
CHEMICAL COMPANY
OF MALAYSIA BERHAD
(5136-T)
FIT FOR
FUTURE
ANNUAL REPORT 2018

OUR VISION

Enhancing Quality of Life

OUR MISSION

To be a responsible company committed to enhancing quality of life by providing sustainable solutions based on innovative sciences

CORE VALUES

PASSION
We inspire and energise everyone to be the best

EXCELLENCE
We consistently deliver outstanding performance through innovative solutions

TEAMWORK
We succeed together because we work as one

INTEGRITY
We conduct ourselves with pride in being honest and ethical

RESPONSIBLE
We honour the trust given to us by being accountable for our actions

RESPECT
We value differences and share intentions as the basis for achieving shares aspirations

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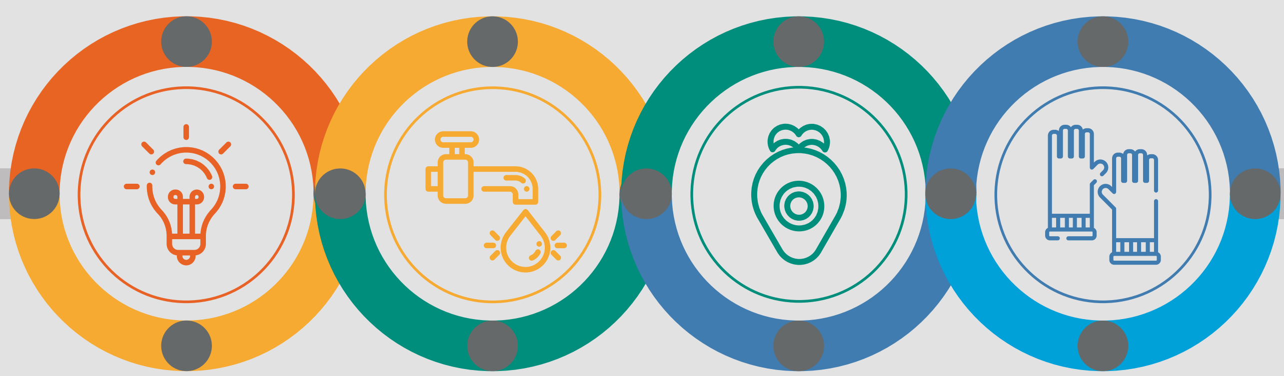
FIT FOR FUTURE

This cover, featuring a montage of its employees in movie poster style, demonstrates that it is the teamwork and togetherness of its employees that make the company's 55 years of success possible. With the backing of the team, CCM is fit to take on challenges of the future.



Performance Review

Financial Calendar

FINANCIAL YEAR END

31 December 2018

ANNUAL GENERAL MEETING

28 May 2019

ANNOUNCEMENT OF 2018 QUARTERLY RESULTS

1st Quarter
25 May 2018

2nd Quarter
28 August 2018

3rd Quarter
13 November 2018

4th Quarter
22 February 2019

Financial Review

TURNOVER AND PROFITABILITY (RM'mil)	2018	2017	2018	2017
	Turnover		Profit/(Loss) before tax	
Continuing Operations:				
Chemicals	305.4	283.6	50.6	44.0
Polymers	90.1	84.3	19.2	18.8
Intersegment eliminations and others	0.4	2.8	(18.2)	(48.1)
Total for continuing operations	395.9	370.7	51.6	14.7
Discontinued operation:				
Pharmaceuticals	–	468.0	–	51.8
Group	**395.9**	**838.7**	**51.6**	**66.5**

LIQUIDITY (RM'mil)	2018	2017
Net cash generated from operating activities	64.6	76.5
Net cash generated from/(used in) investing activities	188.3	(229.2)
Net cash (used in)/generated from financing activities	(279.4)	18.6
Exchange differences on translation of the financial statements of foreign operations	2.5	6.1
Net decrease in cash and cash equivalents	(24.0)	(128.0)
Cash and cash equivalents at 1 January	160.3	288.3
Cash and cash equivalents at 31 December	**136.3**	**160.3**

Financial Highlights

ASSETS & LIABILITIES (RM' Mil)

TOTAL NON-CURRENT ASSETS

2018
284.9

2017
321.5

TOTAL CURRENT ASSETS

2018
290.3

2017
539.9

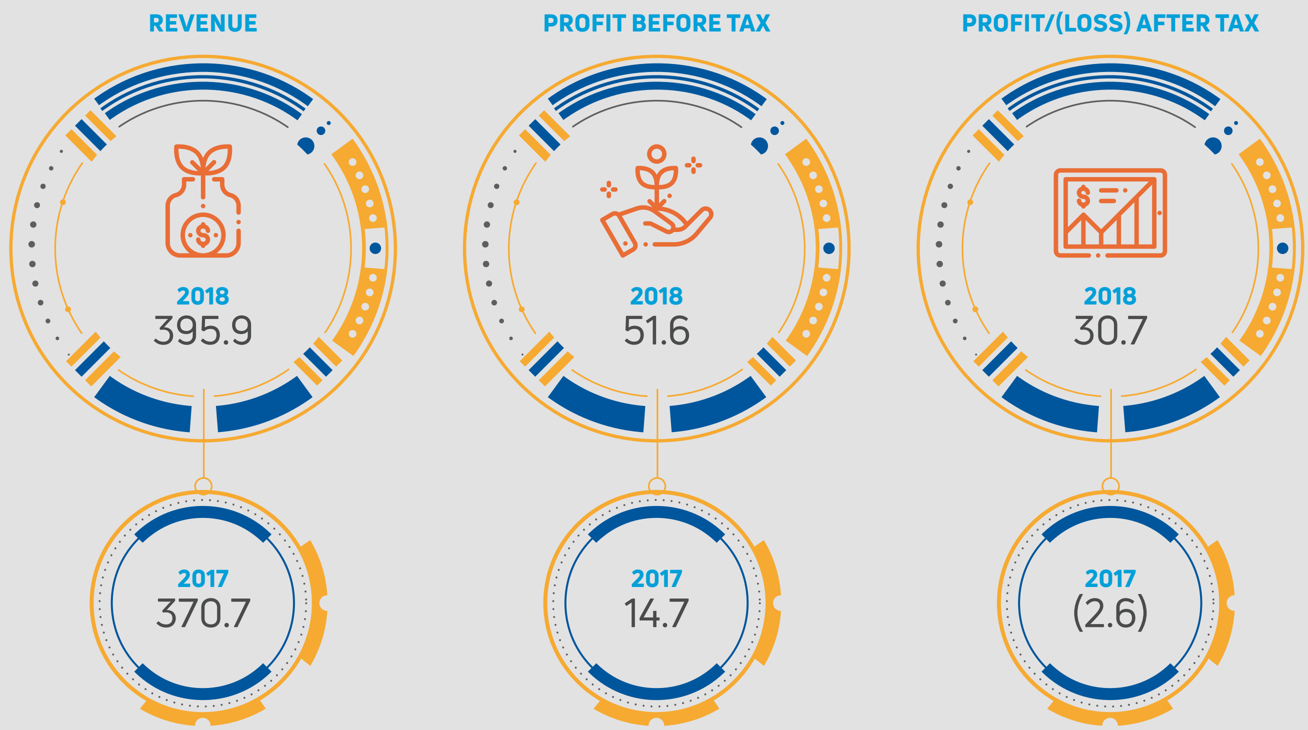
NET DEBTS

2018
57.5

2017
307.8

FINANCIAL POSITION AS AT 31 DECEMBER (RM'mil)	**2018**	**2017**
Total non-current assets	284.9	321.5
Total current assets	290.3	539.9
Total assets	575.3	861.4
Financed by:		
Share Capital	81.9	81.9
Reserves	22.8	163.4
Retained earnings	211.7	36.9
Equity attributable to owners of the Company	316.4	282.2
Non-controlling interests	2.6	(1.3)
Total equity	319.0	280.9
Total non-current liabilities	167.3	132.8
Total current liabilities	89.0	447.7
Total liabilities	256.3	580.5
Total equity and liabilities	575.3	861.4

CONTINUING OPERATIONS (RM' Mil)



PROFIT OR LOSS FOR THE FINANCIAL YEAR (RM'mil)	**2018**	**2017**
Continuing Operations:		
Revenue	395.9	370.7
Profit before tax	51.6	14.7
Tax expense	(20.9)	(17.4)
Profit/(Loss) from continuing operations	30.7	(2.6)
Discontinued Operation:		
Profit from discontinued operation, net of tax	–	42.4
Profit for the year	30.7	39.8
Profit attributable to:		
Owners of the Company	25.7	25.9
Non-controlling interests	5.0	13.9
Profit for the year	**30.7**	**39.8**

Group Financial Ratios

RETURN & PROFITABILITY (%)

TURNOVER GROWTH RATE OF CONTINUING OPERATIONS

2018
6.81

2017
25.08

PROFIT BEFORE TAX FROM CONTINUING OPERATIONS AS A % OF TURNOVER

2018
13.04

2017
3.97

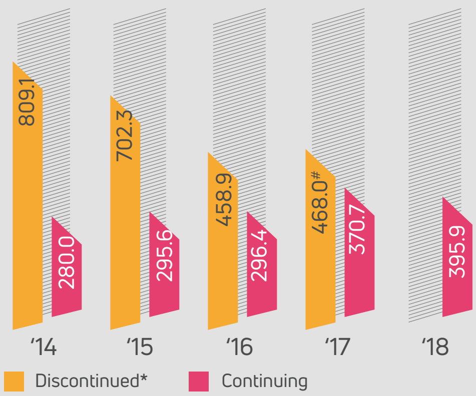
RETURN ON EQUITY

2018
9.64

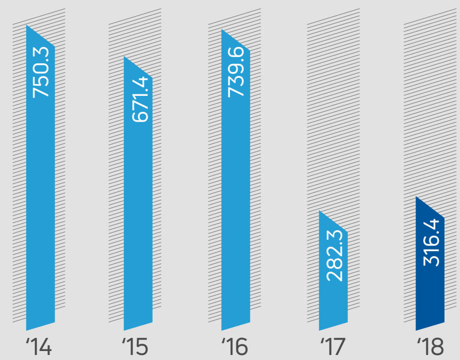
2017
14.17

	2018	2017
PROFITABILITY (%)		
Turnover growth rate of continuing operations	6.81	25.08
Profit before tax from continuing operations as a % of turnover	13.04	3.97
Return on equity	9.64	14.17
LIQUIDITY		
Current Ratio (x)	3.26	1.21
Acid test ratio (x)	2.58	0.66
MARKET RATIOS		
Net Assets per share (RM)	1.89	1.68
Earning per share (sen)		
– from continuing operations	15.32	(1.13)
– from discontinued operation	–	6.74
Total Dividend per share (sen)	9.00	2.50
PRODUCTIVITY		
Turnover per employee (RM'000)	1,112	963
Total Assets per employee (RM'000)	1,616	2,237
Number of employees	356	385

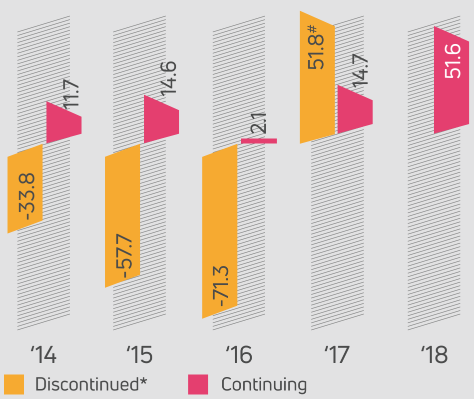
TURNOVER
(RM'mil)



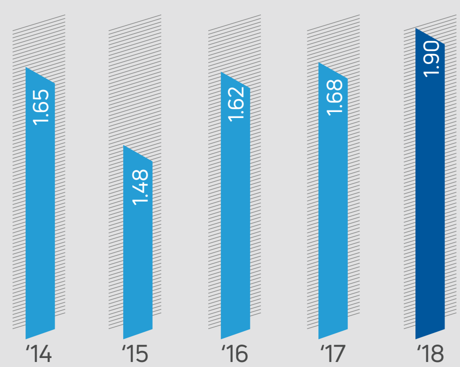
EQUITY ATTRIBUTABLE TO OWNERS
(RM'mil)



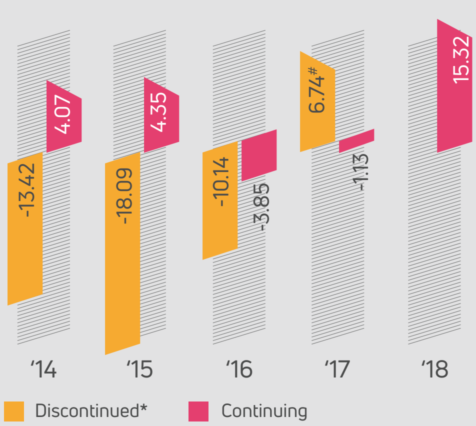
PROFIT BEFORE TAX
(RM'mil)



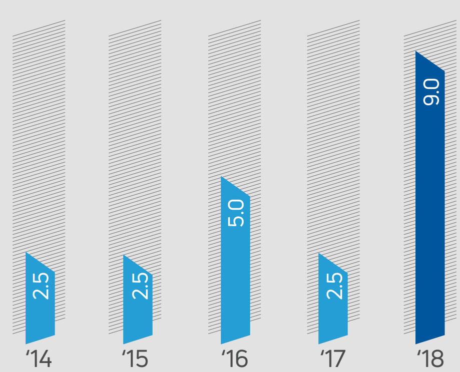
NET ASSETS PER SHARE
(RM)



BASIC EARNINGS PER SHARE
(Sen)



DIVIDEND PER SHARE
(Sen)



* Chemical Company of Malaysia Berhad exited the Fertilizers and Pharmaceuticals business in 2016 and 2017 respectively.
# For 2017, the discontinued operation only consists of Pharmaceuticals business

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors of Chemical Company of Malaysia Berhad (CCM or the Group), it is my privilege to present our Annual Report for the financial year ended 31 December 2018 (FY 2018). This is my first statement to you in my capacity as the Group's newly appointed Chairman and I am pleased to put across the collective input of my colleagues on the Board and the senior management team. While I only recently took on this role in March this year, I am happy to say that the team has quickly brought me up to speed on the workings of the Group. In my short time here, I have come to understand, appreciate and respect the efforts of the team as they have stepped up to the plate to deliver their promises. Despite a host of market and operational challenges over FY 2018, I am delighted to report that CCM made commendable progress in its efforts to become a leaner, stronger and much-improved group.

A YEAR OF ONGOING TRANSFORMATION

The year 2018 was a year of continuing transformation for CCM. Following our exit from the Pharmaceuticals business at the end of 2017, we focused our efforts on strengthening and growing our Chemicals and Polymers businesses. Our efforts bore fruit with the Group registering a 6.8% and 250.5% rise in revenue and profit before tax respectively in FY 2018 over the preceding year's results .

Benefiting from Strategic Divestments

As part of our ongoing business rationalisation efforts, July 2018 saw us concluding the disposal of two major non-core assets of the Group, namely our land in Shah Alam for RM190.0 million and our shares in Pangen Biotech Inc for RM59.2 million. In March 2019, we completed our third divestment exercise involving the Group's land in Nilai for RM21.5 million.

The bulk of the RM270.7 million raised from these transactions have gone towards paring down our existing borrowings. I am pleased to report that as of 31 December 2018, our debt to equity ratio was at 0.61 times in comparison to 1.67 times as at 1 January 2018. The Group is expected to benefit from interest expenses savings of about RM13.6 million per annum, given now that our borrowings have been significantly reduced. Today, CCM boasts a healthier balance sheet given the lower gearing, plus considerable cash in hand to invest into our business in maintaining our competitive advantage.

Expanding Capacity for Future Growth

To expand our manufacturing capacity and meet growing market demand for our products, we began investing approximately RM100.0 million in capacity expansion initiatives for our Chemicals and Polymers Divisions in FY 2018. The year saw us reactivating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Chairman's Statement

I am pleased to report that the CCM Group recorded revenue of RM395.9 million in FY 2018, a 6.8% increase over the RM370.7 million recorded in the preceding year.

the Pasir Gudang Works 1 (PGW1) Chlor-Alkali manufacturing facility and commencing construction on our Calcium Nitrate (CN) plant in Shah Alam, both of which come under the ambit of the Chemicals Division. We also purchased a piece of land and a factory in Bangi to relocate the Polymers Division's centralised warehouse and head office. A significant portion of our capital expenditure was derived from internal funding and so we remain in a healthy financial position. The plants that are undergoing or have undergone capacity expansion are expected to begin generating revenue immediately once they become operational and that augurs well for the Group's financial performance over the short to mid-term.

With the Group's debts pared down and our balance sheet lightened, we are in a position to utilise our resources more effectively and efficiently as well as maintaining a strong focus on growing our core Chemicals and Polymers businesses. The finer details of these developments are spelt out in the Group Managing Director's Management Discussion and Analysis (MD&A) section of this Annual Report.

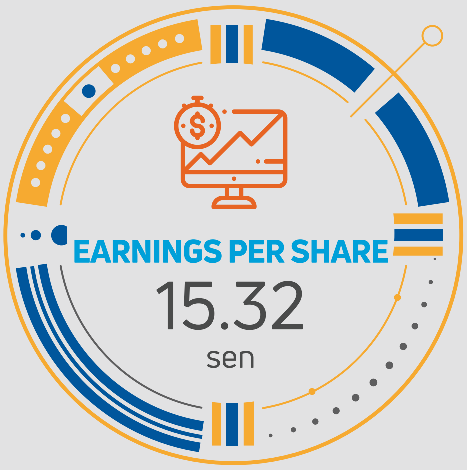
Strengthening Our Reputation

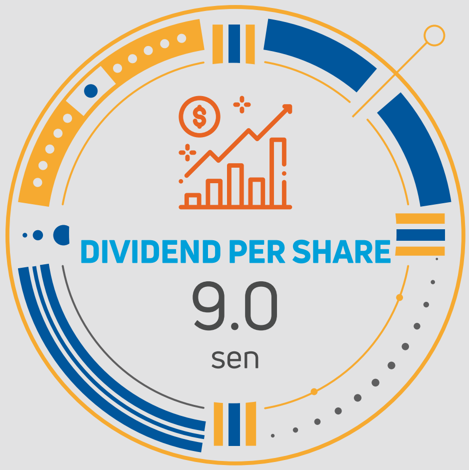
Even as we focused our efforts on laying strong financial and operational foundations in FY 2018, we initiated an exercise to strengthen the CCM brand. We kicked this off by undertaking a brand discovery exercise to gain insights into internal and external stakeholders' perspectives of the CCM brand. Today, with a better understanding of where we stand with our audiences in the market segments that we play in, we are undertaking brand initiatives to strategise our visibility vis-a-vis our markets whilst upholding the CCM legacy.

Moving forward, we aim to become a more agile, customer-centric organisation that is focused on optimising processes, boosting productivity, and staying ahead of the curve by creating value through innovation. As we set our sights on becoming a market leader in the Chemicals and Polymers segments, we will maintain a laser-focus on our vision and mission, tap innovation, create new trends, become more efficient and productive, as well as adopting a proactive, value-driven and customer-centric approach to business.

FINANCIAL PERFORMANCE

I am pleased to report that the CCM Group recorded revenue of RM395.9 million in FY 2018, a 6.8% increase over the RM370.7 million recorded in the preceding year. The increase in revenue came on the back of 7.7% and 7.0% increases in revenue from the Chemicals and Polymers Divisions respectively. Meanwhile the Group's profit before tax rose by an impressive 250.5% to RM51.6 million in FY 2018 from RM14.7 million previously. More details on the Group's financial performance can be found in the MD&A section of this Annual Report.





GOOD SHAREHOLDER VALUE CREATION

The Board of Directors and Management of CCM are committed to creating value for the Group's shareholders by ensuring a steadfast focus on the performance of our business and other measures to improve business equity, whether it is by way of business growth, profits, return on investment, increased market share or a strengthening of our brand equity. Mindful of shareholders' expectations, we continue to look for ways and means to reward shareholders in a fitting manner at the opportune time.

I am pleased to report that CCM's demerger exercise was named 2018's Best Corporate Restructuring Exercise by *The Edge Malaysia*. This exercise not only released CCM and Duopharma Biotech Berhad (formerly known as CCM Duopharma Biotech Berhad) to chart their own growth paths, it also gave CCM's major shareholder and minority shareholders greater flexibility in deciding their exposure to CCM's Chemicals and Polymers businesses as well as Duopharma's Pharmaceutical business.

Following the de-merger exercise, CCM's share price turned in a strong performance with a more than 16% increase from the average share price prior to the de-merger exercise. This attests to the investing communities' confidence in the Group's business focus, strategies and prospects post the de-merger exercise.

To reward our shareholders, in respect of FY 2018, CCM paid out a first single-tier interim dividend of 3.0 sen per share totalling RM5.0 million to shareholders on 29 June 2018. This was followed by the payment of a second single-tier interim dividend of 4.0 sen per share totalling RM6.7 million on 31 January 2019. The Board is also recommending a final single tier dividend of 2.0 sen per share subject to shareholders' approval at the forthcoming 57th Annual General Meeting. Based on CCM's issued share capital of 167.7 million shares, this will amount to a dividend pay-out of approximately RM3.4 million. The entitlement date in respect of the final single tier dividend will be on 31 May 2019 and the payment will be made on 14 June 2019. Altogether, these dividend payments represent a pay-out ratio of 59% of our profit after tax and minority interest (PATAMI) and will amount to a total dividend pay-out of RM15.1 million for FY 2018 (FY 2017: RM11.4 million).

Chairman's Statement

The Group continues to increase its capacity to meet market demand as reflected in FY 2018's sales results. Whilst the Group has benefited from cost optimisation initiatives in FY 2018, the full impact of the de-gearing and capacity expansion initiatives will be made more evident from FY 2019 onwards. As at 31 December 2018, the Group's net assets per share grew to RM1.89 from RM1.68 the year before. We are cautiously optimistic that we can better this in FY 2019.

The Group is also committed to create good shareholder value through non-tangible means. For the year in review, the Group continued to earn awards and accolades for exhibiting excellence on several fronts.

CCM received the following awards at the annual Chemical Industries Council of Malaysia Responsible Care Awards 2017/2018 event:

- √ Gold Award for Community Awareness and Emergency Response Code;
- √ Gold Award for Employee, Health and Safety Code;
- √ Gold Award for Distribution Code;
- √ Silver Award for Pollution Prevention Code;
- √ Silver Award for Process Safety Code; and
- √ Merit Award for Product Stewardship Code.

The Group was also awarded the title "BestBrands in Industrial and Speciality Chemicals" at The BrandLaureate Most Valuable BestBrands Award 2017/2018 event.

RESPONSIBLE CORPORATE PRACTICES

Recognising that good governance translates into good business, the Board of CCM remains fully committed to upholding and implementing strong standards of corporate governance as well as robust risk management and internal control measures throughout the Group. These fundamental components of our business helps to ensure the sustainable, long-term growth of our businesses, strengthening investor confidence, safeguarding our corporate reputation, and ensuring continued shareholder value creation.

In FY 2018, the Board adopted several measures to strengthen our governance framework. These included the implementation of a robust growth strategy following our exit from the pharmaceuticals business; enhancements to the Board Charter, terms of reference for each board committee and the External Auditor Policy; as well as a finetuning of the assessment mechanisms for the Board, board committees and individual directors. The Board also formalised the Group's remuneration policy and procedures in relation to directors and senior management personnel. The finer details of these and other measures can be found in the Corporate Governance Overview Statement on pages 60 to 75 of this Annual Report.

For the year under review, we also continued to undertake various initiatives to strengthen our risk management and internal control systems. These included monthly monitoring of risks on key projects with an emphasis on risk mitigation action plans, and a specific review of high-risk matters (including regulatory compliance) to ensure key action plans were in place. We also assessed the risk maturity of the Group after the demerger exercise and ensured that strategies, policies and action plans were at a higher maturity level and well communicated throughout the organisation. At the same time, we conducted risk awareness workshops at our Headquarters and within the Chemicals Division to raise our people's understanding of risk-related matters. We also highlighted the emerging risks and conducted a quarterly assessment on the likelihood and impact of the top emerging risks.

Your Board acknowledges the fact that we have a responsibility to secure CCM's future and to ensure sustainable value creation for all our stakeholders. Being a conscientious corporate citizen, we are genuinely committed in balancing out our strong economic performance with responsible environmental and social considerations to ensure we deliver a sustainable performance.

Being a strong advocate of greater safety within the chemical industry, CCM remains committed to ensuring a safer environment for our employees, customers and the communities that we operate in. To this end, our subsidiary, CCM Chemicals Sdn Bhd, has trained professional Chemical Emergency Service (CES) teams that not only provide advice on safety measures and the remedial actions to be taken when a chemical emergency occurs, but are ready to swing into action at a moment's notice.

I am pleased to report that our CES team together with the Fire and Rescue Department Malaysia successfully deal with a chlorine gas leak in Miri in October 2018, and more recently with the Pasir Gudang Emergency Mutual Aid (PAGEMA) team to handle the illegal dumping of toxic waste in Sungai Kim Kim, Johor. In the latter incident, our CES team was among the first to respond to PAGEMA's request for aid at some of the initial schools affected by the illegal dumping. Our team's provision of an ambulance, emergency response personnel, medical supplies and personal protection equipment

(PPE) such as chemical suits, respiratory sets and nitro gloves did much to help alleviate a perilous situation where many lives were at stake. We will continue to strengthen our capabilities in this area to do our bit to keep communities safe.

This year, we are publishing our fifth standalone Sustainability Report which underscores our practices and achievements on the Economic, Environmental, and Social or EES fronts. This year's Sustainability Report is especially noteworthy in that it is the first we have produced that is fully aligned with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines. A summary of these can also be found on pages 24 to 31 of this Annual Report. Our intention is to continue making good headway with our sustainability agenda as we implement tangible EES practices and entrench ourselves as a progressive and ethical company.

While our agenda of transformation these past few years has not been easy, it has been necessary. Today, with a good portion of our capital unlocked, CCM is a leaner, stronger and much improved entity that is all set to steadfastly grow its Chemicals and Polymers Divisions as well as bolster its brand presence in Malaysia and the region. It is with a quiet confidence that I say that CCM is on the right growth path. The Board is cautiously optimistic that CCM will turn in a sound performance in FY 2019.

IN APPRECIATION

Many parties have played a part in our success to date and we want to acknowledge them for their efforts. On behalf of the Board, I wish to extend my utmost gratitude to our shareholders, customers, business partners and various stakeholders for their unwavering support and confidence in CCM.

I also wish to convey my deep appreciation to CCM's dedicated management and staff for their continued loyalty, diligence and commitment to demonstrating a spirit of excellence in all that they set out to do. My sincere appreciation also goes to my colleagues on the Board for their wise counsel and dedication in helping the Group stay its course amidst another challenging and opportunistic year.

At this point, I would like to convey my sincere gratitude to Dato' Hajah Normala binti Abdul Samad who ended her Chairmanship with CCM in July 2018. We also owe a debt of gratitude to Datin Paduka Kartini binti Hj Abdul Manaf who held the fort in the interim in her role as Acting Chairman until March 2019. We sincerely thank both of them for their worthy contributions to the Group. On another note, I would also like to welcome Puan Amizar binti Mizuar who joined us as a Non-Independent Non-Executive Director in September 2018. We certainly look forward to her insights and contributions.

Moving forward, I call upon all of our stakeholders to lend us their unstinting support as we build upon the good momentum we have gained to date. As the team at CCM sets its sights on taking the Group up to new heights of success, we can certainly look forward to exciting times. Thank you.

Dato' Idris Bin Kechot
Chairman

Group Managing Director's Management Discussion and Analysis

Dear Shareholders,

I am pleased to present the financial and operational performance of Chemical Company of Malaysia Berhad (CCM or the Group) for the financial year ended 31 December 2018 (FY 2018).

