund Raising Exercise are to be utilised in the following manner :-

	Amount RM'000	Period for utilisation of Proceeds from date of receipt Months
Rationalisation of pharmaceutical manufacturing operations of the UPHA Group and CCM Pharma	70,000	36
Refinancing of existing term loans	82,360	12
Working capital requirements of the CCM Group	47,640	N/A
	200,000	

Further details on the utilisation of Proceeds are as follows :-

(a) Rationalisation of pharmaceutical manufacturing operations of the UPHA Group and CCM Pharma

Currently, the Health (manufacturing) division of the Group comprises of UPHA Corporation (M) Sdn Bhd and UPIIA Pharmaceutical Mfg (M) Sdn Bhd (“referred to collectively as UPHA Group or UPHA”), and CCM Pharma.

UPHA is situated on a 3 acre site in Bangi Industrial Estate and a 6000 sq. ft site in Subang Jaya Industrial Estate while CCM Pharma is on a 2 acre site located at Section 13 Industrial Estate, Petaling Jaya.

It is the intention of the Group to integrate all 3 manufacturing sites to a single site, comprising the current UPHA site and an adjacent site approximately 2 acres, the acquisition of which is in the final stages. The total area will be 5 acres where utilisation will be optimised by building a manufacturing facility with enough flexibility to allow expansion of the business for the next 10 to 15 years. The new facility will also be designed to meet current regulatory requirements and industry good practices. The management of CCM has the intention to dispose of its two (2) other plants in Subang Jaya and Petaling Jaya, subject to the Group securing a favourable price, upon completion of the rationalisation of the pharmaceutical manufacturing operations of the Group.

To avoid disruption of the business, the construction will have to be scheduled in phases. This would involve the demolition of both the vacant building at the newly purchased site and the existing buildings at the UPHA site in phases.

The management estimates the rationalization of the pharmaceutical manufacturing operations of the UPHA Group to utilise approximately RM70 million from the Proceeds. The rationalization exercise is expected to be completed over a period of 36 months from the date of receipt of the Proceeds.

(b) Refinancing of existing term loans

The Company is proposing to utilise RM82.36 million from the Proceeds to refinance the term loans, the details of which are as follows:-

Bank	Borrower	Amount Repaid From	Estimated Interest
		Bonds Proceeds	Savings Per Annum
		RM'000	RM
Citibank Berhad	CCM	50,000	500,000
OCBC Bank (Malaysia) Berhad	CCM Chemicals Sdn Bhd	16,000	240,000
Malayan Banking Berhad	CCM Chemicals Sdn Bhd	16,360	245,000
TOTAL		82,360	985,000

(c) **Working capital requirements of the CCM Group**

CCM will utilise RM47.64 million from the Proceeds to supplement the working capital requirements of the CCM Group in line with the increasing sales and other business expansion plans.

4. INFORMATION ON AmMerchant Bank

AmMerchant Bank was incorporated in Malaysia on 5 August 1975 and is a wholly-owned subsidiary of AMMB Holdings Berhad. As at 7 January 2003, the authorised share capital of AmMerchant Bank is RM2,000,000,000. Its issued and paid-up share capital as at 7 January 2003 is RM300,000,000 comprising 200,000,000 ordinary shares of RM1.00 each and 100,000,000 10% non-cumulative preference shares of RM1.00 each.

Currently, AmMerchant Bank provides a wide range of merchant banking services with the major activities being corporate finance and advisory work, corporate banking, syndication of loans, securities and money market dealing, project financing, portfolio management and derivative products. Through its subsidiaries, AmMerchant also provides offshore banking, and fund management services.

The Directors of AmMerchant Bank are as follows :-

- i) Y.Bhg. Tan Sri Dato' Azman Hashim (Chairman);
- ii) Y.Bhg. Dato' Azlan Hashim (Deputy Chairman);
- iii) Y.Bhg. Prof. Tan Sri Dato' Dr. Mohd Rashdan bin Haji Baba (Director);
- iv) Y.Bhg. Dato' Mohd Tahir bin Haji Abdul Rahim (Director);
- v) Y. Bhg. Dato' Malek Merican (Director);
- vi) Mr. Cheah Tek Kuang (Managing Director); and
- vii) Mr. Kok Tuck Cheong (Executive Director)

The registered office of AmMerchant Bank is at 22nd Floor, Bangunan AmBank Group, 55 Jalan Raja Chulan, 50200 Kuala Lumpur.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

5. FINANCIAL EFFECTS OF THE FUND RAISING EXERCISE

5.1 Share Capital

The effect of the Fund Raising Exercise on the issued and paid-up capital of CCM is as follows: -

	No. of Shares	% of enlarged share capital
Share Capital as at 7 January 2003	356,265,366	
Less : Treasury shares as at 7 January 2003	4,103,000	
	352,162,366	80.00
Shares to be issued pursuant to the exercise of the Warrants	88,040,592	20.00
	440,202,958	100.00

5.2 NTA and Gearing

Based on the audited consolidated balance sheet of CCM as at 30 June 2002, the proforma effect of the Fund Raising Exercise on the NTA and the gearing position of the Company are as follows :-

	Audited as at 30.06.2002	(1) Fund Raising Exercise	After (1) and assuming full exercise of the Warrants and redemption of the Bonds
	RM'000	RM'000	RM'000
Share capital	356,265	356,265	444,306
Share premium	<i>Nil</i>	<i>Nil</i>	^ 31,695
Treasury Shares	(8,668)	(8,668)	(8,668)
Reserves	151,520	* 149,520	149,520
Shareholders' funds	499,117	497,117	616,853
Less: Intangible assets	(6,798)	(6,798)	(6,798)
NTA	492,319	490,319	610,055
No. of shares	~ 352,237	~ 352,237	440,278
NTA per share (RM)	1.40	1.39	1.39
Total borrowings	208,065	** 325,705	125,705
LT Debt	38,898	** 217,998	17,998
Gearing (LT Debt/Equity) (times)	0.08	0.44	0.03

Notes :-

- ~ After deducting 4,028,000 treasury shares held by the Company as at 30 June 2002. Kindly note that the Company has subsequent to 30 June 2002 acquired an additional 75,000 treasury shares.
- * After deducting estimated incidental expenses of RM2 million in relation to the Fund Raising Exercise including the relevant professional fees, advertising and printing cost and fees payable to authorities
- ** Borrowings and long-term debt increase by the amount of RM200 million. At the same time RM82.36 million of existing bank borrowings (including RM20.9 million of long-term debt) will be repaid.
- ^^ Based on the exercise price of RM1.36 per Warrant representing a discount of 9.48% over the 5-day weighted average market price of CCM Shares up to 21 November 2002 of RM1.5024.

5.3 Earnings

The Fund Raising Exercise is not expected to have any material effect on the earnings/ earnings per Share of the Group for the financial year ended 31 December 2002 as it is only expected to be fully completed in the first quarter of 2003. The Fund Raising Exercise is also not expected to have any material effect on the earnings/ earnings per Share for the Group for the financial year ending 31 December 2003 as the proposed rationalisation plan of the Company's pharmaceutical operations will only be completed in the financial year ending 31 December 2005. However, thereafter and in the longer term, the Fund Raising Exercise is expected to contribute positively to the earnings of the Group due to net interest savings and / or the availability of additional working capital for the Group.

5.4 Dividend

The Company paid out a gross dividend of 9.3 sen per Share for the financial year ended 31 December 2001. Barring any unforeseen circumstances and after taking into consideration the effects of the Fund Raising Exercise, the Board anticipates that the Company would be in a position to maintain a similar quantum of dividend for the financial years ended/ending 31 December 2002 and 2003, with dividends per Share adjusted according to the outstanding Shares of CCM at that time.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

5.5 Major shareholders

There are no immediate effects on the shareholdings of the shareholders upon the Issuance of Bonds with Warrants. However, assuming full conversion of the Warrants, the shareholdings of the major shareholders of CCM as at 7 January 2003 will be as follows:-