FY 2018 marked the beginning of a new chapter for CCM. Following the completion of the de-merger exercise with Duopharma Biotech Berhad (formerly known as CCM Duopharma Biotech Berhad) on 27 December 2017, we exited the Pharmaceuticals business and are now totally focused on our Chemicals and Polymers businesses. We posted an overall strong performance in FY 2018, achieving 6.8% and 250.5% year-on-year growth in revenue and profit before tax respectively. The commendable financial performance was a demonstration of the Group's solid business fundamentals, enhanced operational efficiencies and effective transformation strategies. As part of our ongoing transformation strategy, we continue to streamline our activities to make the Group leaner and leverage on capacity expansion to make us stronger. Today, we are on the right growth trajectory to further bolster our leading position in the Chemicals and Polymers businesses.

OUR BUSINESS AND STRATEGIC TRANSFORMATION

Established in 1963, CCM has been playing a key role in enhancing the quality of life for all Malaysians through its development of the nation's chemical and polymers industries. Today, as a public listed company on the Main Market of Bursa Malaysia Securities Berhad, CCM offers a wide range of products and services to the chemicals and polymers sectors in line with its mission of providing innovative science and technology-based solutions. The Group continues to capitalise on several key strengths to gain its competitive advantage. These include safe and cost-efficient manufacturing processes, strong research and development (R&D) and core technical capabilities, as well as strong branding.

In 2015, CCM embarked on a transformational journey to unlock value for its shareholders. To this end, it exited and divested its Fertilizers business in 2016, as well as de-merged its Pharmaceuticals business in 2017. With these initiatives, CCM is today a leaner and fitter entity totally focused on building and growing its core Chemicals and Polymers businesses while strengthening their presence on the domestic and international fronts.

For the year in review, we continued our strategic transformation by bringing two major divestment exercises to a close. July 2018 saw the conclusion of the divestment of the non-core assets of the Group, namely our land in Shah Alam and our 8.39% stake in Pangen Biotech Inc (Pangen), a bio pharmaceuticals company. The disposal of 70.93 acres

Group Managing Director's Management Discussion and Analysis

of our land in Shah Alam for RM190.0 million was at a 2.2% premium over the net book value of RM185.9 million, while the disposal of our stake in Pangen brought us some RM59.2 million in sales proceeds.

In September 2018, we executed a Sales & Purchase Agreement (SPA) for the disposal of 18.2 acres of the Group's land in Nilai for RM21.5 million. The required conditions precedent to the SPA became unconditional in December 2018 and the proceeds of the disposal were received in full in March 2019.

The divestment of the non-core assets completed in FY 2018 brought in gross cash proceeds amounting to about RM249.2 million (excluding Nilai land which was received in March 2019). This was fully utilised to pare down the Group's existing borrowings. As a result, the Group's gearing ratio declined from 1.67 times at the beginning of FY2018 to 0.61 times as at the end of FY2018. Additionally, the reduced borrowings will bring about interest expense savings for the Group amounting to RM13.6 million per annum. With the completion of these three strategic initiatives, the Group's financial performance and balance sheet position, particularly our financial gearing, is in good form and will serve as a catalyst for future growth.

Today, with our core businesses better streamlined and consolidated, we are geared up to deliver growth in a more effective and sustainable manner. To sustain our business momentum over the short-term, we will continue to strengthen capacity expansion initiatives relating to our Chemicals and Polymers Divisions. For the long-term, we will set our sights on capturing bigger market share for our existing businesses, and will engage in strategic partnerships that will enable us to expand our range of product offerings and enter new market segments.

FINANCIAL PERFORMANCE IN FY2018

In FY 2018, the Group registered revenue of RM395.9 million, a 6.8% increase over the preceding year's revenue of RM370.7 million. The increase was attributable to improved revenue from the Chemicals and Polymers Divisions which recorded a 7.7% and 7.0% rise in revenue respectively. The Group's profit before tax rose commendably by some 250.5% to RM51.6 million in FY 2018 from RM14.7 million previously on the back of improved sales and margins as well as positive impact from operational efficiency and transformative initiatives. Our transformation initiatives, which included the progressive de-gearing exercise, resulted in a reduction in our finance costs by RM3.9 million or 16% in comparison to FY 2017.

All in all, 2018 saw tremendous structural change within the Group. As a result of these exercises, our core businesses are now streamlined and consolidated so that we are geared up to deliver long-term growth in a sustainable manner.

We recorded a profit after tax (PAT) of RM30.7 million for FY 2018, a turn-around position from a net loss after tax of RM2.6 million in the last financial year. This resulted in a return on shareholders' equity (ROE) of 9.64% as at 31 December 2018. It is vital to highlight that our PAT for FY 2018 also included the recognition of a net loss (net of Real Property Gains Tax) on the disposal of our Shah Alam Land amounting to RM5.5 million. Our core PAT would have been RM36.2 million excluding the said one-off items.

As at end FY 2018, CCM's basic earnings per share (EPS) stood at 15.32 sen against negative EPS of (1.13) sen as at end FY 2017 (from continuing operations). In respect of FY 2018, CCM paid out a first and second single-tier interim dividend of 3.0 sen and 4.0 sen per share respectively totalling RM11.7 million. A final single tier dividend of 2.0 sen per share amounting to a dividend pay-out of approximately RM3.4 million is subject to shareholders' approval. Altogether, these dividend payments represent a pay-out ratio of 59% of our Profit After Tax and Minority Interest (PATAMI) and will amount to a total dividend pay-out of RM15.1 million or 9.0 sen per share for FY 2018 (FY 2017: RM11.4 million or 2.5 sen per share).

Financial Position and Liquidity

There were considerable changes to the Group's financial position in FY 2018. As at 31 December 2018, the Group's total assets decreased by 33% to RM575.3 million in comparison to total assets of RM861.4 million as at 31 December 2017. The leaner asset portfolio came on the back of the initiatives undertaken to unlock major non-core assets such as our land in Shah Alam and our shares in Pangen. The proceeds from the disposal of these assets were utilised to pare down loans which also brought the Group's total borrowings down by 59% to RM193.8 million as at 31 December 2018 from RM468.1 million previously. As mentioned previously, by the end of FY 2018, the Group's debt to equity ratio had declined significantly from 1.67 times to 0.61 times. This reflects our continuous efforts to strengthen our financial position. As a nimbler player unencumbered by too much debt, we now have the agility to pursue growth strategies that will contribute to the enhancement of shareholders' value.

As at 31 December 2018, our cash and cash equivalents stood at RM136.3 million. We plan to deploy our cash holdings for future capital expenditure, including further capacity expansion at our Pasir Gudang Works 1 facility under our Chemicals business as well as facilities enhancement and capacity expansion for our Polymers business, and for working capital purposes.

PERFORMANCE BY BUSINESSES

CHEMICALS DIVISION

Business Overview

The Group's Chemicals Division is helmed by CCM Chemicals Sdn Bhd (CCMC). With more than 70 years of experience under its belt, our Chemicals Division has built a solid reputation in the industry as a reliable chemical solutions provider in Malaysia and Southeast Asia. Today, via CCMC, we specialise in the manufacturing and marketing of chlor-alkali and coagulant products as well as the marketing of industrial and specialty chemicals. Chlor-alkali manufacturing activities make up the bulk of CCMC's business activities. Coupled with its production of chlorine, caustic soda, hydrochloric acid, sodium hypochlorite and coagulants, CCMC is strongly positioned as the nation's preferred chemical supplier and partner for municipal and industrial

Group Managing Director's Management Discussion and Analysis

water treatment, potable drinking water, oleochemicals, petrochemicals, rubber glove manufacturing and other key industries in Malaysia and the ASEAN region. The Chemicals Division currently contributes approximately 77% of the Group's revenue.

Market Review

The year in review saw CCMC's Chlor-Alkali business having to contend with extremes of world caustic soda prices. Year 2018 commenced with prices at historical high of USD 680 per dry metric tonne, on the back of 2017's tight supply contributed by Chinese government environmental policy and North America's Hurricane Harvey. However, the prices plummeted down to USD332 per dry metric tonne by year end, driven by pressure from Iran's attempts to undersell suppliers in Southeast Asia and India's new import ruling. The new ruling requires compliance to Bureau of Indian Standards (BIS) saw suppliers scurrying to submit their certification applications by the December deadline. This has caused all caustic soda exports to India to cease during the period. As such, mega producing countries like Japan and Korea have found themselves with surplus inventory causing continued downward pressure on the prices.

CCMC's chlor-alkali business is well diversified in terms of its portfolio and customer base as it supplies products to various industries including the water supply and water treatment, food, cleaning, plastic and soap, as well as steel product industries. This diversification helps to provide enhanced stability to the chlor-alkali business when it comes to weathering economic uncertainty.

Taking advantage of the shortage of local caustic soda supply and reasonably higher price in most part of the year, CCMC took the opportunity to increase its traded caustic sales. This move saw CCMC's sale of traded caustic soda increased by 54% to 48,114 MT in FY 2018 as compared to 31,203 MT previously.

Performance Review

The Chemicals Division registered revenue of RM305.4 million in FY 2018, some 7.7% higher in comparison to revenue of RM283.6 million in the preceding year. The Division's profit before tax rose by 15.0% to RM50.6 million, as compared to profit before tax of RM44.0 million previously. The increase in revenue and profit before tax was attributable to improved sales and margins in the first half of 2018, as well as enhanced operational efficiencies over the course of FY 2018. The chlor-alkali manufacturing operations in particular delivered a commendable performance in 2018 with overall plant utilisation rate close to 100%.

Operational Review

In a bid to meet growing market demand for our products, we began investing in capacity expansion for our Chemicals Division in FY 2018. This saw the commencement of the reactivation of Pasir Gudang Works 1 (PGW1) Chlor-Alkali manufacturing facility in FY 2018 and the construction works on our Calcium Nitrate (CN) plant in Shah Alam.

The RM76.5 million expansion will see the PGW1 plant being equipped with the latest technology in chlor-alkali manufacturing. The exercise will allow the Division to leverage on the shorter lead time at a lower cost vis-à-vis starting on a greenfield site as most of the required infrastructure is already in place. This improvement is expected to increase the total output of chlor-alkali products from 40,000 electro chemical units per annum (ECU/pa) to 60,000 ECU/pa once PGW1 becomes operational. The upgrades include an energy-saving membrane process which produces high-grade chlor-alkali products in a safer and more environmentally friendly manner. The plant upgrades, which are set to increase the facility's capacity by 50%, are expected to be completed by 2H 2019. Once the PGW1 plant is reactivated, the Chemicals business' core capabilities locally and regionally will be expanded. For a start, it will be better able to capture growing demand from various domestic industries that are currently importing their chlor-alkali supplies.

The timely completion of our new CN plant in Shah Alam and of the new Polyaluminium Chloride (PAC) production line at our Coagulant plant are also part of the strategy to increase CCM's market share by increasing the output of our products, especially in the face of growing demand.

The new CN plant is set to generate profit from the current uptrend in calcium nitrate demand, especially from rubber gloves players. The plant will tap a new technology that utilises a specially designed filter system instead of a traditional precipitation process to produce high quality calcium nitrate. This new process by filter press, essentially means that even with a lower capital expenditure (due to a smaller footprint), the plant is now capable of producing higher output per production line. The CN plant was completed in Q1 2019.

Meanwhile, the initiative to expand the Coagulant plant production capacity involves incorporating an additional PAC production line in the form of a third glass-lined reactor. PAC is used extensively as a main coagulant (thickening agent) in potable water treatment in Malaysia. The increased output from the PAC line of our coagulant business aims to fulfil the pent-up demand for coagulant from the rising number of water treatment plants that are being built in several states throughout Malaysia to cater to the nation's growing population. Initiated in FY 2018, the PAC upgrade project was completed in Q1 2019.

Moving Forward

Moving forward, CCMC will continue to focus its efforts on capturing the economic benefits that are to be found in the Malaysian GDP growth. The company will focus on the core industries that will have direct impact to our chlor-alkali business such as oleochemicals, petrochemicals, water treatment plant and rubber glove industry. With the PGW1 plant expected to become fully operational by Q3 2019, the company will continue to establish itself as a reputable supplier to industrial customers in the Southern region, leveraging on the proximity and convenience that the plant offers to its southern customers.

The outlook for our chlor-alkali prices in 2019 namely caustic soda is expected to be soft and may remain below the level of 2018, as the global trade flows and tightness in production capacities have stabilise. Nonetheless, we remain upbeat with our domestic dealings. Malaysia is a net importer of approximately 140,000 MT of caustic soda per year, signifying significant room for growth for our chemicals business. Segments such as the rubber gloves, oleochemicals and petrochemicals segments as well as the drinking water and new water treatment plant segments have a strong correlation with our chlor-alkali business. Any growth in these core segments augurs well for CCMC which will set its sights on reinforcing its position as the leading chlor-alkali business in the country.

CCMC will also continue to capitalise on the current increase in demand for calcium nitrate from the rubber gloves industry, especially with the recent completion of our new facility in Shah Alam. The new plant boasts increased production of high-quality calcium nitrate in a more economical and environmentally-friendly process.

In line with our growth aspirations, we will continue to be on the lookout for attractive investment opportunities domestically and regionally to complement our existing business portfolio.

POLYMERS DIVISION

Business Overview

The Group's Polymers Division is in the business of producing polymer coating solutions for rubber and synthetic glove industries. Our solutions are used in the production of diverse types of gloves ranging from examination and food handling gloves, to cleanroom and surgical gloves. Our main polymer product offerings are on-line and off-line polymer coating systems, coagulant powder free solutions, effective former cleaning agents, and specialty additives. Our solutions serve to enhance the aesthetics, comfort and safety aspects of the final glove products. Coupled with the technical advice provided by our staff, our solutions enhance the quality of glove production at our customers' production facilities and ensure heightened productivity.

Our Polymers Division focuses on highly niche market segments and is the leading supplier of polymer coating products. The Division has strong insights into market trends and customer requirements and leverages on these to help customers produce products that meet glove production criteria and industry standards. Our teams work closely with our customers to understand their specific production and performance requirements, and deliver on these distinct needs. The Division's strength lies in its solid glove production know-how and also its made-to-order flexible production set-up which is capable of supplying products in various combinations and sizes.

Market Review

The Polymers Division's products are used by local glove manufacturers and are exported to other glove producing countries including Thailand, Indonesia and China. In FY 2018, the distribution ratio of our products for the domestic and export markets stood at 66% and 34% respectively. This aligns with the supply profile as per the Malaysian Rubber Glove Manufacturers Association or MARGMA's estimate that some 63% of the world glove demand is supplied by Malaysian gloves manufacturers followed by glove manufacturers in Thailand (21%) and Indonesia (3%).

Today, global demand for gloves remains resilient. Based on MARGMA's forecast, demand for gloves is expected to grow between 8% and 10% per annum over the next two years, resulting in additional demand for approximately 40 billion pieces of gloves per annum. The robust demand for gloves will most likely continue to be underpinned by several worldwide trends including more stringent healthcare regulations, increasing healthcare spending, growing usage of gloves in emerging countries, and increased usage of gloves in other segments such as the industrial, food processing and cleanroom segments, among others.

Nevertheless, industry players in Malaysia continue to face a host of challenges. These include the continuing weakness of the Malaysian ringgit against major foreign currencies and the impact of the fluctuating currency on raw material costs. Industry players also have difficulty in passing increased costs on to customers due to stiff competition. On top of this, they face ever-evolving and demanding application standards and product performance requirements where a huge investment is needed to nurture the right talent, as well as to establish proper facilities that will ensure an effective product introduction cycle and customer acceptance. Glove manufacturers on the other hand, are constantly embarking on automation and machinery upgrades to enhance their productivity and efficiency, which in turn requires industry players to adapt to changes in production processes, manpower requirements, as well as the raw materials involved in the glove manufacturing process.

Performance Review

For the year under review, business was brisk due to the growing demand of polymers from the rubber gloves industry. Malaysia's position as the top global supplier of rubber gloves helped drive demand. The rise in demand was reflected in the Division's profits despite the increase in production and operational costs during the year due to tight supply conditions and the weakening ringgit.

The Polymers Division recorded revenue of RM90.2 million, 7.0% higher than the preceding year's revenue of RM84.3 million. The Division's profit before tax increased marginally to RM19.2 million in FY 2018 from FY 2017's profit before tax of RM18.8 million.

Group Managing Director's Management Discussion and Analysis

Operational Review

As part of its efforts to maintain its market share and improve market competitiveness, the Polymers Division embarked on an exercise in FY 2018 to debottleneck its plant work flow and operational efficiency so as to meet the growing needs of rubber gloves manufacturers. A total of RM20.8 million was invested into a parcel of land and a factory in Bangi to accommodate the relocation of the Division's centralised warehouse and head office to the new site.

The relocation exercise, which was completed in late 2018, has enabled the Division's production capacity at the current site to increase by 10%, from 18,000MT/pa to 19,800 MT/pa. The new centralised warehouse also allows better material management and coordination. Additionally, the Division's new head office has had a positive effect on employees as it offers more conducive employee-friendly working and recreational environments. All of these elements have certainly helped to strengthen team morale.

The growth in polymers demand has also attracted new arrivals to an already highly-competitive polymers market. To combat this, the Polymers team has introduced several products into the market to diversify our product offerings. These newest products incorporate improved and advanced features and are cost effective. They also boast the latest technology, are user-friendly in the glove manufacturing process, and have a reduced impact on the environment.

The Polymers Division is always working to ensure that all its product development processes are in line with the stringent regulatory and environmental requirements of each individual country that it supplies. It is our vision that, one day, our polymer business will become a one-stop centre for all glove manufacturing needs.

For the year under review, the Division increase its R&D capabilities in order to stay relevant in the market and to offer superior products to its existing customers. As part of the Group's commitment to become a world class player in the Polymers market, we will continue to prioritise R&D investments over the next four to five years, with advanced equipments and expanded resources as product innovation is the key to increase yields and improving long-term sustainability. We continue to work closely with private and public universities in Malaysia such as Monash University, Universiti Putra Malaysia and Universiti Malaysia Terengganu, as well as explore other opportunities for smart partnerships and collaboration.

Moving Forward

The Polymers Division has intents to continue being the leading player in the polymers coating business. Moving forward, the Division will continue to focus on ramping up production output via its expansion project to support the growth in market demand. The Division will also undertake automated production processes in a bid to improve product quality and consistency.

In line with increased competition and to meet market demand, the Division will continue to enhance its R&D capabilities and resources. This will enable the Polymers team to venture into new business or application opportunities as a significant market player. The plan is to actively seek out and pursue strategic collaborations and partnerships with third parties including our customers, suppliers or research institutes, with the aim of creating sustainable growth, developing technical knowledge, and enhancing our application testing facility. Forefront technology or new know-how discovered in a laboratory environment has much potential and can be converted into industrial application. Talent development will be another key focus for us to ensure the right people with the right skills are in place for the long-term.

Moving forward, the Polymers Division will focus its efforts on expanding its customer base by intensifying efforts to grow its market share among major glove manufacturing companies. The Division will continue to improve its products to match the changes in process and performance requirements. This will enable us to keep abreast of the latest market and technology trends. As a first to market mover, we are also looking at advanced product features including better protection and comfort for users. Aside from this, the Division is also looking at simplified manufacturing steps and more effective use of raw materials for its new products. We are also venturing into new application areas especially where chemical cleaning is required. All these efforts augur well for the Division in its bid to maintain its competitive edge.

BUSINESS RISKS

As the Group moves forward amidst challenging market and operating conditions, we are aware of certain risks that we may be exposed to which could influence our operational and financial performance. The details of these key risks as well as the respective risk mitigation strategies are outlined in the Report of the Risk Management Committee and Statement on Risk Management and Internal Control that can be found on pages 80 to 83 and 87 to 91 of this Annual Report respectively.

OUTLOOK AND STRATEGIES FOR GROWTH

As the CCM Group ventures forth in a new financial year, we do so with a cautious optimism given the challenging global and domestic outlooks. The global expansion that began in 2016 is expected to weaken with the global economy projected to grow at only 3.5% in 2019 and 3.6% in 2020 (2018: estimated at 3.7%). The slower growth is expected to come on the back of the negative effects of tariff increases enacted in the United States and China last year, as well as the softer global growth momentum registered in 2H 2018 due to several factors that weighed heavily on the large economies. Ongoing factors such as weakening financial market sentiment, escalating trade tensions, Brexit woes and concerns about China's outlook too are expected to weaken global growth. With risks to global growth tilting to the downside, it is thus of the utmost importance that nations work together to quickly resolve their trade disagreements and the resulting policy uncertainty as well as prioritise measures to enhance potential output growth, foster inclusiveness, and fortify fiscal and financial buffers amidst an environment of high debt burdens and tighter financial conditions.

On the domestic front, given that Malaysia has a highly open economy with an internationally integrated financial system, the domestic economy is expected to be affected by these external headwinds. Nonetheless, Malaysia's fundamentals remain strong, fortified by a diversified economy, a resilient external position and a strong financial system. According to Bank Negara Malaysia, the domestic economy is expected to remain on a steady growth path, expanding between 4.3% and 4.8% in 2019 (2018: 4.7%). Growth is expected to be anchored by ongoing private sector activity, supported by stable income and employment growth, as well as sustained capacity expansion.

Moving forward, CCM does not expect to enjoy the benefits of an upcycle of caustic soda prices as experienced in 2017 and 2018. Nevertheless, we will continue to build on what has been achieved over the last few years. We are in a good position to forge ahead given the improved operational efficiencies across our upgraded and new plants as well the introduction of more innovative product offerings across our core businesses.

As CCM steps forward to consolidate its position as a market leader in the Chemicals and Polymers businesses, we have set our sights on achieving above-market growth in both sales and profitability for the medium-term. To help us get to where we need to, we will leverage on the following strategies:

Expand market footprint

The capacity expansion drive we have embarked on has set us on the right growth trajectory to further strengthen the Group's leading position in the Chemicals and Polymers businesses. The RM100 million we are spending on capital expenditure will go a long way in reinforcing and advancing our leadership position in the markets we are already represented in. Aside from plant expansion, it is also crucial that we execute strongly on our marketing plans and branding strategy to increase market share. In line with the Group's growth aspirations, we will continue to be on the lookout for potential attractive investment opportunities and seize opportunities in growth fields.

Enhance cost competitiveness

Our core businesses will continue to focus on implementing measures to enhance cost competitiveness. In order to continue establishing a stable profit base within a rapidly changing operating environment, the Group will focus on continuous improvement and value adding initiatives to solidify our business foundation. Some of the planned initiatives include process automation, energy efficiency projects, procurement controls and other margin enhancement projects. Everyone within the Group is responsible for raising their individual productivity as well as ensuring that we are all leaning towards the same direction as we work to optimise our collective results and undertake continuous improvements.

In addition, agility and innovation are critical in this fast-changing environment and I call upon all CCMers to engage in building an action-driven and innovative organisational culture with a strong sense of ownership. The "Fit For Future" project that we have embarked on will help us find out more about ourselves, what sets us apart, and what we stand for. With 40% of our staff involved in one way or another in the series of discussions and surveys for this project, we look forward to leveraging on the feedback to further refine our shared mission, vision and culture.

The sum of all these efforts will ensure that CCM stays on track to deliver sustainable growth for the long-term. As the CCM Group continues to effectively transform itself and adapt to the new market realities, we are confident of turning in another sound performance in the coming year.

ACKNOWLEDGEMENTS

We have many parties to thank for our success to date. We are truly grateful for the steadfast support and confidence of our valued shareholders, customers, government agencies, regulators, business partners and suppliers. We look forward to your continuing support and trust.

A note of thanks to our Board of Directors for their invaluable counsel and insights which truly helped to steer us through another challenging year. In particular, I would like to convey my appreciation and deep gratitude to Dato' Hajah Normala binti Abdul Samad and Datin Paduka Kartini binti Hj Abdul Manaf, as our former Chairman and Acting Chairman respectively for their worthy contributions while helming the Group.

In addition, I would also like to thank Datin Paduka Kartini again and Dr Leong Chik Weng, who have indicated their intention to retire at the conclusion of this forthcoming Annual General Meeting (AGM) for their unwavering support, guidance and contribution to the Company and Management during their tenure as Directors of CCM. I would also like to wish them the very best with their future undertaking.

We wish a warm welcome to Dato' Idris bin Kechot, our new Chairman and congratulate him on his appointment. We certainly look forward to his leadership and counsel as CCM embarks on the next phase of its transformation journey.

My deep appreciation also goes to CCM's dedicated and diligent management and staff who have proven their mettle amidst the many challenges we have faced and the changes we have undergone. I certainly look forward to your continuing support and contributions as we all work together to strengthen our performance and advance the Group's position. Thank you.

Nik Fazila binti Nik Mohamed Shihabuddin
Group Managing Director

Sustainability Statement

Sustainable long-term growth remains a strategic priority for us here at CCM. As we go about our business, we seek opportunities to leverage our influence as the leader in each of the sectors in which we operate in. Our holistic approach to sustainability is achieved by successfully integrating responsible management and sustainable development practices.

The agenda of sustainability remains a priority for CCM. We acknowledge that our long-term success is not only dependent on our pursuit of our economic ambitions but on our ability to foster strong ties with local communities while being a good steward of the environment that we operate in. To this end, we are proactively making continual improvements on the Economic, Environmental and Social fronts to safeguard the longevity and success of our business.

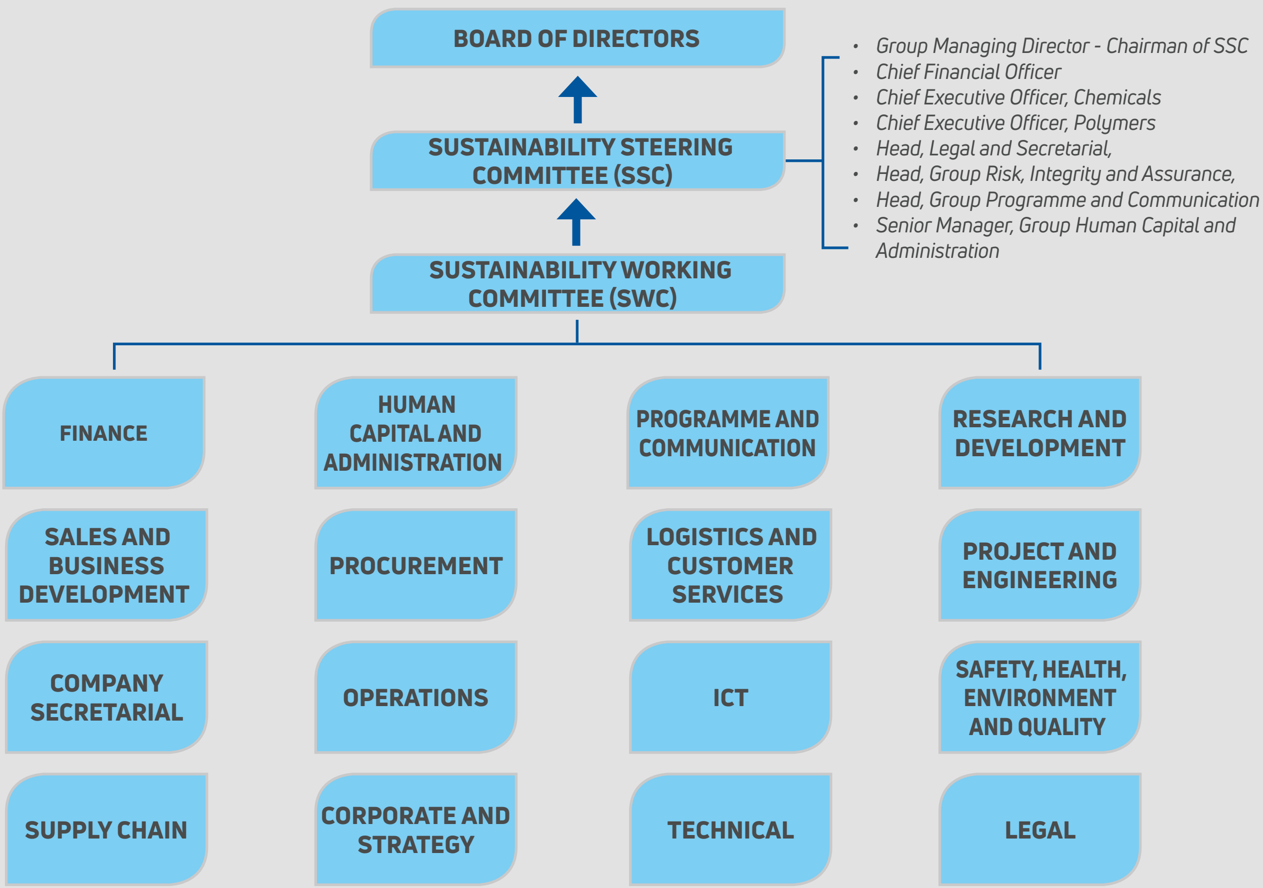
SUSTAINABILITY REPORTING

For the year under review, we continued to uphold effective Economic, Environmental and Social (EES) practices. Our 2018 EES initiatives to foster the sustainable growth of our businesses are outlined in our Sustainability Report. Our reporting scope for the financial year 2018 covers our activities from 1st January to 31st December 2018. As a robust approach towards embracing sustainability, it covers across all of our operating units including our headquarter and two main business companies, CCM Polymers Sdn. Bhd. ("CCM Polymers" or "Polymers") and CCM Chemicals Sdn. Bhd. ("CCM Chemicals" or "Chemicals"). This is our first year of reporting that is in line with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines.

This Sustainability Statement provides a summary and highlights from the full report. For more details, please refer to the CCM 2018 Sustainability Report, our fifth standalone report which is available in digital format and can be downloaded from www.ccmberhad.com.

SUSTAINABILITY GOVERNANCE STRUCTURE

The Group's sustainability governance structure continued to evolve in 2018. As detailed in the diagram below, our corporate sustainability operations and strategies are overseen by CCM's Board of Directors (the Board), with the support of the Sustainability Steering Committee (SSC) and the Sustainability Working Committee (SWC). The SWC has been newly integrated into the leadership structure to ensure and manage the implementation of sustainability-related matters.



Sustainability Statement

The roles and responsibilities of the SSC and SWC committees are as follows:

Sustainability Steering Committee (SSC)

- To appoint the members of the Sustainability Working Committee (SWC);
- To oversee and monitor the progress of integrated sustainability activities across CCM by the SWC;
- To ensure key members are involved in the decision-making process for all CCM's sustainability-related matters; and
- To report the progress of sustainability matters to the Board on a periodical basis.

Sustainability Working Committee (SWC)

- To directly monitor the sustainability performance of the Group at all levels;
- To coordinate and execute sustainability activities that are in line with the strategic direction of the Group and its policies; and
- To ensure sustainability matters are effectively communicated to all stakeholders i.e. the SSC, the Board, CCM employees, vendors, customers and others.

VALUING OUR STAKEHOLDERS

We value our diverse stakeholders and it is our aim to communicate with our stakeholders as transparently as possible on our strategic direction, motivation, goals, key developments and business progress. Through stakeholder dialogue, we seek to identify opportunities to improve stakeholder management and relationships, co-create projects for our mutual benefit, and ensure our targets can be accomplished in the most effective way.

Throughout the year, we regularly engage with our stakeholders and create conversations centred on topics that are relevant to our operations and which impact society as a whole. The information and feedback we receive during these engagement sessions are leveraged on to ensure we make a greater impact in those areas that are most important to our key stakeholders. By involving internal and external stakeholders in the Group's growth and success, we aim that all parties will benefit from these efforts. The table below spells out the details of the year's key stakeholder engagement activities.

Our Stakeholders	Stakeholders' Focus and Areas of Interest	How We Address Their Concerns	Frequency of Engagement
EMPLOYEES	• Career development • Work-life balance • Knowledge building and talent development • Employee health, safety and wellness • Diversity and inclusion • Talent management • Women's empowerment	Capacity building programmes	Throughout the year
		Performance appraisal	Biannual (Mid-Year and Full Year review)
GOVERNMENT AND REGULATORY BODIES	• Compliance • Product certification • Environmental emissions and discharge	Pasir Gudang Emergency Mutual Aid (PAGEMA) meetings chaired by the Yang Di-Pertua of Majlis Perbandaran Pasir Gudang	Quarterly
		Dialogue session with the Department of Environment (DOE) on scheduled waste and Guided Self-Regulation (GSR)	4 sessions
		Site inspection/Audit by local authorities	Ad-hoc
		BOMBA inspection for renewal of Fire Certificate	Yearly
		Meetings and dialogue sessions	As and when required
		Annual General Meeting (AGM)	Yearly
		Extraordinary General Meeting (EGM)	As and when required
		Company announcements	As and when required
		Annual Report	Yearly
		Corporate Governance Report	Yearly
		Website	Throughout the year

Our Stakeholders	Stakeholders' Focus and Areas of Interest	How We Address Their Concerns	Frequency of Engagement
CUSTOMERS	• Safe products and services • Quality management • Product quality and safety • Consumer health and well-being • Product environmental and social impact • Transparency and reporting • Traceability • Human rights	Standards and certifications	Throughout the year
		Customer feedback (complaints)	As and when required
		Customer survey	Biennial for Chemicals Division and Yearly for Polymers Division
		Product handling training for customers	39 sessions for Chemicals Division and Throughout the year for Polymers Division
		Customer installation assessment	Per new customer
MEDIA	• Impact of the operations on the community • Product innovation	Interviews	As and when required
		Press releases	As and when required
		AGM	Yearly
		EGM	As and when required
SHAREHOLDERS AND INVESTORS	• Business strategy • Financial performance • Governance and integrity • Global business strategy	Investor roadshows & Interviews	As and when required
		AGM	Yearly
		Analysts' briefings	Yearly
		EGM	As and when required
SUPPLIERS	• Fair procurement • Transparency • Price stability • Product reliability	Vendor development programme	Throughout the year
		Vendor quality audit	Yearly
		Vendor performance audit	Each transaction of production materials
		Vendor integrity pact briefing	Yearly
		Procurement system	Throughout
		Six-month training provided by the Ministry of International Trade and Industry	• Monthly report on the procurement amount spent on vendors in the programme • Yearly feedback on the programme
COMMUNITIES AND PUBLIC	• Community development • Quality products and services	Community programmes	Throughout the year
		Sponsorship and donations	Throughout the year
BANKERS AND FINANCIAL INSTITUTIONS	• Financial performance	Meetings and discussions	As and when required

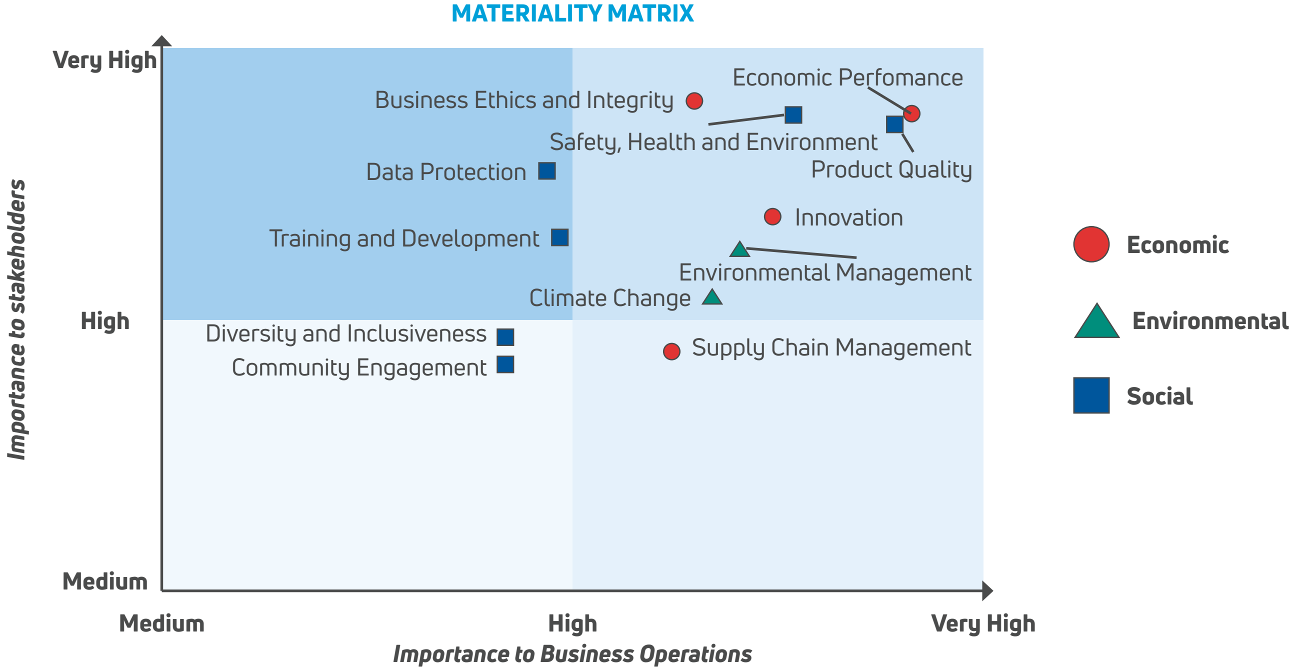
Sustainability Statement

Our Stakeholders	Stakeholders' Focus and Areas of Interest	How We Address Their Concerns	Frequency of Engagement
INDUSTRY PEERS	• Industry developments • Competitiveness • Open knowledge sharing between industries	Industry forums	• One visit by the Project Team to Profilco Filter at Vestolit Plant, Germany • Involvement in Responsible Care Steering Committee and Technical Committee which meet every quarter
		Conferences	Attended 8 conferences in 2018: • Palm & Lauric Oils Price Outlook Conference 2018 • 12th International Chlor-Alkali & Vinyls Conference 2018 • The 22nd World Alkali Conference • 9th Rubber Glove Conference & Exhibition 2018 • MWA Symposium on Water Resources Management • 6th International Protective Glove Conferences (IPGC) • 11th International Automation Technology Exhibition • 24th International Machine Tools & Metalworking Technology Exhbition.

OUR MATERIAL SUSTAINABILITY MATTERS

Our material sustainability matters are not limited to matters that may have significant financial impact on our organisation, but also include matters that may impinge on our ability to meet present and future needs. We choose our material matters based on the guidelines provided by Bursa Malaysia where we identify issues that reflect the significant EES impact of our activities and which influence the perspectives and decisions of our stakeholders. In FY 2018, we performed a materiality assessment involving members of the SWC and representatives from the relevant departments within CCM to produce a materiality matrix. This matrix discloses 12 key material sustainability matters in order of importance to our business and our stakeholders as shown below.

MATERIALITY MATRIX



In managing these 12 material matters, we uphold our vision of 'Enhancing Quality of Life' through our Sustainability Policy. The relevant stakeholder, GRI and SDG indicators for each material sustainability matter are as shown below.

No.	Material Sustainability Matter	GRI Indicator	Stakeholder Group	SDG
Economic				
1.	Economic Performance	201 Economic Performance	Shareholders and Investors, Bankers and Financial Institutions, Industry Peers	8 DECENT WORK AND ECONOMIC GROWTH; 11 SUSTAINABLE CITIES AND COMMUNITIES
2.	Business Ethics and Integrity	205 Anti-corruption	Employees, Government and Regulatory Bodies, Shareholders and Investors	8 DECENT WORK AND ECONOMIC GROWTH; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
3.	Innovation	102-2 Activities, brands, products and services	Media, Customers, Communities and Public	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 11 SUSTAINABLE CITIES AND COMMUNITIES
4.	Supply Chain Management	102-9 Supply chain	Suppliers	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Environmental				
5.	Environmental Management	303 Water, 305 Emissions, 306 Effluents and Waste	Government and Regulatory Bodies, Communities and Public, Industry Peers	6 CLEAN WATER AND SANITATION; 14 LIFE BELOW WATER
6.	Climate Change	302 Energy	Government and Regulatory Bodies, Communities and Public, Industry Peers	7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION
Social				
7.	Product Quality	416 Customer Health Safety	Customers, Shareholders and Investors, Government and Regulatory Bodies, Industry Peers	3 GOOD HEALTH AND WELL-BEING
8.	Safety, Health and Environment	403 Occupational Health and Safety	Employees, Government and Regulatory Bodies, Communities and Public	3 GOOD HEALTH AND WELL-BEING; 8 DECENT WORK AND ECONOMIC GROWTH
9.	Data Protection	418 Customer Privacy	Customers, Employees, Government and Regulatory Bodies	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
10.	Training and Development	404 Training and Education	Employees	8 DECENT WORK AND ECONOMIC GROWTH
11.	Diversity and Inclusiveness	405 Diversity and Equal Opportunity, 102-8 Information on employees and other workers	Employees	8 DECENT WORK AND ECONOMIC GROWTH
12.	Community Engagement	413 Local Communities	Shareholders and Investors, Communities and Public, Media	4 QUALITY EDUCATION; 11 SUSTAINABLE CITIES AND COMMUNITIES

Sustainability Statement

CCM SUSTAINABILITY POLICY

In furtherance of our vision of enhancing quality of life, the CCM Group of Companies is committed towards achieving sustainability that will benefit our stakeholders, the environment, our people and the communities in the territories in which we operate.

In achieving this, we shall:

1. Ensure that our activities, products and services are, so far as is practicable, safe to the environment and the health of the people.
2. Be committed towards the prevention of injury, ill health and pollution as well as towards environmental conservation.
3. Comply with all applicable statutory, regulatory and business requirements in the territories that we operate.
4. Optimise the use of natural resources to reduce our carbon footprint and as far as practicable, practice energy efficiency throughout all our plants and facilities.
5. Be committed towards full conformance to applicable quality, safety, health and environmental international standards.
6. Operate in an open, transparent and accountable manner.
7. Cultivate a diverse, inclusive and respectful workplace.
8. Work closely with our stakeholders and local communities to further improve their quality of life.
9. Define our sustainability goals, objectives and targets and measure our sustainability performance against agreed targets.
10. Provide, as far as practicable, the appropriate resources in order to achieve our sustainability goals, objectives and targets.
11. Continually review and improve our sustainability performance by encouraging innovative thinking and monitoring global economic, social and environmental trends, best practices, challenges and opportunities.
12. Communicate this Policy to all relevant parties including our stakeholders, customers, employees and the local communities in which we operate.

OUR COMMITMENT TO SUSTAINABLE ECONOMIC PRACTICES

CCM is presently one of the largest manufacturers of chemicals and polymers in Malaysia. The Group leads the market in industrial and specialty chemicals as well as serves as a one-stop centre for the provision of a wide range of polymer-coating solutions.

Having been in the industry for more than 50 years, we continue to play a vital role in the various industry bodies. We are a Government-linked Company (GLC) with an active membership with the Chemical Industries Council of Malaysia (CICM), Malaysian Rubber Glove Manufacturers Association (MARGMA), Business Council for Sustainable Development Malaysia (BCSDM), Federation of Malaysian Manufacturers (FMM), Minority Shareholder Watchdog Group (MSWG) and Institute of Corporate Directors Malaysia (ICDM). For more details of our economic performance, please refer to CCM's Sustainability Report 2018.

PROMOTING NOVEL SOLUTIONS

CCM Polymers inherently carries out innovative practices by formulating improved products which cater to our customers' requirements. Our long term product development strategy is to introduce new disruptive products to improve product application efficiency and create new markets. We work closely with our customers to understand their current demand and identify future needs so that our innovation and R&D team can continuously challenge the new technology frontier for breakthrough products.

In May 2018, our Chemicals Division made a switch from the traditional fossil fuel-powered boiler to a dual-fuel boiler which utilises hydrogen gas. The switch managed to significantly reduce our carbon footprint by 1,376 MT of carbon dioxide equivalent (CO_2e).

CULTIVATING INNOVATION

In August 2018, an Innovation Competition was held within the Group to cultivate a forward-thinking culture and elevate individual potential in providing innovative solutions. The goal of the competition was to select teams with the best presentation reflecting novel idea generation and innovative thinking as well as effective problem-solving and business-pitching skills. The winning teams also represented CCM at the PNB Group Innovation Challenge 2018 that was held on 29 October 2018 at the Sime Darby Convention Centre. Our talented employees proved that we are always at the pioneering forefront by walking away with the major prize at the competition.

SUPPORTING LOCAL INDUSTRY

Local suppliers are our preferred choice for procurement. This is due to their offer of lower costs for logistics and warehousing, flexible and timely delivery, prompt response and assistance, plus the better product control and monitoring.

In 2018, CCM Chemicals worked with a total of 664 local suppliers (representing 91% of its supplier base) while CCM Polymers worked with a total of 218 suppliers (representing 96% of its supplier base).

IN SUPPORT OF BUMIPUTERA VENDORS

For the year in review, we continued our efforts to procure from local Bumiputera suppliers as part of our CCM Bumiputera Vendor Development Programme (BVDP). Initiated in 2007, the CCM BVDP aims to create Bumiputera entrepreneurs who are reliable and competitive, have the ability to produce local products and services to replace imported ones that are currently used by CCM, as well as encourage research and development (R&D) for products and services.

UPHOLDING BUSINESS INTEGRITY

To maintain sound business practices throughout our entire supply chain, communication and training on anti-corruption policies and procedures are conveyed to the whole Group through our Integrity initiatives.

OUR COMMITMENT TO SUSTAINABLE ENVIRONMENTAL PRACTICES

We recognise the environmental impact of our business operations in terms of carbon emissions and climate change. As part of our commitment to protecting the planet, we measure our environmental footprint across the value chain to prioritise areas of improvement. We aim to achieve optimum energy utilisation for the long-term while also reducing our energy costs. The efforts in energy saving within our operations involve creating robust energy-saving programmes which will produce a positive impact on the environment and create awareness among our employees, customers and communities. For more details of our environmental performance, please refer to CCM's Sustainability Report 2018.

REDUCING OUR CARBON FOOTPRINT

We strive to reduce the impact of our supply chain, operations and products on the climate. For 2018, we complied with the Inter-governmental Panel on Climate Change (IPCC) by reporting our carbon emissions in relevant annual publications.

At our Polymers Division, the initiatives to control our carbon footprint start from within. Through our Operation Excellence project, we were able to save RM17,427 and RM22,920 in electricity costs in 2017 in 2018 respectively.

Approximately 94% of carbon emissions at our Chemicals Division comes from electricity consumption relating to the electrolysis process in chlor-alkali manufacturing. To mitigate this impact, we upgraded our electrolyser technology in 2015 and completed it in 2016, utilising a higher-performing membrane which reduced our overall emission by 5% in 2018 in comparison to 2014's reading.

OUR COMMITMENT TO SUSTAINABLE SOCIAL PRACTICES

At CCM, our policies and targets are shared across the entire Group. This not only enables us to establish and maintain safe and stable operations, it also ensures that we incorporate safe, environmental-friendly and healthy elements throughout the lifecycle of our products. We also leverage on our policies and targets to maintain high standards and continuously improve upon the quality of products and services that we deliver. For more details of our social performance, please refer to CCM's Sustainability Report 2018.

ENSURING CUSTOMER HEALTH AND SAFETY

At our Chemicals Division, 100% of our products are assessed for their health and safety impact under the Chemical Health Risk Assessment (CHRA) criteria; 57% under the Restriction of Hazardous Substance (RoHS) compliance guide; 14% under the Global Product Strategy (GPS) and approximately 28.6% of our products are assessed for compliance with the Control of Industrial Major Hazard (CIMAH) regulations.

PROTECTING CUSTOMERS' PERSONAL DATA

In compliance with the Personal Data Protection Act (PDPA) 2010, CCM and its group of companies adopted the PDPA Compliance Policy in 2014. Today, standard templates are in place for PDPA clauses to be adopted in all agreements, forms and notices. We also roll out awareness programmes on PDPA requirements to our workforce from time to time.

MAINTAINING CUSTOMER PRODUCT QUALITY

March 2018 and July 2018 saw us achieving ISO 9001: 2015 certification for our Polymers Division and Chemicals Division respectively. This international standard provides us the guidance and tools that ensure that our products and services consistently meet customer requirements, and that quality is consistently improved.

We monitor all feedback and resolve all complaints received from our customers. In 2018, a total of 67 complaints from our Chemicals business and 11 complaints from our Polymers business were received and resolved.

We also conduct customer satisfaction surveys and the 2018 results are as follows:

- CCM Chemicals Customer Satisfaction Result: 3.06 / 4.00
- CCM Polymers Customer Satisfaction Result: 4.00 / 5.00

ENRICHING COMMUNITIES

As part of our efforts to elevate communities, we organise various community engagement initiatives on an annual basis and provide employment opportunities. Our initiatives in 2018 included the STEM UP Challenge; the Promoting Intelligence, Nurturing Talent and Advocating Responsibility (PINTAR) programme; the Rakan Saintis Sungai (RSS) CCM initiative; the Back to School Programme; the Professional Golf of Malaysia (PGM) CCM Championship 2018 event, as well as myMAP and SL1M initiatives.

NURTURING OUR EMPLOYEES

CCM conducts year-round employee engagement to maintain good relationships with our employee and strengthen the camaraderie within our organisation. Regardless of gender or race, everyone is given an equal opportunity in terms of their remuneration and their ability to participate in senior management and leadership roles throughout our organisation.

We conducted an employee engagement survey to understand employee satisfaction level and carried out structured learning and development programmes in order to allow our employees to learn, grow and share their knowledge and experiences.

KEEPING EMPLOYEES SAFE AND HEALTHY

We strive to create an agile and high-performance organisation by keeping our employees safe and healthy. We monitor injury trends while as Safety, Health and Environment (SHE) committee is in place to identify and resolve health and safety issues arising from our operations. We are prepared for any emergency and exposure to hazards through our accident and incident management measures that are applied throughout our operations. Our concern does not only extend to our operations and employees but also our other stakeholders, especially the communities in which we operate.

ENSURING A DIVERSE AND INCLUSIVE WORKPLACE

We are dedicated to fostering a diverse and inclusive workplace that attracts and retains exceptional talent. Our Company employs a workforce that stems from various age groups and ethnicities, and we promote gender non-discrimination as well.

For the finer details of CCM's sustainability efforts, please refer to the CCM Sustainability Report 2018 which is downloadable from the Company's website, *www.ccmberhad.com.*

Key Highlights

FEBRUARY

CCM Extraordinary General Meeting – CCM obtained shareholders' approval to proceed with its de-gearing plan via the divestment of Shah Alam land

MARCH – NOVEMBER

CCM Pintar Programme: Strengthening English proficiency through fun learning activities

APRIL

2018 marked the 14th year of CCM's participation in Minggu Saham Amanah Malaysia

MAY

CCM was awarded with BestBrands in Industrial and Speciality Chemicals" at The BrandLaureate Most Valuable BestBrands Award 2017/2018

AUGUST

Fostering relationship with fund managers and analyst through CCM Investor Relations Session @Common Ground, Damansara Heights

OCTOBER

PNB Group Innovation Challenge 2018 : Team Nanopure from CCM Polymers emerged as one of the major prize winner at the competition

OCTOBER

PGM CCM Championship held at Kota Seriemas Golf & Country Club, Nilai. This year witnessed our first involvement in PGM Ladies Championship 2018 which was opened to professional female golfers in Malaysia

OCTOBER

CCM Annual Dinner & Long Service Award 2018 - Luminous Night: CCM celebrates its employees for luminating the company with their loyalty, support and dedication

APRIL

CCM STEM UP Challenge 2018: A science competition to nurture secondary school students' interest in Science, Technology, Engineering & Mathematics (STEM) and shape them to become future innovators of Malaysia

MAY

CCM 56th Annual General Meeting & Extraordinary General Meeting

MAY

MoU Signing Ceremony between CCM & Universiti Malaysia Terengganu's in developing innovative technology & product for glove and health care industry.

AUGUST

CCM Innovation Challenge – Elevating individual potential and cultivating innovative culture within the Group via Idea Generation, Innovative Thinking, Problem-Solving and Business-Pitching skills among CCM employees

SEPTEMBER

CCM Polymers participated in the 9th International Rubber Glove Conference & exhibition organised by MARGMA showcasing all the key players in rubber glove industry

NOVEMBER

CCM nurtures young conservation leaders through its Rakan Saintis Sungai programme held in Kota Kinabalu, Sabah in conjunction with the state level National Environment Day 2018 celebration.

DECEMBER

Back to School Programme: Contribution of school supplies for the children of CCM employees

DECEMBER

Kids Friendly @ CCM Group Townhall – Special edition of the Group Townhall with additional participation from the employees' children.