	←-----Existing as at 7 January 2003-----→			←-----After the Bonds With Warrants Issue-----→			←--Assuming Full Exercise of the Warrants--> **		
	Direct ('000)	%	Indirect ('000)	Direct ('000)	%	Indirect ('000)	Direct ('000)	%	Indirect ('000)
Lembaran Megah Sdn Bhd	82,303	23.37	-	82,303	23.37	-	102,879	23.37	-
Permodalan Nasional Bhd	58,459	16.60	-	58,459	16.60	-	73,074	16.60	-
Skim Amanah Saham Bumiputra	40,000	11.36	-	40,000	11.36	-	50,000	11.36	-
Billion Victory Sdn Bhd	36,000	10.22	-	36,000	10.22	-	45,000	10.22	-
Employees Provident Fund Board	28,749	8.16	* 859	28,749	8.16	* 859	35,936	8.16	* 1,075
Pan Malaysia Corporation Berhad	-	-	# 82,303	-	-	# 82,303	-	-	# 102,879
Malayan United Industries Bhd	-	-	# 82,303	-	-	# 82,303	-	-	# 102,879
Dato' David Chiu	-	-	^ 36,000	-	-	^ 36,000	-	-	^ 45,000
Yayasan Pelaburan Bumiputra	-	-	^^ 58,459	-	-	^^ 58,459	-	-	^^ 73,074

Notes :-

The major shareholders' current holdings of Outstanding Warrants are not taken into account.

- ** *Assuming that the major shareholders fully subscribe for their Warrants entitlement*
- * *Deemed interested by virtue of interest held by Nomura Asset Management*
- # *Deemed interested through Lemburan Megah Sdn Bhd by virtue of S6A of the Companies Act 1965*
- ^ *Deemed interested by virtue of interest in Billion Victory Sdn Bhd*
- ^^ *Deemed interested by virtue of interest in Permodalan Nasional Bhd*

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

6. PROFIT AND DIVIDEND RECORD

The profit and dividend record of CCM is disclosed in Appendix II of this Abridged Prospectus.

7. OVERVIEW OF THE MALAYSIAN ECONOMY AND INDUSTRY REVIEW

7.1 Overview of the Malaysian economy

Notwithstanding the global economic crisis in 2001, the Malaysian economy has shown remarkable resilience by managing to record a positive growth in its real Gross Domestic Product ("GDP") of 0.4%. In addition, fiscal stimulus measures and monetary policy that had remained accommodative led to higher public spending and positive growth in private consumption. During the year, public investment and consumption expenditure increased by 15.5% and 11.9% respectively.

However, the manufacturing sector experienced a decline in growth of -5.1% led by the slowdown in major industrial countries and the downturn in the global electronics cycle. While production in the export-oriented industries declined, industries dependent on domestic demand continued to expand, benefiting from the positive effects of various measures taken by the Government. Positive growth was recorded in all other sectors, especially the services sector and construction sector. Pro-growth policies to stimulate domestic activities resulted in growth of the services sector at a high level of 4.9% in 2001 and contribution of the services sector to GDP rose to 55.8%. Inflationary pressures remained subdued, as measured by the Consumer Price Index increasing slightly at 1.4% while unemployment rate was contained below 4%.

(Source: Bank Negara Malaysia Annual Report 2001)

Subsequently, the Malaysian economy entered 2002 with better results, due to the earlier than expected recovery of the US economy during the first quarter. However, the strong recovery was marred by weak performance towards the second quarter and middle of the year for the US, as a result of controversial corporate scandals, rising Middle East tensions, depreciating USD, lower corporate earnings and other events which led to uncertainties in the market. Malaysia's economy is expected to grow at 4%-5% in 2002 within an environment of low inflation and stronger economic fundamentals, supported by both prudent fiscal and accommodative monetary policies. The private sector continues to play a pivotal role in catalysing growth as the economy continues to be domestic-driven.

Output of the manufacturing sector gradually improved, led by increasing orders for semiconductors and other electronic goods, supported by a gradual increase in demand particularly from the Asia Pacific region. After experiencing 11 months of decline, the manufacturing sector has improved from -11% recorded in the fourth quarter of 2001 to bounce back with 3 straight months of positive growth since April 2002. Growth for the first half of the year was at 1.6% and is projected to strengthen to 8.7% in the second half of the year, thus giving an overall growth rate of 5.1%.

(Source: Economic Report 2002 / 2003)

7.2 Industry Review

The Fertilizer Industry

The performance of the fertilizer industry closely tracks that of the plantation industry, where oil palm is the dominant crop. Currently with over 3 million hectares of oil palm in Malaysia, a significant amount of fertilizers would be necessary to boost productivity. As such, there is correlation between sales of compound fertilizers and crude palm oil ("CPO") price movements, although with a lag.

Due to ample global supplies of vegetable oils, the high stock of CPO in the country, higher import duty by major importing countries and increased competition of supplies, the price of Malaysian palm oil remained below RM 1,000 per ton during January to July 2001 depressing the fertilizer market. Thereafter, the price breached the RM1,000 level in August 2001. This turnaround was driven mainly by lower supply of palm oil, particularly since August 2001, as external demand from Malaysia's traditional buyers was sustained. As at July 2002, palm oil prices were RM1,377.50 per ton. *(Source: Malaysian Palm Oil Board)*

(Source: Frost & Sullivan: The Malaysian Fertilizer Market 2001 – 2004)

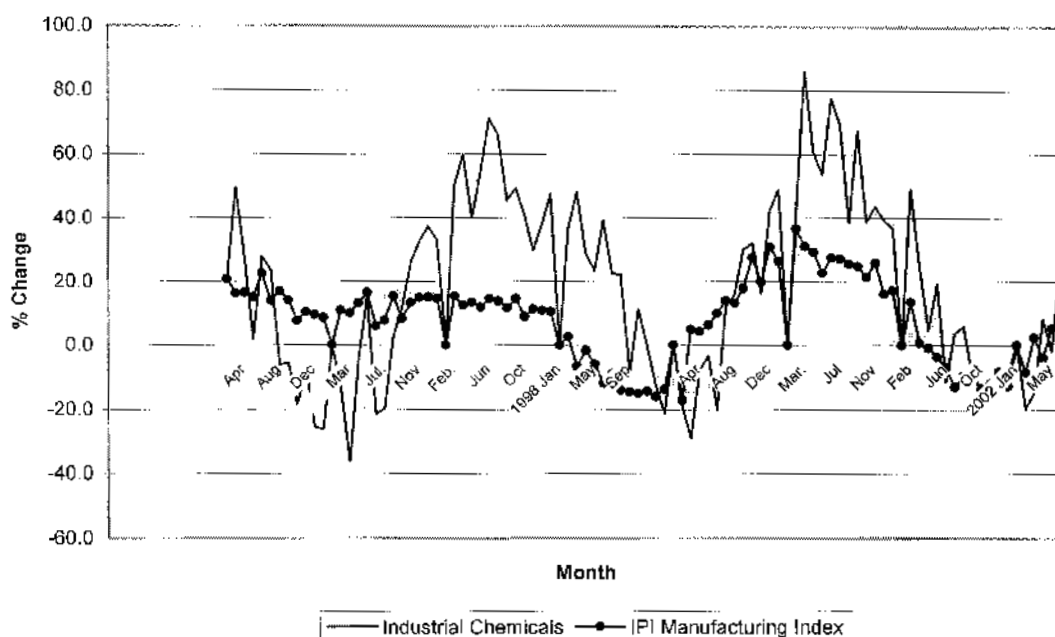
The Industrial Chemical Industry

A large part of CCM's manufactured products can be broadly categorised under 3 product types.

- Coagulants used to clarify water in the potable water treatment industry. Main demand comes from public water works and Petrochemical & Chemicals sector. Main players are CCM Chemicals Sdn Bhd ("CCM Chemicals") (33% market share in 1999), followed by Malaya Acid Works Sdn Bhd ("Malaya Acid Works") (25%) and Malay-Sino Chemical Industries Sdn Bhd ("Malay-Sino") (17%)
- Biocides such as chlorine used as disinfecting agents in potable water treatment, to process chemicals in rubber glove, plastic polymer manufacturing and bleaching products, in production of agrochemicals and pharmaceuticals. Main demand comes from public water works while major market participants are CCM Chemicals (61% market share in 1999) and Malay-Sino (23%).
- pH adjusters such as caustic soda and hydrochloric acid used in water softening, production of detergent and oleochemicals, for pH correction in industrial waste treatment, and is demanded in most manufacturing industries such as textiles, electronics and chemicals. Major players are CCM Chemicals (40% market share in 1999), followed by Malay-Sino (35%) and Malaya Acid Works (10%).