Corporate Disclosures

Corporate Information

COMPANY SECRETARY
Noor Azwah binti Samsudin
(LS 0006071)

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
Bandar Baru Bangi
Pasir Gudang

REGISTRAR
Boardroom Share Registrar Sdn. Bhd.
(formerly known as Symphony Share Registrars Sdn. Bhd.)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7841 8000
Fax : 03-7841 8008

AUDITORS
KPMG PLT
Chartered Accountants
Level 10, KPMG Tower 8
First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7721 3388
Fax : 03-7721 3399

BANKERS
Malayan Banking Berhad
Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur

Sumitomo Mitsui Banking Corporation Malaysia Berhad
Suite 22-03, Level 22
Integra Tower
The Intermark
348, Jalan Tun Razak
50400 Kuala Lumpur

OCBC Bank (Malaysia) Berhad
Menara OCBC
18, Jalan Tun Perak
50050 Kuala Lumpur

OCBC Al-Amin Bank Berhad
25th Floor, Wisma Lee Rubber,
1 Jalan Melaka
50100 Kuala Lumpur

AmBank (M) Berhad
Level 1, Menara Dion
Jalan Sultan Ismail
50250 Kuala Lumpur

Affin Islamic Bank Berhad
17th Floor, Menara Affin
80, Jalan Raja Chulan
50200 Kuala Lumpur
Tel : 03-2055 9000
Fax : 03-2026 1415

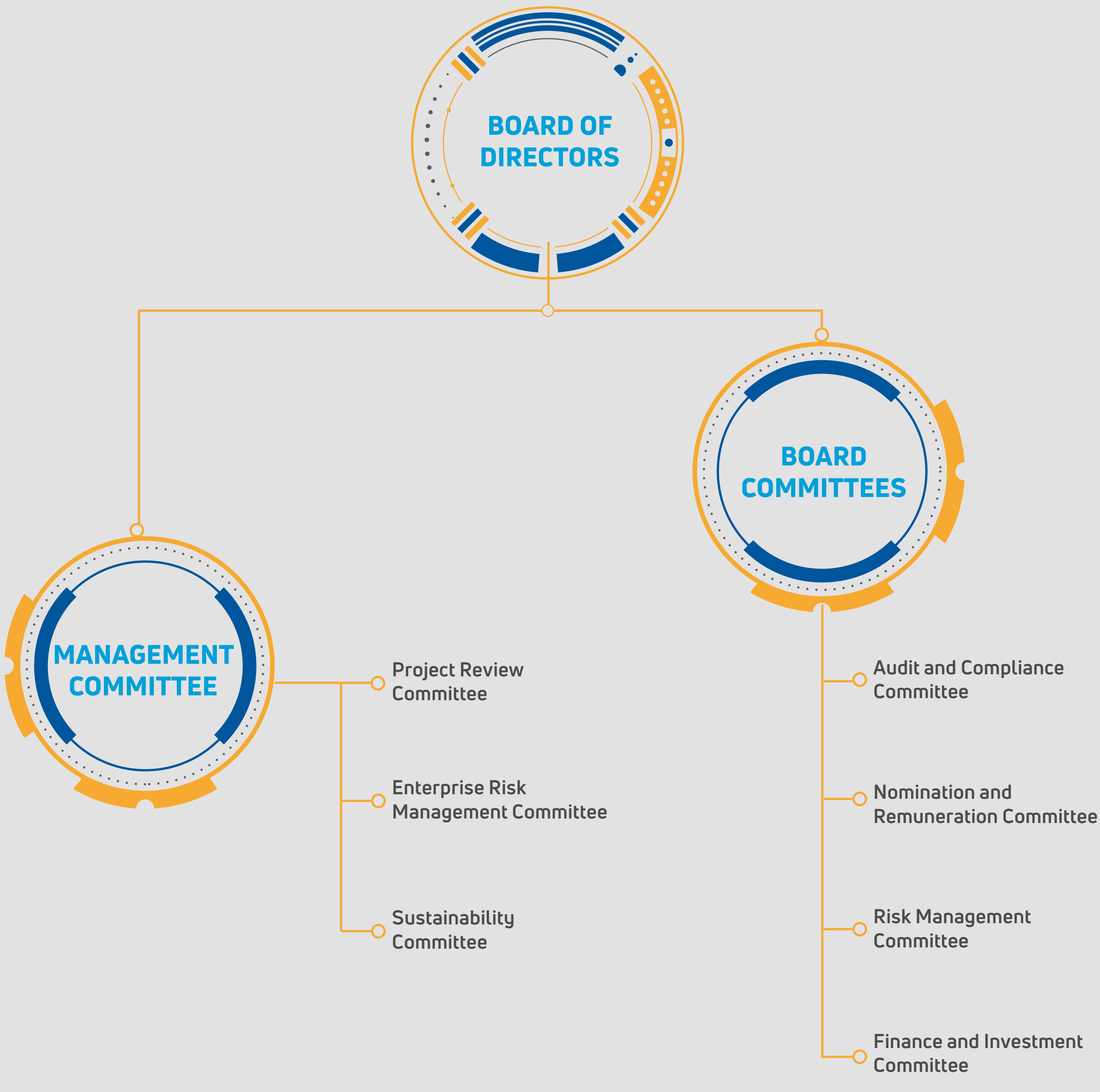
MUFG Bank (Malaysia) Berhad (formerly known as Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad)
Level 9 & 11, Menara IMC
8, Jalan Sultan Ismail
50250 Kuala Lumpur

HSBC Bank Malaysia Berhad
No. 2, Leboh Ampang,
50100 Kuala Lumpur

HSBC Amanah Malaysia Berhad
Bangunan HSBC,
No. 2, Leboh Ampang,
50100 Kuala Lumpur

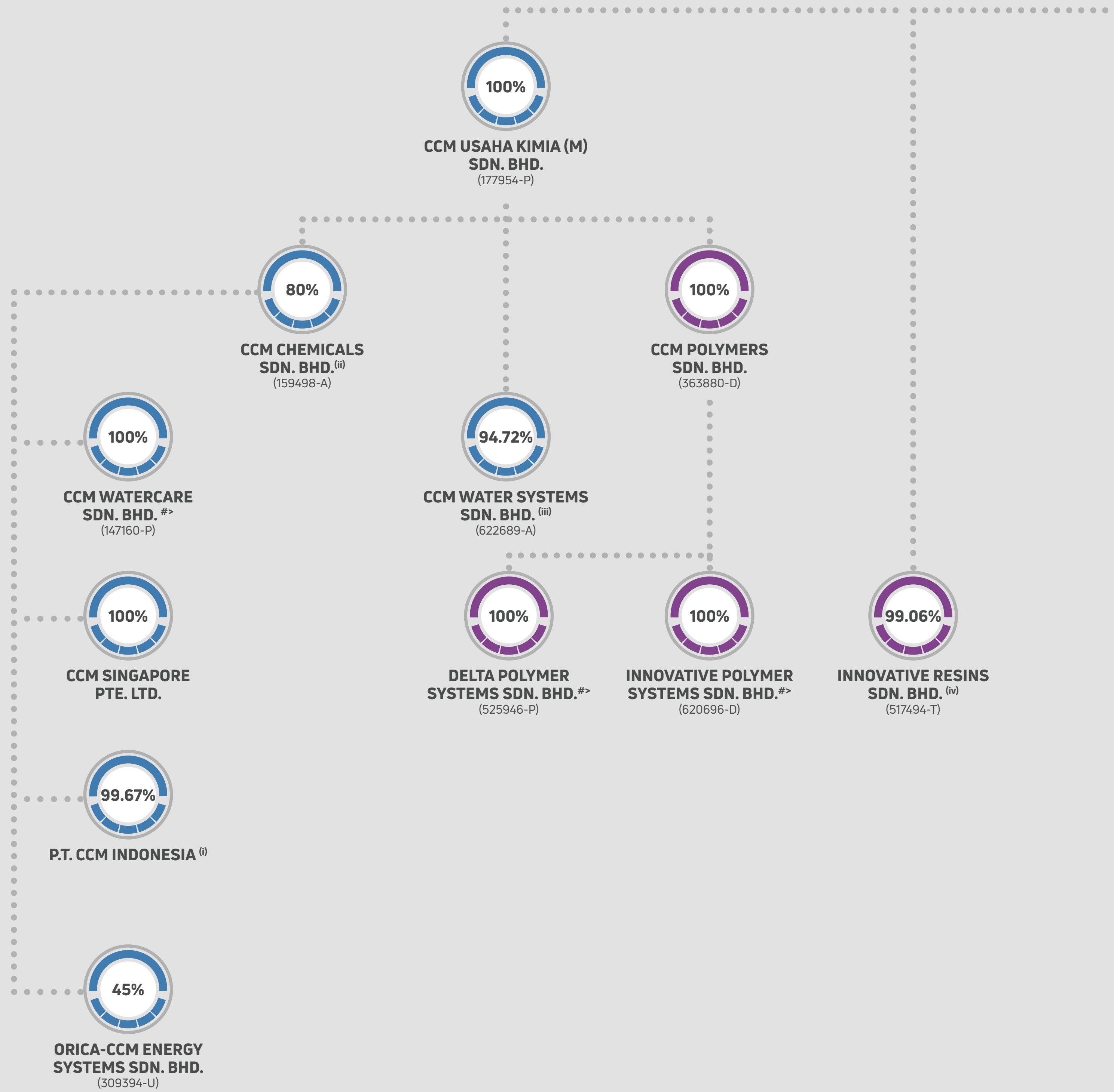
SOLICITOR
Raja, Darryl & Loh
18th Floor, Wisma Sime Darby
Jalan Raja Laut
50350 Kuala Lumpur
Tel : 03-2694 9999
Fax : 03-2693 3823

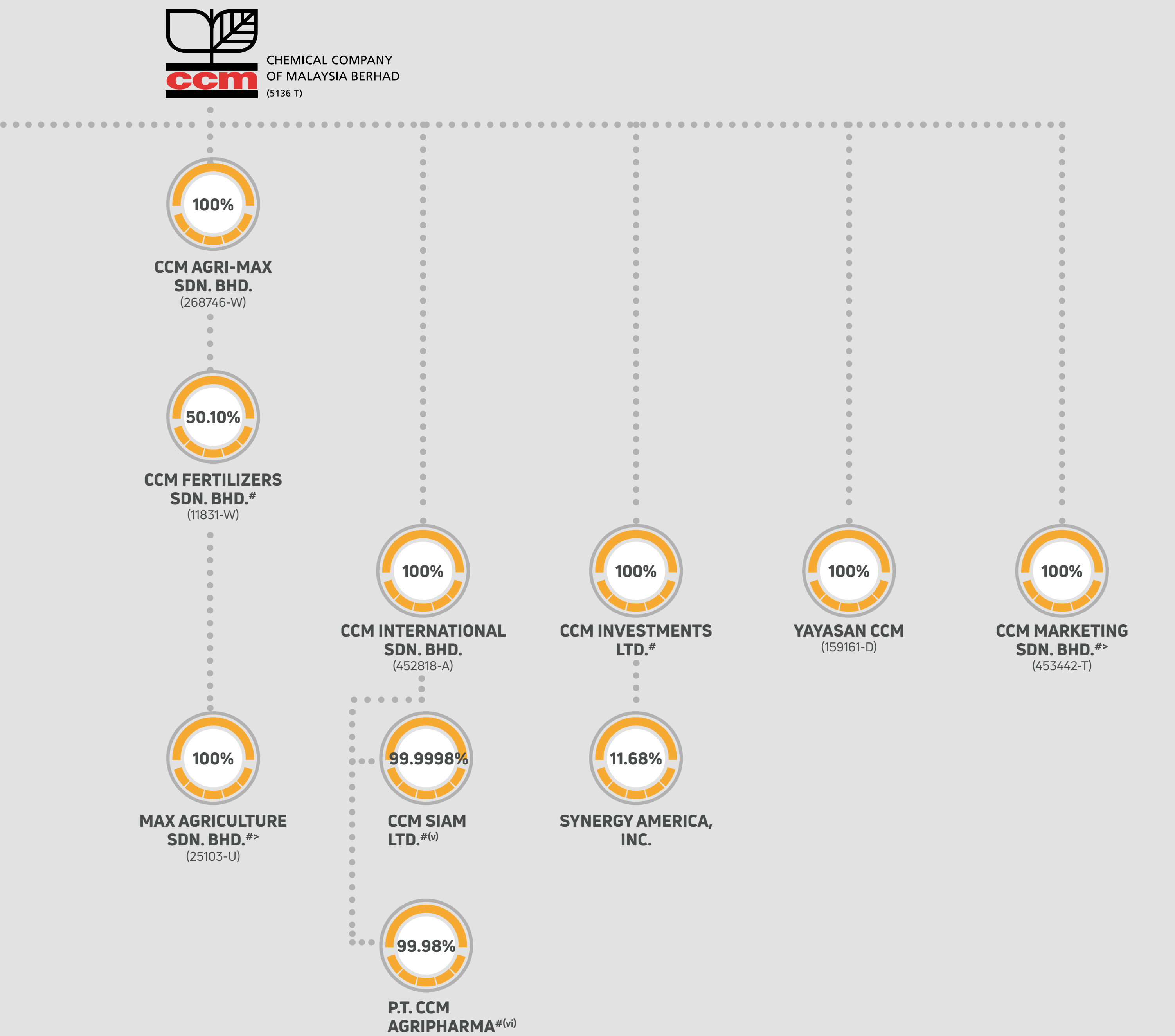
Board and Management Structure



Group Structure

AS AT 29 MARCH 2019





N.B.
(i) 0.33% held by CCM Watercare Sdn. Bhd.
(ii) 20% held by CCM
(iii) 5.28% held by CCM
(iv) 0.94% held by CCM Usaha Kimia (M) Sdn. Bhd.
(v) 0.0001% held by CCM Marketing Sdn. Bhd. and 0.0001% held by Innovative Resins Sdn. Bhd.
(vi) 0.02% held by CCM
Dormant
> In liquidation

Chemicals Business
Polymers Business
Others

Board of Directors

DATO' WAN MOHD. FADZMI BIN CHE WAN OTHMAN FADZILAH
Independent
Non-Executive Director

DATIN PADUKA KARTINI BINTI HJ ABDUL MANAF
Non-Independent
Non-Executive Director

DR. LEONG CHIK WENG
Independent
Non-Executive Director

KHALID BIN SUFAT
Senior Independent
Non-Executive Director





DATO' IDRIS BIN KECHOT
Non-Independent Non-Executive Chairman

NIK FAZILA BINTI NIK MOHAMED SHIHABUDDIN
Group Managing Director

DATO' AZMI BIN MOHD. ALI
Non-Independent Non-Executive Director

DATO' SERI IR. DR. ZAINI BIN UJANG
Independent Non-Executive Director

AMIZAR BINTI MIZUAR
Non-Independent Non-Executive Director

Board of Directors

DATO' IDRIS BIN KECHOT

AGE
64

NATIONALITY
Malaysian

GENDER
Male

POSITION ON THE BOARD
Non-Independent Non-Executive Chairman

DATE OF APPOINTMENT TO THE BOARD
18 March 2019

MEMBERSHIP OF BOARD COMMITTEES
None

DIRECTORSHIPS OF OTHER PUBLIC COMPANIES AND LISTED ISSUERS
- Pelaburan Hartanah Nasional Berhad
- Goodyear Malaysia Berhad

SECURITIES HOLDINGS IN THE COMPANY AND ITS SUBSIDIARIES
None as at 29 March 2019

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 5 YEARS AND PARTICULARS OF ANY PUBLIC SANCTION OR PENALTY IMPOSED BY THE RELEVANT REGULATORY BODIES DURING THE FINANCIAL YEAR
None

NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR
None

QUALIFICATIONS
- Master of Business Administration majoring in Finance, University of Stirling, United Kingdom
- Bachelor of Science (Agribusiness), Universiti Pertanian Malaysia
- Certified Financial Planner, Financial Planning of Malaysia
- Unit Trust Consultant, Federation of Malaysian Unit Trust Managers
- Accelerated Development Program, London Business School, United Kingdom

WORKING EXPERIENCE AND OCCUPATION
Dato' Idris was formerly the Deputy President and Group Chief Operating Officer of Permodalan Nasional Berhad (PNB), one of the largest fund management companies in Malaysia with assets under management (AUM) currently exceeding RM295 billion and was overseeing the asset management department. He has more than 30 years of experience in equity evaluation, equity trading and portfolio management of the proprietary and unit trust portfolios.

He began his career as a research analyst with PNB in 1983 undertaking industry and sectorial research and has carved an illustrious career before retiring as Deputy President and Group Chief Operating Officer of Permodalan Nasional Berhad on 31 December 2018. He holds a Bachelor of Science in Agribusiness from Universiti Pertanian Malaysia and a Master of Business Administration (Finance) from University of Stirling, United Kingdom. He is also a Certified Financial Planner from the Financial Planning Association of Malaysia. In the course of his career, he has undergone extensive training and attachment programmes locally and overseas, in the areas of equity evaluation, portfolio management and general management development.

Dato' Idris currently holds directorships in Projek Lintasan Kota Holdings Sdn. Bhd. (Prolintas), Perusahaan Otomobil Kedua Sdn. Bhd., Pelaburan Hartanah Nasional Berhad and Goodyear Malaysia Berhad.

NIK FAZILA BINTI NIK MOHAMED SHIHABUDDIN

AGE	NATIONALITY	GENDER
52	Malaysian	Female

POSITION ON THE BOARD
Group Managing Director

DATE OF APPOINTMENT TO THE BOARD
28 December 2017

MEMBERSHIP OF BOARD COMMITTEES
None

DIRECTORSHIPS OF OTHER PUBLIC COMPANIES AND LISTED ISSUERS
None

SECURITIES HOLDINGS IN THE COMPANY AND ITS SUBSIDIARIES
None as at 29 March 2019

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 5 YEARS AND PARTICULARS OF ANY PUBLIC SANCTION OR PENALTY IMPOSED BY THE RELEVANT REGULATORY BODIES DURING THE FINANCIAL YEAR
None

NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR
Ten (10) out of ten (10) meetings

QUALIFICATIONS
- Bachelor of Economics (Accounting), Flinders University of South Australia, Adelaide, Australia
- Chartered Accountant, Malaysian Institute of Certified Public Accountants (MICPA)
- Chartered Accountant, Malaysian Institute of Accountants (MIA)
- Associate Member, Certified Practising Accountant (CPA) Australia

WORKING EXPERIENCE AND OCCUPATION
Nik Fazila was appointed as Group Managing Director of Chemical Company of Malaysia Berhad on 28 December 2017. She joined CCM in March 2012 as Director, Finance and was appointed as the Group Chief Operating Officer cum Chief Financial Officer on 1 May 2016, overseeing the functions of Group Human Resources, Group Information Technology & Systems and Office Services, while still holding the role as Chief Financial Officer.

Nik Fazila has close to 30 years of experience in the field of accounting, finance, business assurance and various corporate transactions. She started her career with Price Waterhouse (now known as PricewaterhouseCoopers - PwC) in the audit and business advisory services, and was with PwC for 10 years from 1988 to 1998. Her last position at PwC was as Senior Manager, Audit & Business Advisory.

She has also served three (3) public listed companies listed on the Main Board of Bursa Malaysia Stock Exchange in Malaysia, as General Manager, Finance and Chief Financial Officer. During her tenure with these public listed companies, apart from accounting, finance and treasury, she was involved in various corporate transactions, namely merger and acquisitions, corporate restructuring, creditors' scheme of arrangement and capital repayment exercises. The listed companies that she had worked for were Sapura Telecommunication Berhad, KUB Malaysia Berhad and UDA Holdings Berhad. Her last employment prior to joining CCM was as Chief Financial Officer of Biotropics Malaysia Berhad, a subsidiary of Khazanah Nasional Berhad.

She holds directorships on the board of several companies within the CCM Group.

Board of Directors

KHALID BIN SUFAT

AGE
63

NATIONALITY
Malaysian

GENDER
Male

POSITION ON THE BOARD
Senior Independent Non-Executive Director

DATE OF APPOINTMENT TO THE BOARD
11 October 2010

MEMBERSHIP OF BOARD COMMITTEES

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

DIRECTORSHIPS OF OTHER PUBLIC COMPANIES AND LISTED ISSUERS

- UMW Holdings Berhad
- Kuwait Finance House (Malaysia) Berhad
- Employees Provident Fund

SECURITIES HOLDINGS IN THE COMPANY AND ITS SUBSIDIARIES

None as at 29 March 2019

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 5 YEARS AND PARTICULARS OF ANY PUBLIC SANCTION OR PENALTY IMPOSED BY THE RELEVANT REGULATORY BODIES DURING THE FINANCIAL YEAR

None

NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

Ten (10) out of ten (10) meetings

QUALIFICATIONS

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

WORKING EXPERIENCE AND OCCUPATION

Khalid, an accountant by profession, has vast experience in the banking industry having held several senior positions namely General Manager, Maybank in 1994, Executive Director of United Merchant Finance Berhad from 1995 to 1998 and Managing Director of Bank Rakyat from 1998 to 2000.

After his exposure in the banking industry, he went on to manage several listed companies namely 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.

DATO' AZMI BIN MOHD ALI

AGE 58 | **NATIONALITY** Malaysian | **GENDER** Male

POSITION ON THE BOARD
Non-Independent Non-Executive Director

DATE OF APPOINTMENT TO THE BOARD
8 October 2010

MEMBERSHIP OF BOARD COMMITTEES
- Chairman, Risk Management Committee
- Member, Finance and Investment Committee

DIRECTORSHIPS OF OTHER PUBLIC COMPANIES AND LISTED ISSUERS
- SP Setia Berhad
- Seacera Group Berhad
- Cliq Energy Berhad (In court-sanctioned liquidation under Section 218(1) (h) of the Companies Act 1965)

SECURITIES HOLDINGS IN THE COMPANY AND ITS SUBSIDIARIES
None as at 29 March 2019

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 5 YEARS AND PARTICULARS OF ANY PUBLIC SANCTION OR PENALTY IMPOSED BY THE RELEVANT REGULATORY BODIES DURING THE FINANCIAL YEAR
None

NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR
Ten (10) out of ten (10) meetings

QUALIFICATIONS
- LL.B (Hons), University of Malaya
- Master of Laws (LL.M) in the United States of America & Global Business Law, University of Suffolk, Boston, USA

WORKING EXPERIENCE AND OCCUPATION
Dato' Azmi Mohd Ali is the Senior Partner of Azmi & Associates, a full service corporate and commercial law firm of close to 75 lawyers, based in Kuala Lumpur, Malaysia. The firm, Azmi & Associates, under his leadership is recognised as one of the largest law firms (by size) in Malaysia.

He holds LL.B (Hons.) from the University of Malaya and LLM in US & Global Business Law from the Suffolk University, Boston, U.S.A. He is an experienced and is one of the leading corporate lawyers in Malaysia with expertise in the areas of mergers and acquisitions, joint ventures, cross-border transactions, project finance, privatisation, energy, oil and gas and foreign investments.

Prior to his endeavour in private practice, Dato' Azmi has spent 6 ½ years as an in-house counsel of PETRONAS. He was involved in projects of national importance for Malaysia and negotiated and concluded the NGPSA, a major gas development project for Malaysia, in 1990. His accomplishments as a corporate lawyer are well noted and have earned him numerous awards, accolades and recognitions from reputed international legal publications. He won the prestigious International Law Office 2016 Clients Choice Award for Malaysia in Mergers & Acquisitions.

Currently, he is a Director of two other listed companies, namely SP Setia Berhad and Seacera Group Berhad. He has also previously served as a Director of Sime Darby Berhad for more than 5 years. He is also a Director of Institute of Corporate Directors Malaysia, established under the auspices of Securities Commission and Bank Negara Malaysia. He also serves as a Director of Terralex, a Florida-based world-wide network of 155 law firms with 19,000 lawyers within its member firms spanning across 100 jurisdictions world-wide.

On the academic front, he has served as a Director of a public university, Universiti Malaysia Kelantan and as an Adjunct Professor of Law at the International Islamic University of Malaysia for more than 3 years and is now an Adjunct Professor at the Universiti Kebangsaan Malaysia's Law Faculty for 2 years. He is also one of the 4 certified arbitrators for Malaysia for the Panel of Conciliators and the Panel of Arbitrators of International Centre for Settlement of Investment Disputes (ICSID) as well as an appointed Arbitrator for the International Chamber of Commerce Malaysia (ICC).

Board of Directors

DR LEONG CHIK WENG

AGE 56 | **NATIONALITY** Malaysian | **GENDER** Male

POSITION ON THE BOARD
Independent Non-Executive Director

DATE OF APPOINTMENT TO THE BOARD
11 October 2010

MEMBERSHIP OF BOARD COMMITTEES
- Chairman, Finance and Investment Committee
- Member, Nomination and Remuneration Committee

DIRECTORSHIPS OF OTHER PUBLIC COMPANIES AND LISTED ISSUERS
- A-Rank Berhad

SECURITIES HOLDINGS IN THE COMPANY AND ITS SUBSIDIARIES
None as at 29 March 2019

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 5 YEARS AND PARTICULARS OF ANY PUBLIC SANCTION OR PENALTY IMPOSED BY THE RELEVANT REGULATORY BODIES DURING THE FINANCIAL YEAR
None

NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR
Seven (7) out of ten (10) meetings

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

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 was the Technical Director of 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.

DATO' SERI IR. DR. ZAINI BIN UJANG

AGE
54

NATIONALITY
Malaysian

GENDER
Male

POSITION ON THE BOARD
Independent Non-Executive Director

DATE OF APPOINTMENT TO THE BOARD
10 January 2011

MEMBERSHIP OF BOARD COMMITTEES

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

DIRECTORSHIPS OF OTHER PUBLIC COMPANIES AND LISTED ISSUERS

- Pengurusan Aset Air Berhad

SECURITIES HOLDINGS IN THE COMPANY AND ITS SUBSIDIARIES

None as at 29 March 2019

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 5 YEARS AND PARTICULARS OF ANY PUBLIC SANCTION OR PENALTY IMPOSED BY THE RELEVANT REGULATORY BODIES DURING THE FINANCIAL YEAR

None

NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

Eight (8) out of ten (10) meetings

QUALIFICATIONS

- 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, United States
- Professional Engineer, Malaysia
- Chartered Engineer, United Kingdom

WORKING EXPERIENCE AND OCCUPATION

Dato' Seri Ir. Dr. Zaini is a professional environmental engineer 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.

He is a Fellow of the Royal Physiographic Society of Lund (Sweden), Fellow of the Chartered Institute of Water and Environmental Management (UK), Fellow of the Academy of Sciences Malaysia, Fellow of the Institute of Chemical Engineers (UK), Fellow of the Institution of Engineers (Malaysia), Chartered Engineer (UK), Chartered Scientist (UK), Chartered Water and Environmental Manager (UK), ASEAN Chartered Professional Engineer; Visiting Professor Imperial College London, (United Kingdom), Lund (Sweden) and Tsukuba (Japan); and received Honorary Doctor of Science (Newcastle University, United Kingdom, 2018). He was also the Vice Chancellor of Universiti Teknologi Malaysia from 2008 till 2013.

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 in environmental and sustainability water. He has been conferred the Darjah Seri Setia Tuanku Muhriz Yang Amat Terbilang ("SSTM"),Panglima Jasa Negara ("PJN") and the 'Tokoh Maal Hijrah 1433H' of Negeri Sembilan in 2011.

He has registered more than 20 intellectual property rights and published more than 250 technical papers and 36 books with his recent book entitled '*Ecoshift: Holistic Transformation towards Environmental Sustainability*' in 2018 and *Japanese Ecosophy: A Traveller's Notes in 2019*.

Board of Directors

DATIN PADUKA KARTINI BINTI HJ. ABDUL MANAF

AGE	NATIONALITY	GENDER
57	Malaysian	Female

POSITION ON THE BOARD
Non-Independent Non-Executive Director

DATE OF APPOINTMENT TO THE BOARD
10 January 2011

MEMBERSHIP OF BOARD COMMITTEES
- Member, Audit and Compliance Committee
- Member, Finance and Investment Committee
- Member, Nomination and Remuneration Committee

DIRECTORSHIPS OF OTHER PUBLIC COMPANIES AND LISTED ISSUERS
- UMW Holdings Berhad
- Unilever (Malaysia) Holdings Sdn. Bhd.
- Universiti Malaysia Kelantan

SECURITIES HOLDINGS IN THE COMPANY AND ITS SUBSIDIARIES
None as at 29 March 2019

FAMILY RELATIONSHIP WITH ANY DIRECTOR AND/OR MAJOR SHAREHOLDER
None

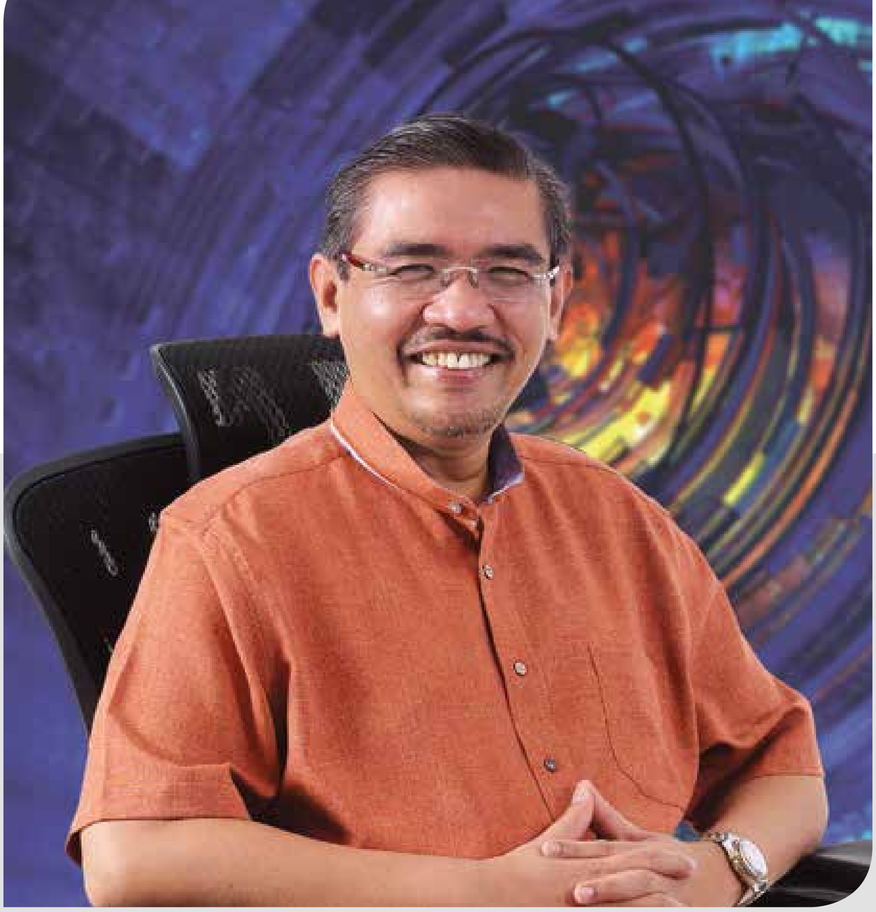
CONFLICT OF INTEREST WITH THE COMPANY
None

LIST OF CONVICTIONS FOR OFFENCES WITHIN THE PAST 5 YEARS AND PARTICULARS OF ANY PUBLIC SANCTION OR PENALTY IMPOSED BY THE RELEVANT REGULATORY BODIES DURING THE FINANCIAL YEAR
None

NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR
Ten (10) out of ten (10) meetings

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

WORKING EXPERIENCE AND OCCUPATION
Datin Paduka Kartini started her career with Permodalan Nasional Berhad ("PNB") in March 1983 and is presently its Deputy President, Strategic Investments. In her career of over 30 years at PNB, she has served in various capacities and has been involved in various aspects of investment management and corporate finance, including mergers and acquisitions, corporate restructuring, portfolio management, property investment as well as business development.



DATO' WAN MOHD FADZMI BIN CHE WAN OTHMAN FADZILAH

AGE	NATIONALITY	GENDER
53	Malaysian	Male

POSITION ON THE BOARD
Independent Non-Executive Director

DATE OF APPOINTMENT TO THE BOARD
9 March 2018

MEMBERSHIP OF BOARD COMMITTEES
- Member, Audit and Compliance Committee
- Member, Risk Management Committee

DIRECTORSHIPS OF OTHER PUBLIC COMPANIES AND LISTED ISSUERS
- Hap Seng Consolidated Berhad
- Sumitomo Mitsui Banking Corporation Malaysia Berhad

SECURITIES HOLDINGS IN THE COMPANY AND ITS SUBSIDIARIES
None as at 29 March 2019

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 5 YEARS AND PARTICULARS OF ANY PUBLIC SANCTION OR PENALTY IMPOSED BY THE RELEVANT REGULATORY BODIES DURING THE FINANCIAL YEAR
None

NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR
Eight (8) out of Eight (8) meetings

QUALIFICATIONS
- Chartered Banker, Asian Institute of Chartered Bankers
- Bachelor of Construction Economics, RMIT University Australia
- Advanced Management Program, Wharton Business School, University of Pennsylvania, USA
- Senior Executive Finance Program, Templeton College University of Oxford

WORKING EXPERIENCE AND OCCUPATION
Dato' Wan Mohd Fadzmi has extensive experience in the domestic and international banking industry. During his 22-year career with Malayan Banking Berhad, he was holding various senior management positions including the Chief Executive and Country Heads for the Bank's operations in London, New York and Hong Kong.

He was a Director of global financial banking strategic business group of RHB Bank Berhad from July 2010 to June 2011 before assuming the position as the President/Chief Executive Officer in Bank Pertanian (M) Berhad (Agrobank) from July 2011 to August 2017.

Board of Directors

AMIZAR BINTI MIZUAR

AGE	NATIONALITY	GENDER
49	Malaysian	Female

POSITION ON THE BOARD
Non-Independent Non-Executive Director

DATE OF APPOINTMENT TO THE BOARD
14 September 2018

MEMBERSHIP OF BOARD COMMITTEES
- Member, Risk Management Committee
- Member, Finance & Investment Committee

DIRECTORSHIPS OF OTHER PUBLIC COMPANIES AND LISTED ISSUERS
- HeiTech Padu Berhad

SECURITIES HOLDINGS IN THE COMPANY AND ITS SUBSIDIARIES
None as at 29 March 2019

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 5 YEARS AND PARTICULARS OF ANY PUBLIC SANCTION OR PENALTY IMPOSED BY THE RELEVANT REGULATORY BODIES DURING THE FINANCIAL YEAR
None

NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR
Two (2) out of two (2) meetings

QUALIFICATIONS
- Master of Business Administration (Applied Finance & Investment), Universiti Kebangsaan Malaysia
- Bachelor of Business Administration (Hons), Universiti Utara Malaysia
- Graduate Diploma of Applied Finance & Investment, Securities Institute, Australia
- Graduate Diploma in Investment Analysis, Institut Teknologi MARA
- Diploma in Banking Studies, Institut Teknologi MARA
- Capital Markets Services Representative's Licence, Securities Commission
- Leadership Transition Programme, INSEAD, Fontainebleau, France

WORKING EXPERIENCE AND OCCUPATION
Puan Amizar started her career with Permodalan Nasional Berhad (PNB) in 1995 and is presently its Vice President of Public Equity Department. In her career of over 20 years at PNB, she has served in various capacities and has been involved in various aspects of investment management and corporate finance including mergers and acquisitions, corporate restructuring and investment analysis

Senior Management

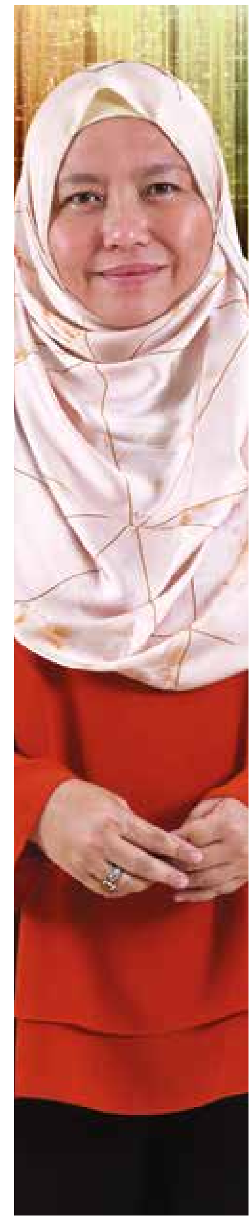
MOHD JUNAIDY BIN AB-MUTALIB
Chief Financial Officer

MUKRI BIN HARUN
Chief Executive Officer, Chemicals

DR. KHEW MEI CHING
Chief Executive Officer, Polymers

NOOR AZWAH BINTI SAMSUDIN
Head, Legal & Secretarial/Group Company Secretary

WAN AISHAH IDRIS BINTI MUHAMAD IDRIS
Head, Group Risk, Integrity & Assurance



NUR MELISSA FERNANDEZ ABDULLAH
Head, Program and Communication

Senior Management

MOHD JUNAIDY BIN AB-MUTALIB

AGE	NATIONALITY	GENDER
45	Malaysian	Male

POSITION
Chief Financial Officer

DATE OF APPOINTMENT TO KEY SENIOR POSITION
7 May 2018

DIRECTORSHIPS OF PUBLIC COMPANIES AND LISTED ISSUERS
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 5 YEARS AND PARTICULARS OF ANY PUBLIC SANCTION OR PENALTY IMPOSED BY THE RELEVANT REGULATORY BODIES DURING THE FINANCIAL YEAR
None

QUALIFICATIONS
- BSc Accountancy (First Class Honours), University of Cardiff, United Kingdom
- Member of the Institute of Chartered Accountants in England and Wales, UK (ICAEW)
- Member of Association of Chartered Certified Accountants, UK (ACCA)
- Member of Malaysian Institute of Accountants (MIA)

RESPONSIBILITY
- Manages the financial activities of CCM Group. This includes overseeing financial reporting, corporate treasury and insurance, financial control, procurement and Group finance operations.
- Leads the overall strategy and corporate planning of CCM Group to meet its strategic objectives, in order to strengthen the Group's business and realise growth aspiration.
- Oversees the operations of Group Information Technology services in supporting business objectives and providing forward looking solutions.

WORKING EXPERIENCE
- FGV Holdings Berhad 2010 to 2017
- Khazanah Nasional Berhad 2007 to 2009
- Pos Malaysia and Services Holdings Berhad 2004 to 2007
- MMC Corporation Berhad 2003 to 2004
- PricewaterhouseCoopers 2002 to 2003
- Simmons Gainsford LLP 1997 to 2001

MUKRI BIN HARUN

AGE	NATIONALITY	GENDER
51	Malaysian	Male

POSITION
Chief Executive Officer, Chemicals

DATE OF APPOINTMENT TO KEY SENIOR POSITION
1 January 2018

DIRECTORSHIPS OF PUBLIC COMPANIES AND LISTED ISSUERS
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 5 YEARS AND PARTICULARS OF ANY PUBLIC SANCTION OR PENALTY IMPOSED BY THE RELEVANT REGULATORY BODIES DURING THE FINANCIAL YEAR
None

QUALIFICATION
- Bachelor of Science (Mechanical Engineering), Clarkson University, New York USA

RESPONSIBILITY
- Provides strategic leadership for the Chemicals Division by working with various stakeholders and the management team to establish long-term goals, strategies, plans and policies.
- Provides management and operational leadership for the Chemicals team to ensure that the vision, mission and core values of the company are put into practice and that it maintains its competitive edge domestically and in the international arena.

WORKING EXPERIENCE
- Manufacturing, CCM Chemicals from 2015 to 2017
- Sustainability and Safety Health & Environment, CCM Chemicals from 2010 to 2015
- Engineering, Projects & Chemicals Plant Operations, CCM Chemicals from 1994 to 2010
- Edible Oil Manufacturing and Operations, Felda Mills Corporation from 1991 to 1994

Senior Management

DR. KHEW MEI CHING

AGE	NATIONALITY	GENDER
52	Malaysian	Female

POSITION
Chief Executive Officer, Polymers

DATE OF APPOINTMENT TO KEY SENIOR POSITION
1 January 2016

DIRECTORSHIPS OF PUBLIC COMPANIES AND LISTED ISSUERS
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 5 YEARS AND PARTICULARS OF ANY PUBLIC SANCTION OR PENALTY IMPOSED BY THE RELEVANT REGULATORY BODIES DURING THE FINANCIAL YEAR
None

QUALIFICATIONS
- PH.D (Chemistry), University of Malaya
- Bachelor of Technology, University of Science Malaysia

RESPONSIBILITY
- Establishes strategic vision for the Polymers Division as well as provides planning and operational leadership to optimise returns from the company's investments and assets.
- Focus on strengthening the Polymers team's capabilities and the company's offerings so that it is well positioned to compete in the global market.

.WORKING EXPERIENCE
- Synthomer Sdn. Bhd. from 2001 to 2009
- WRP Asia Pacific Sdn. Bhd. from 1999 to 2001
- Sumirubber Industries Sdn. Bhd. from 1992 to 1995

NOOR AZWAH BINTI SAMSUDIN

AGE	NATIONALITY	GENDER
48	Malaysian	Female

POSITION
Head, Legal & Secretarial/Group Company Secretary

DATE OF APPOINTMENT TO KEY SENIOR POSITION
8 December 2006

DIRECTORSHIPS OF PUBLIC COMPANIES AND LISTED ISSUERS
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 5 YEARS AND PARTICULARS OF ANY PUBLIC SANCTION OR PENALTY IMPOSED BY THE RELEVANT REGULATORY BODIES DURING THE FINANCIAL YEAR
None

QUALIFICATIONS
- LLB, University of Sheffield, United Kingdom
- Certificate in Legal Practice, Legal Qualifying Board, Malaysia
- Affiliate member of the Malaysian Institute of Chartered Secretaries and Administrators

RESPONSIBILITY
- Leads and provides proactive, legal, business focused advice to the businesses and internal stakeholders as well as implement legal initiatives and processes across the Group
- Ensures compliance with corporate statutory and regulatory requirements as well as corporate governance practices across the Group
- Ensures efficient administration of the corporate secretarial function across the Group

WORKING EXPERIENCE
- Edaran Otomobil Nasional Berhad from 2003 to 2006
- MNI Group of Companies from 1995 to 2003

Senior Management

WAN AISHAH IDRIS BINTI MUHAMAD IDRIS

AGE	NATIONALITY	GENDER
48	Malaysian	Female

POSITION
Head, Group Risk, Integrity & Assurance

DATE OF APPOINTMENT TO KEY SENIOR POSITION
13 August 2014

DIRECTORSHIPS OF PUBLIC COMPANIES AND LISTED ISSUERS
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 5 YEARS AND PARTICULARS OF ANY PUBLIC SANCTION OR PENALTY IMPOSED BY THE RELEVANT REGULATORY BODIES DURING THE FINANCIAL YEAR
None

QUALIFICATIONS
- BA Accounting & Finance, University of South Wales (fka University of Glamorgan), United Kingdom
- Association of Certified Chartered Accountant (ACCA)
- Certified Internal Auditor (CIA)
- Certified Integrity Officer (CeIO)

RESPONSIBILITY
- Sets strategic directions and performance objectives for Group Risk, Integrity and Assurance (GRIA) Department.
- Provides overall leadership, management and performance of GRIA to ensure provision of efficient, effective and quality services to CCM Group of companies in the areas of risk, integrity and controls.

WORKING EXPERIENCE
- UEM Group Berhad from 2000 to 2011
- Ilham Daya Sdn Bhd from 1998 to 2000
- Malaysia Airlines Systems Berhad from 1997 to 1998
- Grant Thornton Chartered Accountant (Cardiff, United Kingdom) from 1994 to 1997

NUR MELISSA FERNANDEZ ABDULLAH

AGE	NATIONALITY	GENDER
46	Malaysian	Female

POSITION
Head, Program and Communication

DATE OF APPOINTMENT TO KEY SENIOR POSITION
1 January 2018

DIRECTORSHIPS OF PUBLIC COMPANIES AND LISTED ISSUERS
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 5 YEARS AND PARTICULARS OF ANY PUBLIC SANCTION OR PENALTY IMPOSED BY THE RELEVANT REGULATORY BODIES DURING THE FINANCIAL YEAR
None

QUALIFICATIONS
- Bachelor of Science (Horticulture), Universiti Putra Malaysia
- Masters of Arts, Communication Management, University of South Australia

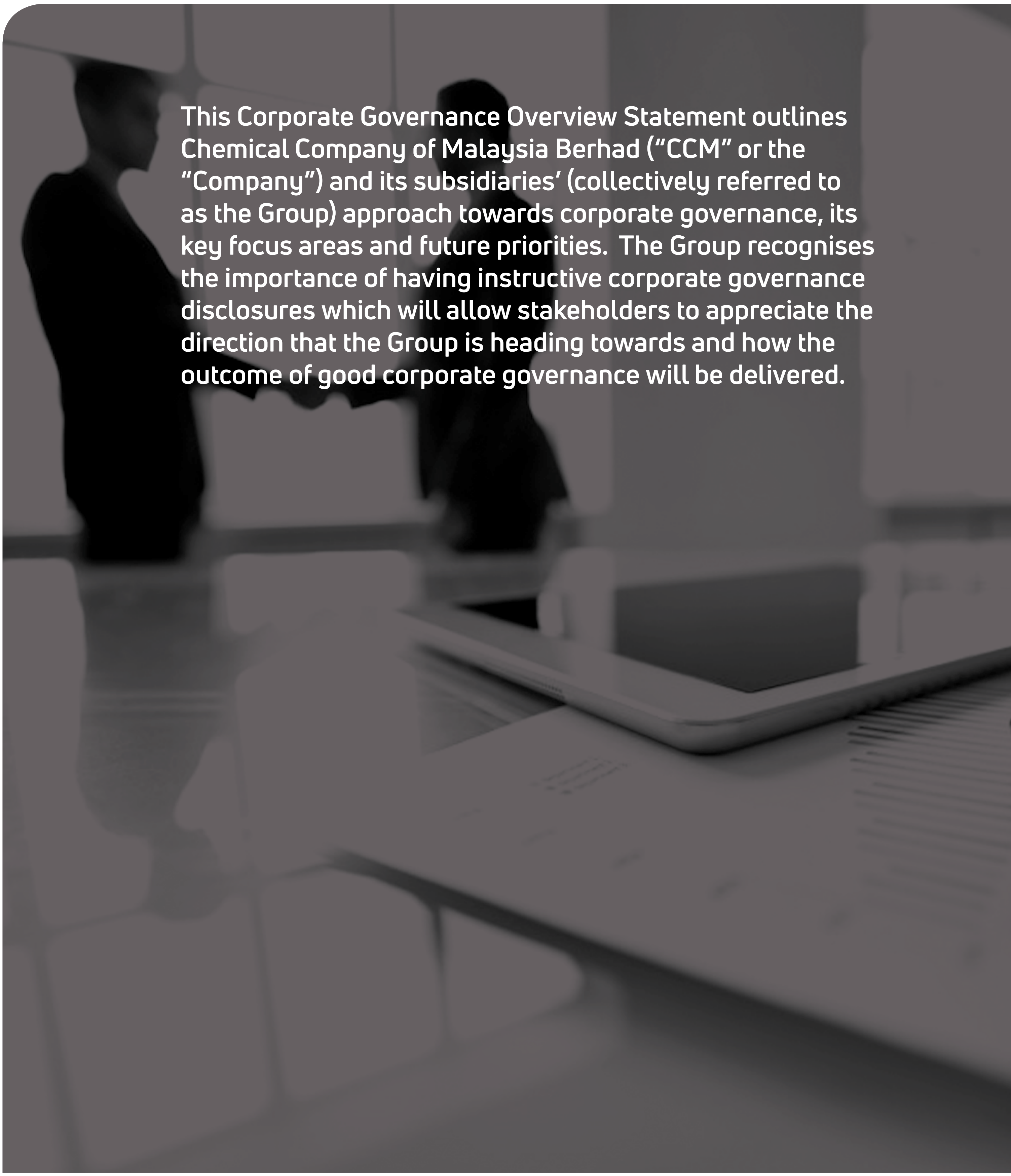
RESPONSIBILITY
- Manages the public relations aspects of CCM Group. Builds and sustains a positive image for CCM Group via various forms of messaging that will positively impact stakeholders which will lead to stronger branding, enhanced reputation and increased customer loyalty.
- Leads the development and execution of broad based, company-wide strategic sustainability initiatives, integrating sustainability throughout CCM Group. Ensure CCM's sustainability effort enhances business performance and support the long term interests of the company.

WORKING EXPERIENCE
- AMB Exhibitions Sdn Bhd from 2004 to 2005
- Damansara Women Specialist Centre from 2003 to 2004
- Medical Online Sdn Bhd from 2001 to 2003
- Isetan of Japan Sdn Bhd from 1997 to 2000

Accountability

Corporate Governance Overview Statement

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018



This Corporate Governance Overview Statement outlines Chemical Company of Malaysia Berhad ("CCM" or the "Company") and its subsidiaries' (collectively referred to as the Group) approach towards corporate governance, its key focus areas and future priorities. The Group recognises the importance of having instructive corporate governance disclosures which will allow stakeholders to appreciate the direction that the Group is heading towards and how the outcome of good corporate governance will be delivered.

This Corporate Governance Overview Statement is augmented with a Corporate Governance Report, which provides detailed disclosures on the application of each Practice as codified in the Malaysian Code on Corporate Governance ("MCCG"). The Corporate Governance Report is available on the Company's website which can be accessed at *www.ccmberhad.com* as well as via the announcement made on the website of Bursa Malaysia Berhad. The Corporate Governance Overview Statement and Corporate Governance Report are made pursuant to paragraph 15.25 of the Main Market Listing Requirements by Bursa Malaysia Securities Berhad ("MMLR") and are narrated with reference to the guidance provided in Practice Note 9 of MMLR and the Corporate Governance Guide (3rd Edition) issued by Bursa Malaysia Berhad.

The Corporate Governance Overview Statement should also be read alongside other statements in this Annual Report (e.g. Statement on Risk Management and Internal Control, Reports on Board Committees and Sustainability Statement) for a holistic understanding of the Group's corporate governance framework and practices.

Corporate governance approach

Following the corporate exercise which involved the demerger of Duopharma Biotech Berhad (formerly known as CCM Duopharma Biotech Berhad), CCM is now more focused on growing its two core businesses, i.e. Chemicals and Polymers businesses following the demerger of Duopharma Biotech Berhad. The Board has taken this opportunity to renew its focus and commitment to maintaining a robust and dynamic governance framework that supports the new leadership and drives the long-term sustainability of the Company in its newfound position. The Board recognises that the architecture and implementation of the governance framework is paramount for the effective development of strategy and business plan, the monitoring of Group's performance and the management of risks. Whilst the circumstances of the Group may evolve over time, the Group's overarching governance approach remains consistent and is anchored on the Group's six core values of **Passion**, **Excellence**, **Teamwork**, **Integrity**, **Responsible** and **Respect**.

The Group's overall corporate governance approach is to:

- Create a purpose and value driven corporate governance framework by promoting individual accountability;
- Humanise governance through the mastery of intersection between rules, processes, ethics and morality; and
- Drive the application of good governance practices in tandem with the value creation process of the Group.

The Board regularly reviews the Group's corporate governance policies and procedures to ensure they reflect the latest curation of thoughts, market dynamics and best practices whilst simultaneously addressing the needs of the Group. In performing its duties, the Board continuously encourages and promotes meaningful and thoughtful application of corporate governance practices in line with established benchmarks. This proved to be a watershed effort during the year as the domestic corporate governance ecosystem was introduced to a series of corporate governance reforms, namely the operationalisation of Companies Act 2016, the release of the latest iteration of MCCG, amendments to MMLR as well as the release of the 3rd edition Corporate Governance Guide by Bursa Malaysia Berhad.

Summary of corporate governance practices

In seeking to actualise its corporate governance aspirations, CCM has benchmarked its practices against the relevant promulgations and best practices.

CCM has consistently applied all the Practices espoused by MCCG, save for:

- Practice 6.2 (the establishment of a dedicated remuneration committee);
- Practice 7.1 (the disclosure of top five Senior Management on named basis);
- Practice 11.2 (the adoption of Integrated Reporting); and
- Practice 12.3 (the use of technology to facilitate remote shareholders' participation in general meetings).

In relation to the aforementioned departed Practices, the Company has provided forthcoming, clear and compelling explanations for their non-application. The Board appreciates the line of sight or Intended Outcome outlined in MCCG and has therefore put in place alternative practices, taking into account the Intended Outcomes envisioned by the said Practices of MCCG.

Corporate Governance Overview Statement
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

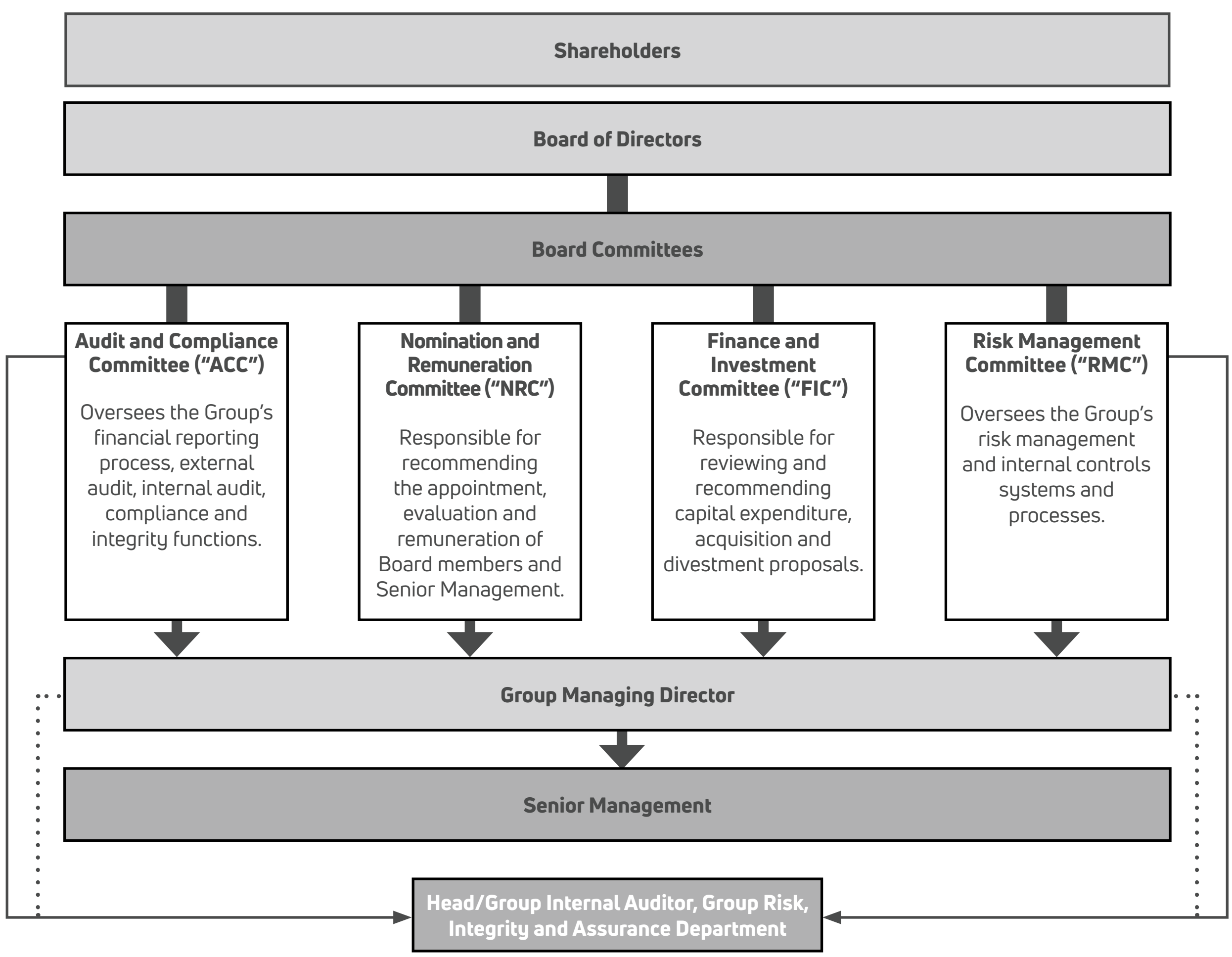
As the Company scales up in size and scope by progressing along its current trajectory, the Board will consider the adoption of the departed Practices as the Company would be better positioned to implement these Practices in substance at that juncture. Whilst CCM does not fall within the ambit of Large Companies[1] as defined by MCCG, the Company has on its own volition, disclosed measures that the Company has taken or intends to take to adopt the departed Practices as well as the timeframe for adoption of the departed Practices. Further details on the application of each individual Practice of MCCG are available in the Corporate Governance Report.

A summary of CCM's corporate governance practices with reference to the MCCG is outlined below.

Roles and responsibilities of the Board

In an age where boards are expected to be far-sighted and more vigilant than ever, the Board of CCM assumes an active role in setting the strategic direction and providing leadership for overall direction for the Group. In ensuring the proper management of the affairs of the Group, the Board is cognisant of the need for the Group to operate within a framework of prudent and effective risk management and internal control mechanisms.

Board Committees have been established to assist the Board in its oversight function on specific matters. Whilst oversight of selected responsibility areas is delegated to the Board Committees, the Board nevertheless retains collective oversight and jurisdiction over the Board Committees. The Board Committees report their activities and findings to the Board and are guided by their respective Terms of Reference.



[1] *Large Companies are companies on the FTSE Bursa Malaysia Top 100 Index; or companies with market capitalisation of RM2 billion and above, at the start of the companies' financial year.*

The Board has formalised a Board Charter which serves as an authoritative document that governs the conduct of the Board, Board Committees and individual Directors. The Board Charter sets out the roles, responsibilities and authority of the Board. On an annual basis, the Board undertakes a review of the Board Charter and Terms of Reference of Board Committees to ensure that they remain contemporaneous vis-à-vis latest regulatory developments, stakeholders' expectations and corporate governance best practices.

During the year, the Board and Board Committees have met regularly to deliberate on matters under their purview. Directors have devoted sufficient time to prepare, attend and actively participate during the Board and/or Board Committees meetings. The overarching agenda for the Board during the year was overseeing and supporting Senior Management on the execution of the strategic plan and the corporate restructuring exercise. Accordingly, the Board has deliberated on pertinent issues including the Company's annual business plan, annual budget, significant joint ventures, acquisitions and disposals, financial results as well as key performance indicators. Meeting attendance of individual Directors during the year is outlined below.

Directors	Board	ACC	NRC	RMC	FIC
Executive Director					
Nik Fazila binti Nik Mohamed Shihabuddin	10/10				
Non-Independent Non-Executive Directors					
Dato' Idris bin Kechot[1]	0/0				
Datin Paduka Kartini Binti Hj Abdul Manaf[2]	10/10	7/7	6/6		6/6
Dato' Azmi Bin Mohd Ali	10/10			4/4	6/6
Amizar binti Mizuar[3]	2/2			0/0	1/1
Dato' Hajah Normala Binti Abdul Samad[4]	5/6			0/1	
Independent Non-Executive Directors					
Khalid Bin Sufat	10/10	7/7	6/6		
Dato' Seri Ir. Dr. Zaini Bin Ujang	8/10	6/7		3/4	4/6
Dr. Leong Chik Weng	7/10		5/6		5/6
Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah[5]	8/8	6/6		1/1	

Chairman Member

Notes:

1 *Appointed as Non-Independent Non-Executive Chairman on 18 March 2019*
2 *Appointed as Acting Chairman from 5 July 2018 until 17 March 2019*
3 *Appointed as Non-Independent Non-Executive Director w.e.f. 14 September 2018 and FIC and RMC member on 13 November 2018*
4 *Resigned as Board Chairman, NRC and RMC Member w.e.f. 5 July 2018*
5 *Appointed as Independent Non-Executive Director, ACC Member and RMC member on 9 March 2018, 9 March 2018 and 28 August 2018 respectively.*

There is a clear separation of roles between the Chairman of the Board and the Group Managing Director to bring about an effective check and balance mechanism. The Group Managing Director as the "Chief of Management" is responsible for the day-to-day business and activities of the Group and implements the strategies, policies and decisions approved by the Board. The Board has also appointed a Senior Independent Director who chairs the NRC and serves as a sounding board to the Chairman and an intermediary for other Directors when necessary.