Besides water treatment chemicals, the Group is also actively involved in the trading of a wide range of industrial chemicals. A large part of these chemical demands come from the manufacturing industries such as electronics, food processing, petrochemicals and textiles. As such, there is high correlation between sale of chemicals and the level of manufacturing activities, as depicted in the following chart: -

Correlation between Sales of Industrial Chemicals vs Performance of the Manufacturing Sector



Source: Department of Statistics, Malaysia

In 2001, difficult economic conditions and recessions in the world's major economies significantly reduced external demand for Malaysian manufactured products. By end 2001, the manufacturing sector declined 5.1% from the previous year, producing a parallel impact on the chemical industry.

However, chemicals used in the water utilities/potable water treatment sector are less susceptible as water usage is independent of the economic cycle.

(Source: Frost & Sullivan Report No. 4218-39)

The Pharmaceutical Industry

Generic Pharmaceutical Market: Market Engineering Measurements (Malaysia), 2002

Measurement Name	Measurement	Trend
Market age	Growth stage	N/a
Revenues (2001) (USD)	102.6 million	Up
Potential revenues (2007) (USD)	207.7 million	--
Current market growth rate (2001)	8.0%	Up
Forecast period market growth rate (2001-2007)	12.5%	--
Price sensitivity	High	--
Competitors (active market competitors in 2001)	10	Stable
Companies entering the market	--	--
Companies exiting the market	None	--
Market concentration (% of 2001 market controlled by top three competitors)	60.0%	Up

The generic pharmaceutical market in Malaysia is currently in a growth stage, recording revenues of USD102.6 million in 2001 with a growth rate of 8%. The Compounded Annual Growth Rate ("CAGR") is estimated at 12.5% throughout the forecast period, increasing potential revenues to USD207.7 million in 2007.

Approximately 40 companies exist in the industry, out of which 10 are active. Manufacturers in Malaysia are either Asian Multi-National Companies ("MNCs") or local manufacturers. These manufacturers have their own distribution channel as it is difficult to go through well-established distributors such as Zuellig Pharma Sdn Bhd and Diethelm Holdings (Malaysia) Bhd that focus only on patented drugs. The competitive structure of the generic pharmaceutical industry is divided into three tiers, depending on market share. The top 30% is controlled by the UPHA Group while another 40.5% is shared by Raza Pharmaceuticals Sdn Bhd, Xepa Soul Pattinson (Malaysia) Sdn Bhd, and YSP Industries (M) Sdn Bhd. Market participants belonging to the third tier include Duo Pharma Biotech Bhd, Hovid Sdn Bhd, Ranbaxy (M) Sdn Bhd, Kotra Industries Bhd, etc. The main end-users of generic drugs are general practitioners, clinics and public hospitals.

(Source: Frost & Sullivan Report No. 4048-52)

8. INDUSTRY OUTLOOK AND FUTURE PROSPECTS OF THE GROUP

8.1 The Malaysian Economy

The bleakness of the economic outlook and downside risks have intensified further, making the future appear less certain. After the Bali bombing, the possibility of US-led war with Iraq breaking out has increased, but recent news suggest that this may still be avoidable. The severe slump in the US stock market due to many high-profile scandals has already hit retail sales, and if this prolongs, the US economy is certain to suffer. Without fully recovering from the aftermath of the IT bubble bust in 2000 and its after effects last year, the US economy is heading for a slowdown again.

Nevertheless, the increasing global economic and geopolitical uncertainties have affected domestic business confidence. The Business Conditions Index ("BCI") slipped to 49.9 points in the third quarter of 2002, marginally below the critical threshold of 50 points, which usually portends a worrisome deceleration at best or recessionary tendencies at worst. Although the present broad macro numbers have not indicated a worsening economy yet, the BCI, which takes into account future expectations, had dropped as anxious respondents anticipate business climate to deteriorate in the upcoming quarters. The Consumer Sentiments Index ("CSI"), on the other hand, was almost unchanged, reading at 108.9 in the 3rd quarter of 2002, from 109 in the second, still reasonably above the 100-point benchmark.

From the above, the GDP growth estimate for 2002 is revised to 4.0 per cent, from a previous figure of 4.5% which was held on to since the first quarter. Although the downside risks mentioned above could very well extend beyond 2002 into 2003, it is forecasted that the world economy and trade activities would improve in 2003, barring any unforeseen and highly disruptive events. On the back of a better external environment, a healthier private sector, and continuing expansionary fiscal policy, GDP growth could reach 5.7 per cent in 2003.

(Source : The Malaysian Institute of Economic Research: Short Term Outlook)