In performing their duties, the Board is supported by a suitably qualified and competent Company Secretary. The Company Secretary acts a corporate governance counsel and provides the Board with periodic updates on the latest regulatory developments and facilitate the implementation of pertinent corporate governance enumerations. The Company Secretary assists in the agenda setting and disseminates complete and accurate meeting materials to Directors in a timely manner in order to facilitate informed and rigorous Board or Board Committee discussions.

As the Board is the pivot of good governance culture, it continuously strives to set the "tone at the top" and cascade ethical values and standards across every level of the Group. As such, the Board has approved a Code of Conduct to govern employees in their day-to-day professional conduct and decision-making process. As part of a far-reaching effort to promote ethical conduct, a Whistleblowing Policy has also been put in place to allow employees and other stakeholders to raise legitimate concerns without fear of retaliatory actions.

Corporate Governance Overview Statement
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Board composition

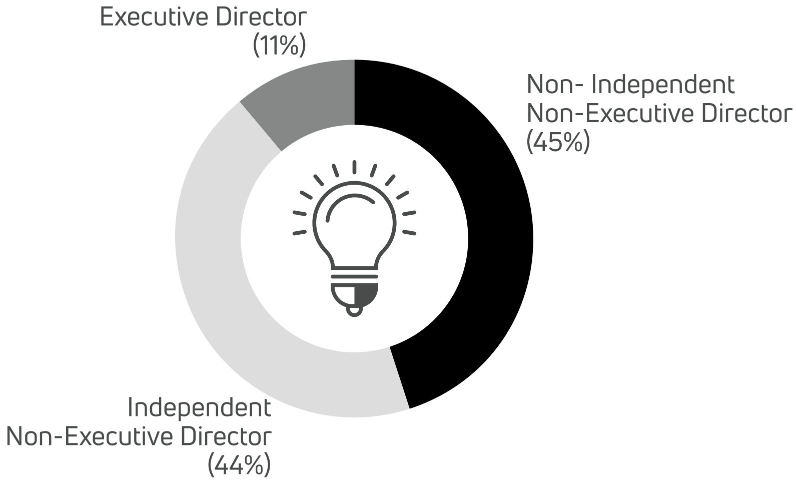
It is especially imperative for the Board to have an appropriate mix of skills, qualifications and experience that can support the Company's leadership in driving the long-term vision for the Group. The Board, through the NRC, periodically reviews its composition to dovetail with the strategic trajectory of the Company. The combined skills and expertise of Directors provide a breadth and depth of diverse perspectives that can refine the decision making of the Board in pertinent areas.

CCM also has a long-standing history of constituting a diverse Board in the facet of gender. At present, there are three women Directors out of the eight Board members in aggregate. Taking cue from the policy pronouncement by the government, the Board has now furthered this agenda by codifying a stipulation in the Board Charter which calls for the Board to comprise at least 30% women Directors at any one time.

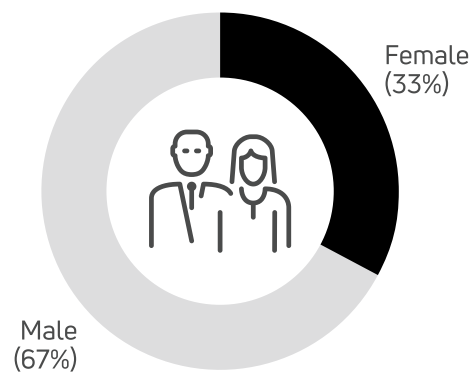
For the financial year ended 31 December 2018, the Company has met the requirement of having at least 50% independent directors on its Board. However, following the appointment of Dato' Idris bin Kechot as the Non-Independent Non-Executive Chairman, the Company fell short of such requirement. The Board foresees that this situation is temporary and expects that the Company would be able to meet the requirement of having 50% independent directors on its Board within the next six months.

A microscopic view of the Board composition is depicted on the following page

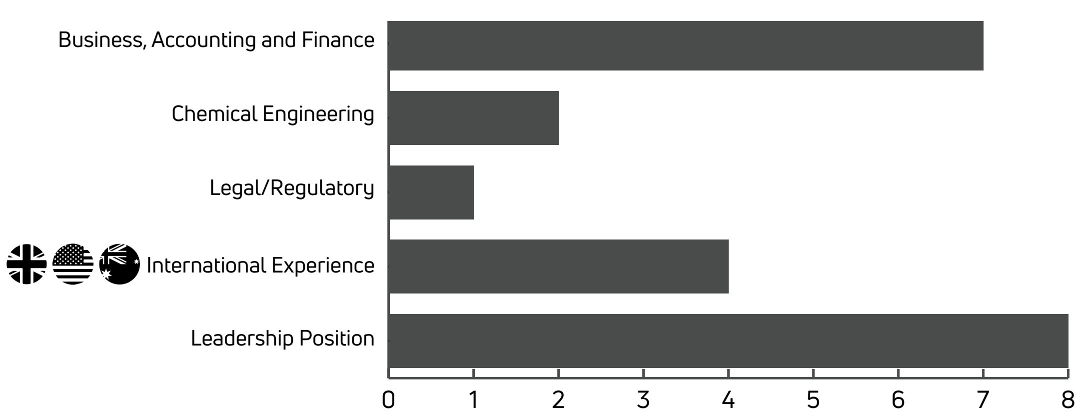
Board Independence



Board Gender Diversity



Directors' Skillsets



Appointments to the Board are made via a formal, rigorous and transparent process. In assessing and recommending candidates for directorships, the NRC is guided by the Group's Board Selection and Nomination Procedure which outlines the skills, experience and attributes required in a candidate. The NRC has additionally engaged independent search firms and consultants in order to diversify its sourcing for potential Directors.

On an annual basis, the Board, Board Committees and individual Directors including Independent Directors are subjected to a rigorous evaluation process that effectively review their performance and assess their effectiveness. The assessment is administered using questionnaires that incorporate both qualitative and quantitative criteria, based on a self and peer rating assessment model.

In addition to the aforementioned evaluation, Independent Directors are also subjected to an annual test of independence, which is based on a set of qualitative evaluation criteria, so as to ascertain their continued objectivity and impartiality. As an additional measure to mitigate the risk of entrenchment, CCM has codified a policy stipulation that limits the cumulative (consecutive or intermittent) tenure of Independent Directors to 9 years. The Board is of the view that such a quantitative measure would bring about the qualitative outcome of “independence in mind”.

For the year under review, the Board has enhanced the assessment questionnaires to take into account the enumerations of the relevant authoritative corporate governance promulgations including Companies Act 2016, Capital Markets and Services Act 2007, Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Malaysian Code on Corporate Governance 2017. Where applicable, references were also drawn from other better practices.

Remuneration

A fair remuneration package is critical to attract, retain and motivate Directors and Senior Management personnel. Towards this end, the Board has adopted a Remuneration Policy and Procedures to provide a formal and transparent process for setting the remuneration of Directors and Senior Management.

The Board acknowledges that remuneration is a key component in driving talented and high-calibre individuals to run the business successfully. For the Group Managing Director and other Senior Management personnel, the components parts of remuneration are structured so as to link rewards to performance whilst for Non-Executive Directors, the remuneration packages are based on their position in the Board, participation in boardroom activities and specific skills or expertise that they bring to the Board. Based on the recent Report on Non-Executive Directors Remuneration 2017 released by KPMG, it was noted that the Company is one of the pay leaders in the industrial products sector.

The Board, through its NRC, aims to undertake a review on the remuneration of Directors every three years.

The remuneration of the Directors and for the financial year ended 31 December 2018 are as follows:

Directors’ fees and benefits paid for FYE 31 December 2018 (Company Level)

Name	Fees (RM)		Salary (RM)	Bonus (RM)	Benefits (RM)			Total (RM)
					Other Emoluments			
	Board	Committee			Meeting Allowance	Others	Benefits-in-kind	
NON-EXECUTIVE DIRECTORS								
Datin Paduka Kartini binti Hj Abdul Manaf	87,329.00*	24,000.00*	-	-	29,900.00	-	-	141,229.00
Dato’ Azmi bin Mohd Ali	75,000.00	18,000.00	-	-	20,800.00	-	-	113,800.00
Khalid bin Sufat	75,000.00	20,000.00	-	-	29,600.00	-	-	124,600.00
Dr Leong Chik Weng	75,000.00	18,000.00	-	-	20,000.00	-	-	113,000.00
Dato’ Seri Ir Dr Zaini bin Ujang	75,000.00	24,000.00	-	-	21,000.00	-	-	120,000.00
Dato’ Wan Mohd Fadzmi Wan Othman Fadzilah	61,233.00	9,294.00	-	-	15,000.00	-	-	85,527.00
Amizar binti Mizuar	22,397.00*	2,192.00*	-	-	3,000.00	-	-	27,589.00
Dato’ Normala binti Abdul Samad (resigned w.e.f. 5 July 2018)	50,685.00	4,055.00	-	-	6,500.00	-	593.60	61,833.60
TOTAL	**521,644.00**	**119,541.00**	**-**	**-**	**145,800.00**	**-**	**593.60**	**787,578.60**
EXECUTIVE DIRECTORS								
Nik Fazila binti Nik Mohamed Shihabuddin	-	-	606,451.61	189,000.00	-	236,346.86	57,754.55	1,089,553.02

* Paid to Permodalan Nasional Berhad

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Directors' fees and benefits paid for FYE 31 December 2018 (Group Level)

Name	Fees (RM)		Salary (RM)	Bonus (RM)	Benefits (RM)			Total (RM)
	Board	Committee			Other Emoluments		Benefits-in-kind	
					Meeting Allowance	Others		
NON-EXECUTIVE DIRECTORS								
Datin Paduka Kartini binti Hj Abdul Manaf	87,329.00*	24,000.00*	-	-	29,900.00	1,500.00	-	142,729.00
Dato' Azmi bin Mohd Ali	75,000.00	18,000.00	-	-	20,800.00	-	-	113,800.00
Khalid bin Sufat	75,000.00	20,000.00	-	-	29,600.00	1,500.00	-	126,100.00
Dr Leong Chik Weng	75,000.00	18,000.00	-	-	20,000.00	-	-	113,000.00
Dato' Seri Ir Dr Zaini bin Ujang	75,000.00	24,000.00	-	-	21,000.00	-	-	120,000.00
Dato' Wan Mohd Fadzmi Wan Othman Fadzilah	61,233.00	9,294.00	-	-	15,000.00	-	-	85,527.00
Amizar binti Mizuar	22,397.00*	2,192.00*	-	-	3,000.00	-	-	27,589.00
Dato' Normala binti Abdul Samad (resigned w.e.f. 5 July 2018)	50,685.00	4,055.00	-	-	6,500.00	1,521.00	593.60	63,354.60
TOTAL	**521,644.00**	**119,541.00**	**-**	**-**	**145,800.00**	**4,521.00**	**593.60**	**792,099.60**
EXECUTIVE DIRECTORS								
Nik Fazila binti Nik Mohamed Shihabuddin	-	-	606,451.61	189,000.00	-	236,346.86	57,754.55	1,089,553.02

* Paid to Permodalan Nasional Berhad

Audit & Compliance Committee

The Board has established an Audit & Compliance Committee ("ACC") to provide a robust and comprehensive oversight on the financial reporting, external and internal audit processes as well as compliance matters of the Company. The ACC is chaired by the Senior Independent Director, who is different from the Chairman of the Board. The composition of the ACC requires it to possess the financial literacy and business knowledge that are required to have a sound understanding of the financial matters of the Company.

The ACC has unrestricted access to both the internal and external auditors, who, in turn report to the Board through the ACC. The Board has established a formal and transparent arrangements to maintain an appropriate relationship with the external auditor. This includes adopting policies and procedures to assess the suitability and independence of the external auditor on an annual basis. During the year under review, the external auditor has provided assurance that its personnel are and have been independent throughout the conduct of the audit in accordance to the terms of relevant professional and regulatory requirements.

Risk management and internal controls

In order to address risks in an increasingly complex and disruptive global environment, the Board has instituted a stand-alone Risk Management Committee at the Board level to assist in the oversight of existing and emerging risks that are surrounding the Group. A robust risk management and internal control framework that has been established allows the Group to identify, monitor and mitigate key business risks and is thus important in supporting the delivery of long-term value to the Group's stakeholders. The Group's risk management and internal control framework is firmly rooted on the Group's Management and Manual Guidelines, which in turn is aligned to the globally recognised International Organisation for Standardisation (ISO) 31000.

The Group has established an in-house internal audit function ("Group Internal Audit") which resides within the Group Risk, Integrity and Assurance Department. The Group Internal Audit reports and make recommendations directly to the ACC. The Group Internal Audit is accorded with appropriate standing and authority to enable the discharge of its duties with independence and without undue influence. The Group Internal Audit has unfettered access to the relevant personnel, properties and records within the Group so as to discharge its functions in an unbridled manner.

Communication with stakeholders

As stewards of the Company, the Board strives to foster a candid and transparent relationship with the stakeholders of the Company. Accordingly, the Board seeks to ensure that there is continuous communication and dissemination of information to stakeholders through a plethora of platforms including the Company's website, announcements to Bursa Malaysia Securities Berhad as well as social media sites. The Company's website contains recent announcements, past and current reports to shareholders, including summaries of key financial data, operational briefing presentations as well as copies of recent notices and minutes of general meetings. During the year in review, the Group Managing Director has also supplemented these efforts by engaging potential institutional investors through regular briefing sessions.

The Board has adopted a Communication Policy and Corporate Disclosure Policy that governs communication methods between the Group and its stakeholders.

Conduct of general meeting

The Annual General Meeting ("AGM") serves as an invaluable platform for shareholders to engage the Board and Senior Management in a productive dialogue and provide constructive feedback that contributes to the overall betterment of the Group. During the previous AGM, all Directors were present to provide clear and meaningful response to shareholders' questions. The Lead Partner from the external audit firm was also present to answer questions from shareholders relating to the external audit process and outcome.

In order to encourage shareholders' participation, the Board ensures the location of the general meetings is easy to reach or conveniently accessible to shareholders. In addition, shareholders have been provided with more than 28 days' notice for the upcoming AGM to accord them with adequate time to prepare and ultimately make informed decisions during the AGM. The notice for AGM outlines the resolutions to be tabled during the said meeting and is accompanied with explanatory notes and background information where applicable.

The turnout of shareholders at the Company's AGM has always been large. A total of 521 shareholders and 126 proxies attended the AGM in 2018.

Focus areas during the year

The corporate restructuring exercises which were completed at the end of 2017 have necessitated the Board to pay closer attention to its value creation role in growing the chemicals and polymers business of the Group. The Board played a crucial role in providing the direction on the growth strategy of the Group in order to successfully attain the long-term vision for the Group.

As the Company is also under the close scrutiny of institutional investors, there is no room for neglect in its corporate governance practices. During the year in review, the Board's focus on corporate governance revolved around the following areas:

Strategy Setting

Following the demerger of Duopharma Biotech Berhad (formerly known as CCM Duopharma Biotech Berhad) from the Group in late 2017, the Board had given its focus to charter the strategic direction of the Group to ensure that the Group remains resilient and on a growth trajectory. The Group has outlined its strategy to strengthen its financial position. Among the strategy taken was to dispose non-strategic assets owned by the Group such as the disposal of the land in Shah Alam and Nilai as well as its equity interest in PanGen Biotech Berhad to reduce its gearing and pursue further expansion in its core businesses.

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Smaller scale projects which contribute to a more efficient operation had been implemented at various sites. This included the various operational efficiency initiatives such as the use of alternative resources as fuel for our PGW 2 and sourcing of alternative raw materials to reduce operations cost at Polymers Division. These efforts have been fruitful and have resulted to the Group recording a profit before tax of RM51.6 million for the financial year ended 31 December 2018.

Looking ahead, the Group will continue to implement measures to enhance its cost competitiveness, expand its markets both domestically and regionally and increase our market share in the markets that it is already represented. Focus would also be given on continuous improvement and maximizing value adding initiatives to solidify its business foundation.

Review of corporate governance policies and procedures

In early 2018, the Board took the initiative to review and update its existing policies and procedures in light of the changes in the rich domestic corporate governance tapestry. Changes were made to the Board Charter, Terms of Reference for each Board Committee, Policy on External Auditor as well as the instruments that are deployed for the assessment of the Board, Board Committees and individual Directors. The Board has additionally formalised Remuneration Policy and Procedures to govern the process of formulating and administering remuneration packages of Directors and Senior Management personnel.

As these documents serve as guiding literature for the Board, the Board was cognisant to ensure that the changes made reflect the latest regulatory developments, expectations of stakeholders and the evolving operational and strategic circumstances of the Group. The Board has also ensured that the relevant policies and procedures including the Board Charter and Board Committees' Terms of Reference are made accessible on the Company's website.

Premised on the notion of transparency, the Company has on its own volition provided disclosures on the measures that the Company has taken to adopt the departed Practices of MCCG as well as the timeframe for adoption of the departed Practices. The Board recognises that this is a positive step which would allow CCM to be placed alongside Large Companies based on the hallmark of transparency.

Succession planning

The Board has adopted a policy that the tenure of its Directors, be it independent or non-independent, shall not exceed a cumulative term of nine years either in a consecutive service of nine years or cumulative service of nine years with interval. In acknowledging the importance of a seamless succession plan to safeguard the Group's business continuity and retain the confidence of stakeholders, the Board had undertaken a review of its composition and had identified the skills, knowledge/ experience, mindset and intrinsic values required to succeed the outgoing independent directors upon their departure.

Due emphasis will also be given to ensure that the Board comprises members from a diverse background of skills, professional experience, age, ethnicity and culture to provide different perspective and view-points for better decision making. This succession plan will come into motion upon the departure of those directors who would be reaching nine years of service.

At the same time, the Board has also reviewed the composition of each of its Board Committees to ensure that the Board Committees continue to function effectively upon the departure of its members. The Board has lined up its second liners in the affected Board Committees to ensure that the policies and directions set by the Group are followed through and implemented effectively.

Directors' professional development

Directors were provided with opportunities to develop and maintain their skills and knowledge throughout the year. The Group has organised in-house talks and training sessions facilitated by third party experts to keep Directors abreast on the latest market developments that may impact the Group. Additionally, Directors have discretionally exercised their own initiative to request for external trainings, seminars or conferences that enhance their skill sets and knowledge in areas relevant to the Group.

Visits to the Group operational sites were also arranged for Directors in order for them to gain first-hand views of the Group's operations and thus, cultivate a holistic understanding of the Group's business. Such exposures were particularly important as the Group streamlined its business during the year in review, with the chemicals and polymers divisions taking centre-stage as the principal business activities of the Group.

The Board has on a regular basis assessed the adequacy and effectiveness of the training needs of each Directors. During the year in review, the Directors of CCM have participated the following professional development programmes:

Director	Programme	Date
Dato' Idris bin Kechot	1. 2018 Joint Offsite	25 – 27 January 2018
	2. PNB CEO Roundtable	5 March 2018
	3. PNB Cyber and Information Security Awareness Seminar for Senior Management	30 March
	4. Corporate Exercise and Asset Pricing in Malaysia	17 August 2018
	5. Investment Division – MISD Business Planning Workshop 2019	4 September 2018
	6. AMLATFPUAA 2001: The Law, Compliance & Case Studies – Series 7	20 September 2018
	7. PNB World Mental Health Day 2018	10 October 2018
	8. AMLATFPUAA 2001: The Law, Compliance & Case Studies for Senior Management	14 November 2018
	9. YTI Memorial Lecture "Redefining Fin. Integrity" & PNB Book Launch "In Trust: A History of PNB"	26 November 2018
Datin Paduka Kartini binti Abdul Manaf	1. PNB Management Retreat 2018	25 – 27 January 2018
	2. Global trend & Market Strategy (Economic Prospects & Strategic Investment Decision 2018 & Beyond)	20 February 2018
	3. PNB CEO Roundtable 2018	5 March 2018
	4. AMLAFPUAA 2001: The Law, Compliance & Case Studies – Series 7	14 May 2018
	5. Corporate Exercise & Asset Pricing in Malaysia (Renegotiation and Re-Contracting)	4 October 2018
	6. AMLAFPUAA 2001: The Law, Compliance & Case Studies for Senior Management	14 November 2018
	7. YTI Memorial Lecture "Redefining Fin. Integrity" & PNB Book Launch "In Trust: A History of PNB"	26 November 2018

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Director	Programme	Date
Khalid bin Sufat	1. Audit Committee Conference 2018	27 March 2018
	2. Sustainability and Integrated Reporting	18 April 2018
	3. Understanding Fintech and its implications for Banks	3 July 2018
	4. Blockchain in Financial Services	17 July 2018
	5. Fintech and its implications on Banking	20 September 2018
	6. Annual Accountants Conference 2018	9 & 10 October 2018
	7. ACIIA Annual Conference 2018	29 & 30 October 2018
Dato' Azmi bin Mohd Ali	1. Terralex Asia Pacific Regional Meeting on - Issues in dealing with Crypto Currencies - Issues and latest developments in Fintech & Asia Pacific - Session on One Belt One Road (OBOR) Terralex / Azmi Associates	2 February 2018
	2. PNB CEO Roundtable 2018	5 March 2018
	3. Talk by Professor Bill Fisher on "How Innovation is Changing Leadership"	26 March 2018
	4. In-house briefing on: • Integrated Reporting • Performance Management System	
	5. Board of Directors' Training Programme on Leadership Commitment Towards Risk Management & Corporate Governance	10 July 2018
	6. Internal Briefing Session on "Blockchain: Application and Issues"	1 November 2018
	7. Reinventing the Asian Conglomerate	22 November 2018
	8. YTI Memorial Lecture "Redefining Financial Integrity"	26 November 2018
	9. Talk on "Usage of Apps for Advancement of Legal Practice, Learning from the Practice, Learning from Practical Experience of First Law International	6 December 2018
	10. Executive Briefing Session on "Recent Developments in English Contract Law"	10 December 2018
Dr. Leong Chik Weng	1. Executive Briefing on Understanding CyberSecurity Threats and Laws	29 March 2018
	2. COOC 2018 Annual Client Conference & Partners Expo	13 - 15 June 2018

Director	Programme	Date
Dato' Seri Ir. Dr. Zaini bin Ujang	1. Nuclear Energy Economics	4 January 2018
	2. Give an Opening Remarks at Sabah Electricity Sector Blueprint workshop	14 January 2018
	3. Conference Electricity Power Supply Industry – CEPSI KL 2018	18 January 2018
	4. Give a public lecture on Sustainable Developments Goals at University of Reading Malaysia (UoRM)	2 February 2018
	5. Give an Opening Remarks at the Urban Dimension in Climate Change Action at World Urban Forum (WUF)	9 February 2018
	6. Asian School of Business Workshop on Sustainability by Khazanah Malaysia	13 February 2018
	7. Lectured on Eco Shift: Promoting Sustainability Beyond Public Policy at Tsukuba University, Japan	15 February 2018
	8. Lectured on TN50 at Institution of Engineers, Malaysia (IEM)	10 March 2018
	9. Lectured on Sustainable Developments Goals & TN50 at Universiti Tun Hussein Onn Malaysia (UTHM), Johor	11 March 2018
	10. Lectured on Sustainable Developments Goal & TN50 at Universiti Teknikal Malaysia (UTEM), Melaka	13 March 2018
	11. Malaysia Netherlands Water Dialogue	12 April 2018
	12. CCM Group Directors and Senior Management Training 2018 on Sustainability and Integrated Reporting by KPMG	18 April 2018
	13. Tenth International Exhibition on Trenchless Technology	8 May 2018
	14. International Conference on Islamic Finance – Harnessing Islamic Finance for a Green Future	15 May 2018
	15. Lectured at IEM Workshop for Charteredship Engineer in KeTTHA and Agencies	12 June 2018
	16. Workshop on Power Demand and Response	12 July 2018
	17. The 9th ASEAN Senior Management Development Program	16 July 2018
	18. KPMG: e-Vite, ACI Breakfast Roundtable 2018	3 August 2018

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Director	Programme	Date
Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah	1. Mandatory Accreditation Programme for Board of PLCs organised by The Iclif Leardership and Governance Centre	30 January 2018
	2. Audit Committee Conference 2018 organised by Malaysian Institute of Accountants.	27 March 2018
	3. CCM Group Directors and Senior Management Training 2018 on Sustainability and Integrated Reporting by KPMG.	18 April 2018
	4. Global Banking Conference – Banking in the Digital Age	11 July 2018
	5. CCM Group Directors and Senior Management Training 2018 on: (i) The new way of doing business in Malaysia; (ii) Breaking Myopic view of Risk Management.	20 September 2018
	6. SCMP China Conference	11 October 2018
	7. Islamic Finance for Board of Directors' Program	11 November 2018
Amizar binti Mizuar	1. PNB Management Retreat 2018	25 – 27 January 2018
	2. Modern Asset Allocation	5 February 2018
	3. Modern Portfolio Construction	7 February
	4. CCM Group Directors and Senior Management Training 2018 on: (i) The new way of doing business in Malaysia; (ii) Breaking Myopic view of Risk Management.	20 September 2018
	5. AMLATFPUAA 2001: The Law, Compliance & Case Studies for Senior Management	14 November 2018
	6. Global Trends & Market Strategy – (Economic Prospects & Strategic Investment Decision 2019 Beyond)	9 January 2019
	7. Mandatory Accreditation Programme for Board of PLCs	14 & 15 January 2019
	8. Cyber Crime & Cyber Fraud (Fraud Currency & Challenging globalization)	16 January 2019

Director	Programme	Date
Nik Fazila binti Nik Mohamed Shihabuddin	1. Mandatory Accreditation Programme for Board of PLCs	9 & 10 April 2018
	2. CCM Group Directors and Senior Management Training 2018 on Sustainability and Integrated Reporting by KPMG	18 April 2018
	3. CCM Group Directors and Senior Management Training 2018 on the following, organised by Chemical Company of Malaysia Berhad: (i) The new way of doing business in Malaysia; (ii) Breaking Myopic view of Risk Management.	20 September 2018
	4. CG Beakfast Session – MSSG Reporting & CG Guide	16 March 2018
	5. Leadership Engagement Workshop	27 March 2018
	6. Advocacy Programme on CG Assessment Using the Revised Asean CG Scorecard Methodology	23 July 2018
	7. Chlor Alkali Conference	11 & 12 September 2018
	8. Khazanah Mega Trends	8 & 9 October 2018
	9. YTI Memorial Lecture "Redefining Fin. Integrity" & PNB Book Launch "In Trust: A History of PNB"	26 November 2018
Dato' Hajah Normala binti Abdul Samad (resigned w.e.f. 5 July 2018)	1. International Seminar on Expanding Social Security Coverage in the Disruptive Economy Era.	6 - 8 February 2018
	2. CCM Group Directors and Senior Management Training 2018 on Sustainability and Integrated Reporting by KPMG	18 April 2018

Corporate governance priorities (2019 and beyond)

As the Company strives forward in its post-restructuring agenda, the Board will accordingly continue to implement improvement measures in the area of corporate governance. More specifically, the Board has identified the following forward-looking agenda items to propel the Group forward in its corporate governance objectives.

Short and medium term plan (one to three years)

Board independence

For the financial year under review, CCM has met with the requirement of having at least 50% Independent Directors on the Board with the appointment of Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah on 9 March 2018. The appointment was made with a view to reinforcing the objectivity and impartiality of the Board. The Board is confident that equipped with the counterweight, Directors will be able to encourage, support and motivate each other in paving the way for a sustainable future of the Group. However, on 18 March 2019, with the appointment of Dato' Idris bin Kechot as the Non-Independent Non-Executive Chairman of the Company, CCM was not able to comply with the requirement of having at least 50% Independent Directors on the Board. The Board foresees this to be a temporary situation and expects to be able to comply with this requirement in the next six months.

The Board will continue to assess and implement measures that can safeguard its independence in the long term whilst simultaneously ensuring it remains dynamic and contemporaneous to the needs of the Company.

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Risk management framework

The Board continually reviews the prevailing risk management framework with a view of reflecting the rationalised strategic direction of the Group. As the Group continues to streamline its business and accord greater focus on the chemicals and polymers segments as its principal business activities, the Group's risk management framework has to be primed for these changes.

In order to facilitate this process, the Group is seeking to deploy a more data-driven risk monitoring and reporting mechanism which can support and provide more granular insights for informed decision making. Advanced data analytics capabilities will enable clearer visibility into the challenges associated with managing the manifold risks in key areas such as operations, regulatory compliance and supply chain.

Moreover, the Board and the Risk Management Committee will seek to proactively engage the Executive Risk Management Committee and the Group Risk, Integrity and Assurance Department in regular updates and discussions on risk-appetite dialogue so as to reinforce a two-dimensional risk management communication (i.e. top down and bottom-up risk management approach).

Enhancing the Company's website

The Company's website is an essential and accessible platform for stakeholders, including shareholders and potential investors to obtain information on the Group. As such, the Board is mindful to ensure that the Company's website is updated with the latest developments on the Group and users are able to easily navigate through the website.

The Company aims to ensure that changes are reflected to capture its strategic direction and competitive market positioning. To address this, the Company has reviewed its website to be more up to date and user friendly and will continue to improve from time to time to harness technological advancement.

The Company will also endeavor to explore the usage of technology at its general meetings to pave the way for remote shareholders' participation.

Strengthening the Anti-Corruption Initiatives

The Company has always been in support of the Government's initiatives in its fight against corruption. The signing of the Corporate Integrity Pledge in May 2014 marked the Company's commitment to work towards creating a business environment that is free from corruption. The effort to combat Anti-Corruption were also shared with the suppliers when the Company introduced the Integrity Pact in 2015. In the subsequent years, trainings on integrity and anti-corruption were given to both internal and external stakeholders to build the awareness.

To prepare companies for the upcoming enforcement of the Corporate Liability Act in 2020, the National Centre for Governance, Integrity and Anti-Corruption (GIACC) has issued the Guidelines on Adequate Procedures (Guidelines) in December 2018. Action plans, based on the Guidelines, have been identified and formulated. One of the key initiatives to be conducted in line with the recommendations in the Guidelines is the ISO 37001 Anti-Bribery Management System (ABMS) certification.

The GIACC has also recently launched the National Anti-Corruption Plan (NACP), which outlines the Government 5-year plan in addressing the issues on corruption. Whilst the initiatives in the NACP addresses mainly the public sectors, the elements on strengthening the Corporate Governance within the CCM Group will be looked into for implementation, where appropriate.

Long term plan

Corporate reporting

Although the Company is not a Large Company and therefore is not subjected to Practice 11.2 of MCCG (i.e. adopting Integrated Reporting), CCM nevertheless wishes to benchmark itself against such a renowned practice. In the long run, the Board intends to undertake a readiness assessment and gauge the necessary measures to transition from CCM's prevailing corporate reporting regime into Integrated Reporting.

CCM has consistently included a summary on its sustainability activities in a form of a report since 2014. This year, CCM has successfully produced its first Sustainability Report which is in line with the Global Reporting Initiatives (GRI) Sustainability Reporting Guidelines. It is worth noting that CCM has in the past, consistently incorporated its initiatives on sustainability in its annual report.

These efforts will gradually position the Company towards the adoption of integrated reporting as it grows in scale and scope. The Company will seek to embed the process of integrated thinking into its activities to better streamline its connectivity of reporting from management, its business analysis and decision making process.

Report of the Audit and Compliance Committee

The Board is pleased to issue the following report of the Audit and Compliance Committee and its activities during the financial year ended 31 December 2018.

Composition of Audit and Compliance Committee and Meetings

The Audit and Compliance Committee comprises of four (4) members, all of whom are Non-Executive Directors.

During the financial year under review, Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah, an Independent Non-Executive Director was appointed as an additional member of the Audit and Compliance Committee with effect from 9 March 2018.

A total of seven (7) meetings of the Audit and Compliance Committee were held during the year. The status of directorship and attendance record of each of the members during the financial year, were as follows:

Name of Directors and Status	No. of Meetings Attended
Khalid bin Sufat **Chairman, Senior Independent Non-Executive Director**	7/7
Datin Paduka Kartini binti Hj. Abdul Manaf **Member, Non-Independent Non-Executive Director**	7/7
Dato' Seri Ir. Dr. Zaini bin Ujang **Member, Independent Non-Executive Director**	6/7
Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah **Member, Independent Non-Executive Director** *(Appointed w.e.f. 9 March 2018)*	6/6

SUMMARY OF WORK DONE DURING THE FINANCIAL YEAR

External Audit

(i) Reviewed the external auditor's audit plan and engagement strategy for the financial year ended 31 December 2018, covering the audit focus area, which also included a review on the IT systems, audit materiality and methodology.

(ii) Reviewed the external auditor's report for the financial year ended 31 December 2017, including matters relating to adjustments arising from the external audit review and adequacy of disclosures, prior to making recommendations to the Board for approvals.

(iii) Deliberated on the observations highlighted by the external auditors, and the respective management action plans and status updates.

(iv) Held private meetings and discussions with the external auditors to allow for discussions on matters of concern.

(v) Evaluated the performance and independence of the external auditors and made recommendations to the Board on the re-appointment and audit fees.

(vi) Reviewed the quarterly reports in respect of the results to ensure compliance to the Malaysia Financial Reporting Standards and regulatory requirements and recommended to the Board for subsequent release to Bursa Malaysia.

(vii) Reviewed the notes to the draft announcements of the audited and unaudited financial statements to Bursa Malaysia, to ensure compliance to the regulatory requirements.

(viii) Reviewed the recurrent related party transactions entered into by the Group; and

(ix) Reviewed the Directors' Statement on Risk Management and Internal Control (SORMIC) for inclusion in the 2018 Annual Report. The SORMIC was supported by the Annual Assurance Statement on Risk Management and Internal Control, which were signed off by the Group Managing Director.

Internal Audit

(i) Reviewed the scorecard and status reports of internal audit activities of the Group, on a quarterly basis, to ensure that all planned activities were properly carried out.

(ii) Deliberated on the internal audit reports prepared by the Group Internal Auditor, as well as the agreed Management's action plans and deadlines for implementation and where necessary, instructed additional actions to be taken by Management in addressing the audit issues.

(iii) Monitored the status of corrective actions taken by Management, on quarterly basis, to ensure that all audit issues are adequately addressed within the agreed timeline.

(iv) Monitored the status of legal actions taken by the Company on matters relating to debtors, employee Industrial Relations matters and major insurance claims.

(v) Ensured the recommended principles and best practices of the Malaysia Code on Corporate Governance are implemented throughout the Group.

(vi) Reviewed and recommended to the Board on special projects/corporate exercises entered into with Related Party(ies) so as to ensure that the terms are not more favourable to the Related Party(ies) than those generally available to the public and not to the detrimental of the minority shareholders' and that they are conducted at arms' length and on normal commercials terms.

(vii) Held private meetings and discussions with the Group Internal Auditor on significant audit and internal control matters.

(viii) Reviewed and approved the 2019 Annual Internal Audit Plan to ensure adequate coverage of the Group's operations.

(ix) Reviewed the 2019 budget and Key Performance Indicators of the Group Risk, Integrity & Assurance Department.

Integrity

(i) Reviewed all concerns raised through the Whistleblowing Hotline and authorised investigation(s), where necessary.

(ii) Deliberated on special investigation reports prepared by the Group Integrity Auditor and provided feedback on the actions taken by Management on the issues at hand. The progress of the significant cases was monitored until their closure.

(iii) Reviewed and recommended to the Board the proposed revision to the policy on Donation and Sponsorship.

Report of the Audit and Compliance Committee

STATEMENT ON INTERNAL AUDIT FUNCTION

The Group internal audit function (which resides in the Group Risk, Integrity & Assurance Department) conducted all audit assignments within the Group, supports the Audit and Compliance Committee by providing an independent, objective assurance and consulting services designed to add value and improve the company's operations.

(i) Reporting Line

The internal audit function's purpose, authority and responsibilities are stated in the Internal Audit Charter, which is approved by the Audit and Compliance Committee. The Charter also specified the positioning of the internal audit function that reports directly to the Audit and Compliance Committee, to promote independence and enable it to maintain objectivity to render unbiased judgements. The principal responsibility of the internal audit function 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 and governance processes are adequate and continue to operate effectively and efficiently in achieving the objectives of the Group.

(ii) Audit Planning and Work Done

Adopting a risk-based approach after evaluation and assessment of risks at Company and Group level, the Group internal audit function formulated an Annual Audit Plan, which was reviewed and approved by the Audit and Compliance Committee. The scope of the Annual Audit Plan covers all business units and operations of the Company and its subsidiaries.

Group Integrity & Assurance Department adopts the COSO Internal Control Framework in conducting the audit assignments, which covered 5 elements of internal controls, namely:

- Control Environment,
- Risk Assessment,
- Control Activities,
- Information and Communication, and
- Monitoring.

In 2018, the areas under review included:

- Compliance with Department of Environment (DOE) requirements,
- Human Resource,
- Vendor Management,
- Project Management,
- Warehouse and Inventory Management,
- Governance.

The Internal Audit reports, which included issues and action plans, were presented to and discussed with the Management. The Group internal audit function subsequently monitored the implementation of the agreed action plans to ensure satisfactory closure of audit issues. The reports together with follow-up action plans and implementation status were then submitted and presented to the Audit and Compliance Committee for their deliberation and subsequent approval.

(iii) Internal Audit Resources and Cost

All audit assignments conducted in 2018 was carried out by three (3) auditors. All auditors possess accounting background, and is headed by a qualified Group Internal Auditor.

The total expenditure incurred for Group Risk, Integrity & Assurance Department for the financial year ended 31 December 2018, which amongst others included departmental expenditures such as office running expenses, training expenses, travelling expenses, staff remuneration, etc. was at RM1 million.

STATEMENT ON GROUP INTEGRITY FUNCTION

The Group Integrity Unit (of the Group Risk, Integrity & Assurance Department) reports to the Audit and Compliance Committee on all integrity matters. The Group Integrity Unit is responsible for, amongst others, conducting programmes to further inculcate and enhance integrity in the Group's culture, managing the CCM Whistleblowing hotline, enhancing business practices to further improve governance.

The key activities in 2018 were as follows:

(i) Inculcate the value of 'Gratitude' amongst the staff through various programmes throughout the Group

(ii) Conducted the Integrity Pact briefings for suppliers

(iii) Conducted Board of Director and Senior Management training entitled "New Way of Doing Business in Malaysia"

(iv) Conducted awareness training for new employees

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 2018.

Composition of Risk Management Committee and Meetings

The Risk Management Committee comprises of four (4) members, all of whom are Non-Executive Directors.

During the financial year, there were changes to the composition of the Risk Management Committee. Following the resignation of Dato' Hajah Normala binti Abdul Samad who resigned from the Board and the Risk Management Committee of the Company on 5 July 2018, Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah, an Independent Non-Executive Director was appointed as a member of the Risk Management Committee on 28 August 2018 to replace Dato' Hajah Normala binti Abdul Samad. Subsequently, Puan Amizar binti Mizuar was also appointed as additional member of the Risk Management Committee on 13 November 2018.

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

Name of Directors and Status	No. of Meetings Held
Dato' Azmi bin Mohd Ali **Chairman, Non-Independent Non-Executive Director**	4/4
Dato' Seri Ir. Dr. Zaini bin Ujang **Member, Independent Non-Executive Director**	3/4
Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah **Member, Independent Non-Executive Director** *(Appointed w.e.f. 28 August 2018)*	1/1
Amizar binti Mizuar **Member, Non-Independent Non-Executive Director** *(Appointed w.e.f. 13 November 2018)*	Not Applicable
Dato' Hajah Normala binti Abdul Samad **Member, Non-Independent Non-Executive Chairman** *(Resigned w.e.f. 5 July 2018)*	Not Applicable

ACTIVITIES DURING THE YEAR

Risk Reporting

Quarterly reports to RMC highlighting the Group's Risk Profile to enable Board and Management to focus on, appraise and consider key risks affecting the Group's businesses and operations and the system of internal control necessary to manage and mitigate such risks. The RMC reviewed the top risks for the Group and its business divisions. The reports highlight the movements of risk ratings as well as the progress of treatment plans that were identified to mitigate the risks.

The top risks for 2018 are in the following areas:

(i) Operational Risk

The management of the operational risk (such as those relating to health and safety, production, distribution, compliance) is closely monitored by respective Risk Owners, with risk mitigation plans proposed and implemented. Risk awareness workshops are conducted to create a risk-awareness culture, which will ensure greater understanding of the importance of risk management and ensure that its principles are embedded in key operational processes. The workshops provide reasonable assurance that significant risks are identified and addressed. In total two (2) risk workshops were conducted which covers the Corporate Office and the Chemicals business.

(ii) Project Risk

All projects that require the approval from the Finance and Investment Committee ('FIC'), is subjected to risk assessments, where the risk registers resulting from the assessment together with the mitigation plans are mandatorily tabled as part of the projects' proposals. Project risk updates post implementations of the projects are tracked and reported as part of the risk management reporting process.

(iii) Competition Risk

The Group continue to review current business status against its competitors and market. Strategies are developed, reviewed and updated to ensure its relevance in maintaining CCM's competitive position. These strategies are explained in the Statement on Risk Management and Internal Control.

(iv) Financial and Liquidity Risk

The Group is exposed to various financial risks relating to credit, liquidity, foreign currency, interest rates and exchange rates. The Group's risk management objectives and policies coupled with the required quantitative and qualitative disclosures relating to its financial risks are explained in the financial statements.

(v) Culture Building

Risk management culture is continuously inculcated throughout the organization through continuous monitoring and planned risk review sessions by the Group Risk Management Unit. An assessment on the Group's risk maturity was conducted in May 2018.

(vi) Emerging Risk Monitoring

The annual Global Risk Report provides the insights into the emerging risks for continuous assessment and monitoring. This assessment highlights the emerging risks that may have impact on the Group's businesses and operations to enable Management to proactively develop internal controls necessary to manage these risks. The emerging risk that had been identified to have potential impact on the Group are 'Extreme Weather', 'Water Crisis' and 'Cyber Attack'. Controls have been developed to mitigate these risks.

(vii) Review on Specified Matters

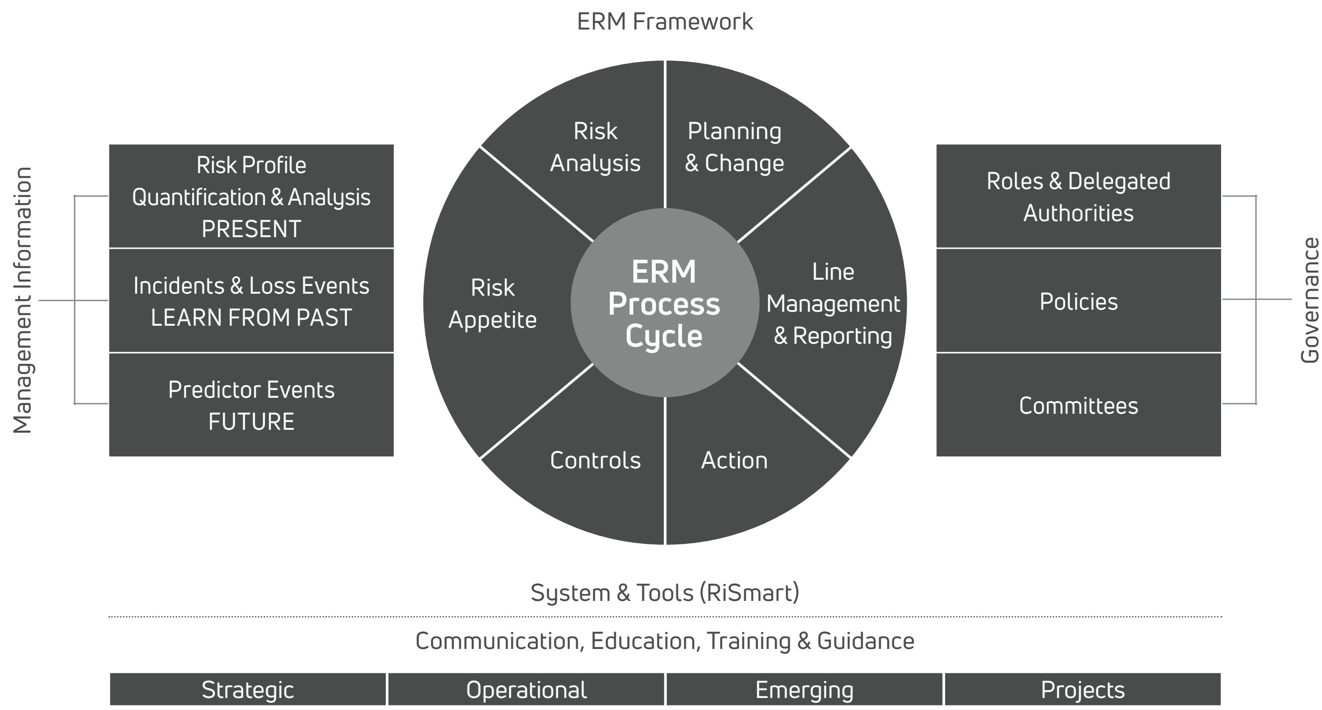
Group Risk Management had initiated review of the state of compliance to Department of Environment (DOE) Act to benchmark against industry best practice and to counter/mitigate any potential risks that may arose.

RISK MANAGEMENT FUNCTION

The Group's Risk Management Committee ("RMC") is supported by an in-house risk management function, which resides in the Group Risk, Integrity and Assurance Department. The Group Risk Management Unit (GRM) provides risk advisory and supports various Boards, Executive and Division Risk Committees' Enterprise Risk Management (ERM).

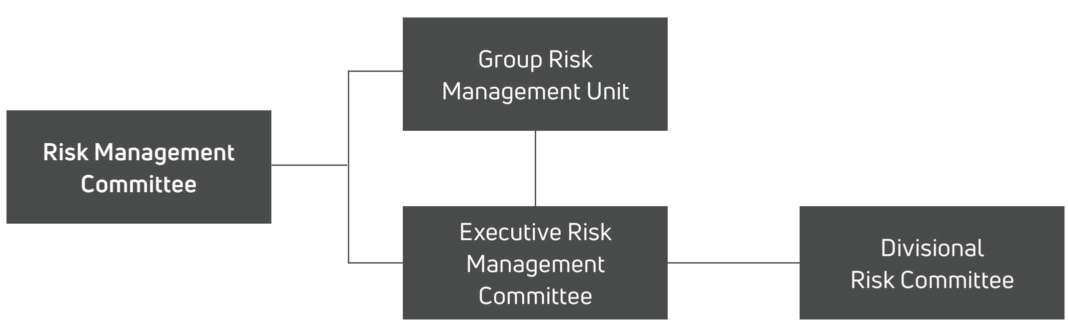
The ERM framework defines the policy and objectives and sets the risk reporting structure. The framework structure includes risk profiling of current and historical risk information to anticipate probable future exposures. The framework ties into the Group's governance policies and guidelines via deliberations at various risk committees. The framework operates within the context of Strategic, Operational, Emerging and Project risks categories.

Report of the Risk Management Committee



The RMC receives reports from the Executive Risk Management Committee (ERMC) which is chaired by the Group Managing Director and comprises Senior Management of the Group. The ERMC is assisted by the Divisional Risk Committees whose role is to identify, mitigate and manage risks within their businesses. The ERMC retains the overall risk governance responsibility and risk oversight of the Group and its subsidiaries. The ERM structure is summarised below:

Enterprise Risk Management Reporting Structure



The Group adopts ISO31000 guidelines in its risk management processes, whereby the Group has established its external and internal context for its risk management activities, and conducted risk identification, analysis, evaluation and treatment, with continuous monitoring, review, communication and consultation. Risks events are analysed in terms of its likelihood of occurrence and significance of their consequences, where an approved Risk Matrix is used to ensure consistent practice throughout the Group.

Risk Matrix

CONSEQUENCES

LIKELIHOOD

High	High High	Extreme	Extreme	Extreme
Moderate	High	High High	Extreme	Extreme
Minor	Moderate	High	High High	Extreme
Trivial	Moderate	Moderate	High	High High
Trivial	Minor	Moderate	High	High High

Report of the Nomination and Remuneration Committee

The Board is pleased to issue the following report of the Nomination and Remuneration Committee and its activities during the financial year ended 31 December 2018.

Composition of Nomination and Remuneration Committee

During the year, the Nomination and Remuneration Committee comprises of three (3) members, all of whom are Non-Executive Directors.

A total of six (6) meetings were held during the year. The attendance record of each member during the financial year are as follows:

Name of Directors and Status	No. of Meetings Attended
Khalid bin Sufat **Chairman, Senior Independent Non-Executive Director**	6/6
Dr. Leong Chik Weng **Member, Independent Non-Executive Director**	5/6
Datin Paduka Kartini binti Hj. Abdul Manaf **Member, Non-Independent Non-Executive Director**	6/6

Activities during the year

During the year, the Committee:

(i) Reviewed and recommended for approval of the Board the revision to the Terms and Conditions of the Nomination and Remuneration Committee to be in line with MCCG 2017.

(ii) Reviewed and recommended for approval of the Board the Proposed Remuneration Policy for Board and Senior Management.

(iii) Reviewed the result of the 2017 Board Effectiveness Assessment of the Board of Directors and Committees of the Board which included the Audit and Compliance Committee, Risk Management Committee and Finance and Investment Committee, and recommended improvement plans.

(iv) Reviewed and recommended for approval of the Board of Directors the proposed revision to the Board Effectiveness Evaluation Form.

(v) Recommended for approval of the Board, the appointment of new Directors within the CCM Group based on the Board Nomination and Selection Procedure which outlines the skill sets, knowledge and experience, mindset and core values that is required in a potential candidate.

(vi) Deliberated on the Board Succession Planning taking, into account the diversity aspect of the Board composition which can enrich Board's discussions with a breadth of perspectives, and tabled the same for discussion at the Board.

(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 and recommended for Board approval the Group's Policy on Promotion Increment Quantum.

(ix) Reviewed and recommended for approval of the Board the appointment, and the remuneration package of Key Responsible Person of the Group, where appropriate.

(x) Reviewed and recommended for approval of the Board the 2019 Key Performance Indicators (KPIs);

(xi) Reviewed and recommended for approval of the Board the Performance Related Bonus (PRB, 2017) and Performance Related Increment (PRI, 2018) for the Group.

(xii) Reviewed and recommended for approval of the Board, the Performance Discretionary Bonus for the Group Managing Director for financial year 2017.

(xiii) Reviewed and recommended for approval of the Board the benefits review for employees of the Group.

(xiv) Reviewed and recommended for approval of the Board, the appointment of additional Non-Executive Non-Independent Director.

(xv) Reviewed and approved the Employees Collective Agreement within the Group.

(xvi) 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 2018.

Composition of the Finance and investment Committee and Meetings

The Finance and Investment Committee comprises of five (5) members, all of whom are Non-Executive Directors.

During the financial year, there were changes to the composition of the Board of Directors. Following the appointment of Puan Amizar binti Mizuar on 14 September 2018, the Board had agreed to appoint the incumbent as an additional member of the Finance and Investment Committee with effect from 13 November 2018.

A total of six (6) meetings were held during the year. The status of directorship and attendance record of each of the members during the financial year were as follows:

Name of Directors and Status	No. of Meetings Attended
Dr. Leong Chik Weng **Chairman, Independent Non-Executive Director**	5/6
Dato' Seri Ir. Dr Zaini bin Ujang **Member, Non-Independent Non-Executive Director**	4/6
Dato' Azmi bin Mohd Ali **Member, Non-Independent Non-Executive Director**	6/6
Datin Paduka Kartini binti Hj Abdul Manaf **Member, Non-Independent Non-Executive Director**	6/6
Amizar binti Mizuar **Member, Non-Independent Non-Executive Director** *(Appointed w.e.f. 13 November 2018)*	1/1

Activities during the year

During the year, the Committee reviewed, approved and recommended to the Board of Directors the following:

(i) Operational plan and budget for the year.

(ii) Business reviews and implementation of strategic plans and directions.

(iii) Expenditures and investment proposals in relation to new equipment, machine replacements and refurbishments, office renovations and construction of related plant facilities as well as new projects undertaken within the Group.

(iv) Acquisition and disposal of the Group's interests, assets and properties.

(v) Investments, divestment and collaboration opportunities.

(vi) Appointment of advisors and consultants.

(vii) Any other matters as referred to by the Board.

The Committee also monitored during the year the progress of investment proposals, capital expenditures and projects approved by the Board of Directors.

In addition, the Committee also reviewed the post-Expenditure Review of the investment proposals, capital expenditures and projects approved by the Board of Directors at least one year upon commencement of the projects.

Statement on Risk Management and Internal Control

OVERVIEW OF OUR RISK MANAGEMENT APPROACH

Effective risk management is an essential part of CCM Group of Companies ("Group") business model with the objective of seeking opportunities from the risks, and minimises the potential impacts in the event that the risks are crystallised. It also protects the Group's reputation whilst ensuring profitability and sustainability. The Group's risk management approach is strongly embedded in the Group's strategy, whereby the achievement of the Group's strategy requires a strong risk-centric approach to ensure the Group is fully aware and prepared for myriad of risks possibly faced by the business. This approach thus underpinned by robust internal controls and structured framework which are prerequisites to the achievement of the Group's business objectives.

RESPONSIBILITY

The Group Board acknowledges the principal risks associated with the Group's business and recognises that business decisions may requires taking an appropriate level of risks. Therefore, the Board shall ensure that there is system in place which effectively monitor and manage these risks. For areas relating to risk management and internal controls, the Board holds the overall responsibility over the establishment and oversight of the adequacy and effectiveness of the Group's risk management and internal controls systems, which includes financial, operational and compliance controls. Whilst the establishment of the risk management and internal controls systems places the importance of managing the businesses' key risks within the approved risk appetite, the Board acknowledges that the systems are designed to mitigate and minimize, rather than eliminate the risk of failure to achieve business objectives. Accordingly, it can only provide reasonable and not absolute assurance against material misstatement or loss.

RISK MANAGEMENT AND INTERNAL CONTROL GOVERNANCE

The role of overseeing and maintaining the risk management and internal control systems, to ensure that they are adequate and effective, are held by the following:

i. **Risk Management Committee (RMC)**

The RMC oversees the implementation of the risk management, which is put in place to manage the risk exposures of the Group within the approved risk appetite. Thus RMC is tasked to direct and oversee the formulation of a structured mechanism in the Group to inculcate strong governance, ethical, integrity and risk management culture within the Group. On a quarterly basis, RMC reviews the results of the risk assessments and treatments, and subsequently reports to the Board on key matters in relation the implementation of the risk management system.

ii. **Audit and Compliance Committee (ACC)**

The ACC is responsible for overseeing the internal control systems (including integrity matters) of the Group, and determining that all major issues reported by the Group Internal Auditor, the external auditors and other outside advisors have been satisfactorily resolved. ACC is to assess the effectiveness of the system of internal control vis-à-vis the risks, control environment and compliance requirement of the Group. Finally, the ACC reports to the Board on all important matters pertaining to the Group's controlling processes.

iii. **Management**

The risk management and control processes are implemented by the Management, led by the Group Managing Director and Senior Management of the Group, who collectively is responsible for good business practices and governance.

Management is also charged with the responsibility of establishing an internal control framework with the objective of controlling the operations of the Group in a manner which provides the Board with reasonable assurance that the control objectives are achieved. This also includes review of internal control systems, which needs to be continuously improved to mitigate the Group's current and emerging risks.

Statement on Risk Management and Internal Control

iv. **Group Risk Management Unit (GRM)**

The overall risk management process is facilitated by GRM, which maintains regular communication and consultation with management. They also facilitate risk analysis of strategic business objectives, operational initiatives and emerging issues in the Group, as well as conducts periodic follow-up of the updating of risk profiles and the implementation of risk treatment measures by management. This escalation covers how significant risks are being managed, monitored, assured and improved.

v. **Group Assurance Unit**

The Group Assurance Unit assists the ACC in ascertaining that the ongoing processes for controlling operations throughout the Group are adequately designed and are functioning in an effective manner. The Group Internal Auditor is also responsible for reporting to Management and the ACC on the adequacy and effectiveness of the Group's systems of internal control, together with ideas, counsel and recommendations to improve the systems.

RISK MANAGEMENT FRAMEWORK

The Board confirms that there is an ongoing group-wide risk management process for identifying, evaluating and managing the significant risks faced by the Group. This risk management process seeks to minimise risk incidents and maximise business outcomes. All new and major investments have to observe a process approval that includes an assessment of the associated risks. The Group has adopted a Risk Management Manual and Guidelines, which is based on ISO 31000, premised on international guideline for managing risk, to ensure that risk management process is consistent across the Group.

The line functions within the organisation structure (including the monitoring and assurance functions) provide the necessary support to the Board in ensuring the effectiveness of the Group's risk management framework. Responsibilities are allocated to the respective functions to enable the Group to have adequate lines of defence in managing its risk.

The first line of defence are the risk owners across the businesses of the Group. They define, highlight, report on and manage a variety of risks, including business and operational risks anticipated by them. In doing so, the Management from all businesses or major departments conducted risk assessments to identify the risks relating to their areas of supervision and control, analysed the likelihood of these risks occurring and the consequences if they do occur and evaluated the risk level by comparing against the approved risk criteria, as well as determined 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 Unit, which is the second line of defence for the Group. The Group has an Executive Risk Management Committee 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. Finally, the process is subjected to regular review by the Board, via the RMC.

The internal audit function, which is carried out by the Group Assurance Unit, serves as the third line of defence by providing independent assurance on the effectiveness of the risk management processes.

INTERNAL CONTROL FRAMEWORK

The Management has put in place internal controls to ensure that the Company's objectives are achieved through adequate mitigation of the identified risks.

The key elements of the Group's system of internal controls are described below:

Board Committees

The delegation of responsibilities to the various committees of the Board of Directors is clearly defined. At present, the committees which are established are the Audit and Compliance Committee, Nomination and Remuneration Committee, Finance and Investment Committee and Risk Management Committee. The respective Board Committees are tasked to assess the risk management aspects, control environment and alignment to the overall Group's risk appetite in relation to performing their duties as indicated in the Board Committee's Terms of Reference.

Assignment of Authority and Responsibility

The Board has approved a defined and documented Limits of Authority (LOA) which is used consistently throughout the Group. These LOAs specify clear division and delegation of responsibilities as well as authorities from the Board to the Board Committees and to members of Management, and the authorisation levels of various aspects of operations. Clearly defined LOA within a divisionalised organisation structure have also been established to facilitate the supervision and monitoring of conduct and operations of individual business units and support services departments. These are regularly reviewed and updated to resolve operational effectiveness and challenges and to reflect the changing risks. Additionally, the Group has a Project Review Committee, which is embedded within the Group Management Committee, to provide added assurance to the Finance and Investment Committee 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.

Planning, Monitoring & Reporting

The Group undertakes a strategic and budgeting planning process annually, to establish plans and targets against which performance is monitored. These business plan and budgets are subjected to evaluation and assessment by the Senior Management Group and the Finance and Investment Committee before it is recommended to the Board for approval. Monthly review is carried out by the Divisions and Group Management Committee to ensure that the businesses are operating according to the plans, as well as to monitor adherence to the internal control procedures established. Quarterly financial and operational reports are tabled and presented to the Board providing financial information including key performance and risk indicators. The information is reviewed by the Audit and Compliance Committee before it is presented to the Board for consideration and approval.

Policies & Procedures

There are clearly defined policies and procedures in place to ensure adequacy of controls, and compliance with relevant laws and regulations. These policies and procedures are periodically reviewed and updated to reflect changes in business structure and processes. Certain companies within the Group have ISO 9001:2015, ISO 14001:2015, OHSAS 18001:2007 accreditations and MS 1454:2007, MS 177:1973, MS 1718:2003, MS 700:1981 and MS 171:2013 product certifications for operational purposes. These accreditations and certifications demonstrate the Group's ongoing commitment to drive for excellence and continuous quality improvement.

The Group has implemented Enterprise Resource Planning System (SAP) across its key business activities namely Chemicals Business and Polymers Business and the holding company, CCM Berhad. This is part of the Group's initiative to establish best practices across key business functions promoting greater visibility, transparency and efficiency.

Annual assurance is provided by the Group Managing Director and Chief Financial Officer to Board on the adequacy and effectiveness of controls in the business processes.

Business Continuity Management (BCM)

A framework on BCM has been established to ensure continuity of business in the event of a disaster. Recognising the diverse nature of risk and business within the Group, BCM in the Group is a business-owned and business-driven process that establishes a fit-for-purpose strategic and operational framework to proactively improve the business resilience against the crisis and its ability to achieve its key objectives.

The framework includes a Crisis Management component at Group level which provides a rehearsed method of restoring the Group's ability to supply its key products and services to an agreed or acceptable level within an agreed time after a crisis. Processes within the framework also support the objective of protecting the Group's reputation and brand and adds to the overall assurance of achieving the strategic objectives of the Group.

Statement on Risk Management and Internal Control

As part of the continuous BCM process, the Group also has a Succession Planning Framework for key positions; which amongst others includes structured plans to improve the Group's bench strength in key positions, talent identification and retention, and strengthening the process in performance management.

Code of Conduct and Core Values

The Senior Management sets the tone for an effective control environment and culture within the Group through the Group's mission, vision and core values. The Group developed its key pillars for all CCM employees to embrace on, based on the below six (6) core value tenets:

- Passion – Inspire and energise to be the best
- Excellence – consistently deliver outstanding performance
- Teamwork – work as one
- Integrity – being honest and ethical
- Responsible – being accountable for our actions
- Respect – value differences

The importance of the shared values is manifested in the Group's Code of Conduct, which incorporates the CCM's vision, mission and core values. The Code of Conduct also embodies several of the principles contained in various policies adopted by CCM; and gives guidance on the application of the core values to the CCM Group's businesses and activities.

Amongst the policies included in the Code of Conducts are Conflict of Interest, Anti-Bribery & Corruption, Gift and Entertainment, Competition Law, Securities & Insider Trading, Risk Management, Information Communication Technology, Intellectual Property and Innovation, Quality and Halal policies. The Board had during the year, approved the revised Sponsorship and Donation Policy.

The Code of Conduct also includes the Whistle Blowing Policy, which aims to encourage the employees to feel confident in raising serious concerns and to provide a formal channel for them to raise these concerns and receive feedback on any actions taken. The Policy also provides assurance that the whistle blower will be protected from possible reprisals or victimisation if they have a reasonable belief that they have made any disclosure in good faith. A whistleblowing hotline has been established to further facilitate the employees and external parties to raise their concerns on possible misconduct or violation of the rules and regulations.

Corporate Integrity Pledge an Integrity Pact

In May 2014, the Company signed the Corporate Integrity Pledge with the Malaysian Anti-Corruption Commission (MACC) to mark its commitment to enhance corporate governance, accountability and transparency in all aspects of the business operations in the CCM Group.

By signing the pledge, CCM is making a unilateral declaration that it will not commit corrupt acts, will work towards creating a business environment that is free from corruption and will uphold the Anti-Corruption Principles for Corporations in Malaysia in the conduct of its business and in its interactions with its business partners and the Government.

In 2015, Integrity Pacts were implemented and suppliers of the Group were encouraged to sign up the Integrity Pact to state their commitment in supporting the Group's initiatives in combating corruption.

Human Resource Management

Key Performance Indicators are used to measure the achievement of staff in achieving the business and operational objectives. To enhance the competencies of the Group's talent pool, staff are kept updated with required training programmes ensuring their capabilities to carry out duties and responsibilities towards achieving the Group's objectives.

In order to ensure unsatisfactory performance and/or workplace conflicts are properly dealt with, the Group has in place guidelines for handling misconduct and disciplinary matters which include breach of integrity and other misconduct which do not comply with the terms and conditions of service whether expressed or implied.

Group Risk Management

The Group Risk Management Unit reviews the risk analysis including those relating to strategic business objectives, operational initiatives and emerging issues in the Group. It also conducts periodic follow-up in the updating of risk profiles and the implementation of risk treatment measures by management. The Group Risk Management Unit also provides guidance to the Group's operations in identifying and assessing risks, developing relevant and effective mitigation strategies to manage the risks.

Internal Audit

The Group Assurance Unit carries out the internal audit assignments that independently reviews the adequacy and integrity of the system of internal controls in managing the key risks, and reports accordingly to the ACC on a quarterly basis. Where weaknesses have been identified as a result of the reviews, improvement measures are recommended to strengthen controls. Follow-up audits are then conducted to assess the status of implementation thereof by Management. In carrying out its work, the Group Assurance Unit focuses on areas of priority as directed and approved by the ACC.

The Board remains committed towards maintaining a sound system of internal controls and believe 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.

BOARD'S ASSESSMENT

The Board is of the view that the Company's overall risk management and internal control system is operating adequately and effectively, in all material aspects, and have received the same assurances from the Group Managing Director and Group Chief Financial Officer of the Company.

The Board confirms that the risk management process in identifying, evaluating and managing significant risks faced by the Group has been in place throughout 2018 up to the date of approval of this statement.

For the financial year ended 31 December 2018, the Board is of the view that the system of internal controls was adequate and effective and, has not resulted in any material loss, contingency or uncertainty that would require disclosure in the Annual Report 2018.

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2018, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or

(b) is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and Management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The statement has been approved by the Board of Directors at its meeting on 14 March 2019.

Other Disclosures

UTILISATION OF PROCEED FROM CORPORATE PROPOSALS (If any)

On 13 June 2018, the Company announced the completion of the proposed disposal of its Shah Alam Land with total proceeds of RM190.0 million which had been fully utilised as follows:

	Actual Utilisation (RM' million)
Partial repayment of bank borrowings	179.0
Defrayment of estimated expenses in relation to the Proposed Disposal	11.0
TOTAL	**190.0**

On 29 June 2018, the Company announced the completion of the proposed disposal of its 8.39% equity interest in PanGen Biotech Inc with total proceeds of RM59.2 million which had been fully utilised towards partial repayment of bank borrowings.

AUDIT AND NON-AUDIT FEES FOR SERVICES RENDERED TO THE LISTED ISSUER OR ITS SUBSIDIARIES FOR THE FINANCIAL YEAR

During the year ended 31 December 2018, the following amount have been paid or payable to the auditors of the Company and Group for work performed:

	Audit Work (RM)	Non-Audit Work (RM)
Company level	75,000	40,000
Group level	368,000	40,000

MATERIAL CONTRACTS INVOLVING INTERESTS OF DIRECTORS, CHIEF EXECUTIVE OFFICER WHO IS NOT A DIRECTOR OR MAJOR SHAREHOLDER

There was no other material contract involving the interests of directors, Chief Executive Officer who is not a director or major shareholder entered into by the CCM Group during the two (2) years immediately preceding the date of this Annual Report, other than contracts entered into in the ordinary course of business:

(a) Debt Settlement Agreement ("DSA") dated 11 August 2017 entered into between CCM and CCM Marketing Sdn Bhd ("CCMM"), a wholly owned subsidiary of CCM. Upon the fulfillment of all the conditions precedent of the DSA, the transfer of 204,665,784 CCM Duopharma Biotech Berhad ("Duopharma") shares from CCMM to CCM arising from the DSA pursuant to the Internal Reorganisation exercise was completed on 25 September 2017

(b) Sale of Shares Agreement dated 19 September 2017 entered into by CCM with the following parties, in relation to the Proposed Acquisitions of:

   (i) 10% equity interest in CCM Chemicals Sdn Bhd from Lanjut Setia Sdn Bhd ("Proposed Acquisition 1"); and

   (ii) 10% equity interest in CCM Chemicals Sdn Bhd from Permodalan Nasional Berhad ("Proposed Acquisition 2")

   for a total purchase consideration of RM40,000,000. Save for the Interested Directors namely Dato' Hajah Normala binti Abdul Samad, Dato' Azmi bin Mohd Ali, Dato' Seri Ir. Dr. Zaini bin Ujang, and Datin Paduka Kartini binti Hj Abd Manaf who are directors nominated by Permodalan Nasional Berhad ("PNB") and PNB as the major shareholder of CCM, none of the directors or major shareholders of CCM or any persons connected to them have any interest, direct or indirect, in the Proposed Acquisition 2.

   The Proposed Acquisitions were completed on 24 November 2017. As a result, CCM Chemicals Sdn Bhd is now a wholly-owned subsidiary of the Company.

(c) Term Financing-i Commodity Murabahah of RM11.5 million and Trade Financing-i-Facilities of RM5.0 million entered into between CCM Polymers Sdn Bhd ("CCM Polymers") , a wholly owned subsidiary of CCM with OCBC Al-Amin Bank Berhad ("OCBC") on 19 March 2018 to partly finance for the purchase of CCM Polymers' double-storey office cum factory and an annexed single-storey factory at Taman Industri Selaman, Seksyen 10, Bandar Baru Bangi, Selangor Darul Ehsan together with its fixtures and fittings at a purchase price of RM20.8 million.

(d) Trademarks License Agreement dated 11 April 2018 between CCM and Duopharma ("Trademarks License Agreement") whereupon CCM has granted Duopharma the license to use the trademarks in relation to the pharmaceutical, biopharmaceutical and healthcare products and services, food supplements and medicines manufactured, distributed, imported, exported, marketed and sold by Duopharma for a consideration of RM250,000 per annum.

Save for the Interested Directors namely Dato' Hajah Normala binti Abdul Samad, Dato' Azmi bin Mohd Ali, Dato' Seri Ir. Dr. Zaini bin Ujang, and Datin Paduka Kartini binti Hj Abd Manaf who are directors nominated by Permodalan Nasional Berhad ("PNB") and PNB as the major shareholder of CCM, none of the directors or major shareholders of CCM or any persons connected to them have any interest, direct or indirect, in the transaction

(e) Sale and Purchase Agreement of Trademarks for a total purchase consideration of RM73.00, a Trademark Deed of Assignment and a Registered User Agreement entered into between CCM and Duopharma on 11 April 2018 pursuant to the Trademarks License Agreement dated on even date.

(f) Sub-tenancy Agreement dated 10 April 2018 between CCM and Duopharma whereupon CCM has granted to Duopharma the sub-tenancy of Levels 13 and 14 of Menara PNB, 201-A, Jalan Tun Razak, 50400 Kuala Lumpur for the sum of RM7,700.00 per month for a fixed term commencing on 1 January 2018 and expiring on 14 February 2020. Duopharma had terminated the sub-tenancy effective on 31 October 2018 via a notice of termination dated 30 July 2018.

(g) Information Technology Services Agreement dated 11 April 2018 between CCM and Duopharma for the provision on information technology services by CCM to Duopharma for a fixed term commencing from 1 January 2018 to 1 January 2022.

(h) Share Sale Agreement dated 13 April 2018 between CCM and Duopharma for the disposal by CCM of 806,450 common share in Pangen Biotech Inc. ("Pangen"), representing approximately 8.39% equity interest in Pangen, to Duopharma for a cash consideration of RM59,156,546.56.

(i) Commodity Murabahah Term Financing-i Committed Facility (the "Facility") of USD25.0 million (or approximately equivalent to RM100 million) entered into between CCMB and Sumitomo Mitsui Banking Corporation Malaysia Berhad ("SMBC") on 18 April 2018 for the purpose of facilitating the overall cashflow planning and loan restructuring exercise of the Company.

(j) Islamic Financing Facility(ies) entered into between CCM Chemicals Sdn Bhd ("CCMC"), a wholly-owned subsidiary of CCM, and OCBC Al-Amin Bank Berhad ("OCBC") on 4 February 2019 for an amount equivalent up to RM50 million, for the purpose of part financing the Pasir Gudang Works Plant 1 ("PGW 1") Reactivation project, comprising the following:

(i) Revolving Credit Facility-i (RCF-i) Commodity Murabahah of RM5 million ("RCF-i Facility");
(ii) Foreign Currency Term Financing-i (FC Term-i) Commodity Murabahah of USD11.95 million ("FC Term-i Facility"); and
(iii) Derivatives Transactions Line which consist of Profit Rate Swap-i and Cross Currency Swap-i of USD11.95 million.

MATERIAL LITIGATION, CLAIMS OR ARBITRATION

Save as disclosed below, neither CCM nor any of its subsidiaries are engaged in any material litigation, claims or arbitration proceedings, either as plaintiff or defendant, which will have a material effect on the financial position of the CCM Group and the Board is not aware of any proceedings pending or threatened against CCM and/or its subsidiaries or any facts likely to give rise to any proceedings which might materially affect the financial position and business of the CCM Group.

a) PT CCM Indonesia had on 13th December 2018 received the official notification on the judgement in favour of PT CCM Indonesia's appeals to the Tax Court of Indonesia. These successful appeals relate to several tax adjustments/corrections made by the tax auditor amounting to IDR34.06 billion (equivalent to approximately RM9.78 million) representing 99.25% of the total appealed amount of IDR34.31 billion (equivalent to approximately RM9.85 million).

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.

RECURRENT RELATED PARTY TRANSACTION OF A REVENUE OR TRADING NATURE

The Company has not sought any mandate for recurrent related party transaction of a revenue or trading nature at the last Annual General Meeting ("AGM") of the Company held on 31 May 2018 and the Company does not anticipate any future recurrent related party transaction of a revenue or trading nature to be entered from the date of the forthcoming AGM until the next AGM of the Company.

Financial Statements

Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2018

Amounts in RM'000 unless otherwise stated

The Directors of Chemical Company of Malaysia Berhad have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018. This report and the financial statements will be presented to the shareholders at the Annual General Meeting to be held on 28 May 2019.

PRINCIPAL ACTIVITIES

Chemical Company of Malaysia Berhad is an investment holding and management company with subsidiaries engaged in the manufacturing and marketing of chemicals and polymers products and services as stated in Note 6 to the financial statements.

ULTIMATE HOLDING COMPANY

The Company is a subsidiary of Permodalan Nasional Berhad ("PNB"), of which is incorporated in Malaysia and regarded by the Directors as the Company's ultimate holding company, during the financial year and until the date of this report.

RESULTS

	Group	Company
Profit attributable to:		
Owners of the Company	25,695	2,981
Non-controlling interests	5,049	–
	30,744	2,981

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 first interim ordinary dividend of 3.00 sen per ordinary share totalling RM5,030,879 in respect of the financial year ended 31 December 2018 on 29 June 2018.

The Company paid a second interim ordinary dividend of 4.00 sen per ordinary share totalling RM6,707,839 in respect of the financial year ended 31 December 2018 on 31 January 2019.

The Directors recommend to pay final ordinary dividend of 2.00 sen per ordinary share totalling RM3,353,920 in respect of the financial year ended 31 December 2018 on 14 June 2019.

DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this report are:

Datin Paduka Kartini binti Hj Abdul Manaf, Acting Chairman
Nik Fazila binti Nik Mohamed Shihabuddin, Group Managing Director
Dato' Azmi bin Mohd. Ali
Khalid bin Sufat
Dr. Leong Chik Weng
Dato' Seri Ir. Dr. Zaini bin Ujang
Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah (Appointed on 9 March 2018)
Amizar binti Mizuar (Appointed on 14 September 2018)
Dato' Hajah Normala binti Abdul Samad, Chairman (Resigned on 5 July 2018)

DIRECTORS' INTERESTS IN SHARES

None of the Directors holding office at 31 December 2018 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 those fees and other benefits included in the aggregate amount of remuneration 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

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

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

INDEMNITY AND INSURANCE COSTS

During the financial year, Directors and Officers of Chemical Company of Malaysia Berhad, together with its subsidiaries, are covered under the Directors' and Officers' Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the policy. The total amount of Directors' and Officers' Liability Insurance effected for the Directors and Officers of the Group was RM50.0 million. The total amount of premium paid for the Directors' and Officers' Liability Insurance by the Group and the Company was RM45,050.

There were no indemnity and insurance costs effected for auditors of the Company during the financial year.

Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2018

OTHER STATUTORY INFORMATION

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

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

ii) 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.

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

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

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

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2018 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.

AUDITORS

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

The auditors' remuneration is disclosed in Note 21 to the financial statements.

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

....

Datin Paduka Kartini binti Hj Abdul Manaf
Director

....

Nik Fazila binti Nik Mohamed Shihabuddin
Director

Kuala Lumpur,

Date: 14 March 2019

Statements of Financial Position

AS AT 31 DECEMBER 2018

Amounts in RM'000 unless otherwise stated

		Group		Company	
	Note	2018	2017	2018	2017
Assets					
Property, plant and equipment	3	**175,568**	143,816	**10,173**	13,384
Investment properties	4	**220**	20,020	**6,220**	25,800
Intangible assets	5	**94,107**	94,170	**–**	63
Investments in subsidiaries	6	**–**	–	**223,323**	217,944
Investment in associate	7	**13,653**	15,608	**–**	–
Other investments	8	**–**	45,568	**–**	45,414
Deferred tax assets	9	**1,358**	2,321	**–**	–
Trade and other receivables	10	**–**	–	**21,135**	24,791
Total non-current assets		**284,906**	321,503	**260,851**	327,396
Inventories	11	**28,646**	39,277	**–**	–
Current tax assets		**12,459**	18,330	**3,058**	7,125
Trade and other receivables	10	**92,961**	136,005	**20,308**	40,239
Cash and cash equivalents	12	**136,297**	160,345	**24,960**	60,655
		270,363	353,957	**48,326**	108,019
Assets classified as held for sale	13	**19,986**	185,900	**19,800**	185,900
Total current assets		**290,349**	539,857	**68,126**	293,919
Total assets		**575,255**	861,360	**328,977**	621,315
Equity					
Share capital		**81,920**	81,920	**81,920**	81,920
Reserves		**22,769**	163,421	**–**	29,674
Retained earnings		**211,684**	36,923	**77,780**	36,135
Equity attributable to owners of the Company	14	**316,373**	282,264	**159,700**	147,729
Non-controlling interests		**2,601**	(1,360)	**–**	–
Total equity		**318,974**	280,904	**159,700**	147,729

Amounts in RM'000 unless otherwise stated

	Note	Group 2018	Group 2017	Company 2018	Company 2017
Liabilities					
Loans and borrowings	15	**152,107**	108,750	**114,827**	68,750
Deferred tax liabilities	9	**15,216**	24,044	**6,206**	14,787
Total non-current liabilities		**167,323**	132,794	**121,033**	83,537
Loans and borrowings	15	**41,695**	359,388	**29,615**	345,570
Trade and other payables	17	**46,311**	87,980	**18,629**	44,479
Current tax liabilities		**952**	294	**–**	–
Total current liabilities		**88,958**	447,662	**48,244**	390,049
Total liabilities		**256,281**	580,456	**169,277**	473,586
Total equity and liabilities		**575,255**	861,360	**328,977**	621,315

The notes on pages 114 to 194 are an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2018

Amounts in RM'000 unless otherwise stated

	Note	Group 2018	Group 2017	Company 2018	Company 2017
Continuing operations					
Revenue	18	**395,939**	370,709	**23,342**	27,053
Cost of sales		**(292,564)**	(272,510)	**(645)**	(1,207)
Gross profit		**103,375**	98,199	**22,697**	25,846
Other income		**16,332**	7,706	**12,073**	16,279
Distribution expenses		**(11,405)**	(9,176)	**–**	–
Administrative expenses		**(40,177)**	(54,031)	**(11,031)**	(24,699)
Other expenses		**(2,939)**	(8,710)	**(2,090)**	(4,117)
Results from operating activities		**65,186**	33,988	**21,649**	13,309
Finance income		**5,991**	5,021	**3,669**	15,218
Finance costs		**(21,071)**	(24,965)	**(17,803)**	(21,818)
Net finance costs		**(15,080)**	(19,944)	**(14,134)**	(6,600)
Share of profit of equity-accounted associate, net of tax		**1,510**	681	**–**	–
Profit before tax		**51,616**	14,725	**7,515**	6,709
Tax expense	19	**(20,872)**	(17,374)	**(4,534)**	(126)
Profit/(Loss) from continuing operations		**30,744**	(2,649)	**2,981**	6,583
Discontinued operation					
Profit from discontinued operation, net of tax	20	**–**	42,467	**–**	–
Profit for the year	21	**30,744**	39,818	**2,981**	6,583
Other comprehensive income, net of tax					
Item that are or may be reclassified subsequently to profit or loss					
Fair value of available-for-sale financial assets		**–**	(4,505)	**–**	(4,535)
Foreign currency translation differences for foreign operations		**1,367**	18,578	**–**	–
		1,367	14,073	**–**	(4,535)

Amounts in RM'000 unless otherwise stated

	Note	Group 2018	Group 2017	Company 2018	Company 2017
Other comprehensive income, net of tax (continued)					
Item that will not be reclassified subsequently to profit or loss (continued)					
Net change in fair value of equity investments designated at fair value through other comprehensive income ("FVOCI")		**14,053**	–	**14,021**	–
		14,053	–	**14,021**	–
Other comprehensive income for the year, net of tax		**15,420**	14,073	**14,021**	(4,535)
Total comprehensive income for the year		**46,164**	53,891	**17,002**	2,048
Profit attributable to:					
Owners of the Company		**25,695**	25,919	**2,981**	6,583
Non-controlling interests		**5,049**	13,899	**–**	–
Profit for the year		**30,744**	39,818	**2,981**	6,583
Total comprehensive income attributable to:					
Owners of the Company		**41,099**	39,747	**17,002**	2,048
Non-controlling interests		**5,065**	14,144	**–**	–
Total comprehensive income for the year		**46,164**	53,891	**17,002**	2,048
Basic earnings/(loss) per ordinary share (sen):	22				
from continuing operations		**15.32**	(1.13)		
from discontinued operation		**–**	6.74		
		15.32	5.61		
Diluted earnings/(loss) per ordinary share (sen):	22				
from continuing operations		**15.32**	(1.13)		
from discontinued operation		**–**	6.74		
		15.32	5.61		

The notes on pages 114 to 194 are an integral part of these financial statements.

Statements of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2018

Amounts in RM'000 unless otherwise stated

		Attributable to equity holders of the Company											
		Non-distributable							Distributable				
	Note	Share capital	Share premium	Capital redemption reserve	Translation reserve	Fair value reserve	Revaluation reserve	Other capital reserve	Treasury shares	Retained earnings	Total	Non-controlling interests	Total equity
Group													
At 1 January 2017		457,630	39,944	73	(228)	34,233	112,361	2,982	(5,836)	98,429	739,588	152,188	891,776
Fair value of available-for-sale financial assets		–	–	–	–	(4,506)	–	–	–	–	(4,506)	–	(4,506)
Foreign currency translation differences for foreign operations		–	–	–	18,579	–	–	–	–	–	18,579	–	18,579
Total other comprehensive income for the year		–	–	–	18,579	(4,506)	–	–	–	–	14,073	–	14,073
Profit for the year		–	–	–	–	–	–	–	–	25,919	25,919	13,899	39,818
Total comprehensive income/(loss) for the year		–	–	–	18,579	(4,506)	–	–	–	25,919	39,992	13,899	53,891

Amounts in RM'000 unless otherwise stated

		Attributable to equity holders of the Company											
		Non-distributable							Distributable				
	Note	Share capital	Share premium	Capital redemption reserve	Translation reserve	Fair value reserve	Revaluation reserve	Other capital reserve	Treasury shares	Retained earnings	Total	Non-controlling interests	Total equity
Group													
Contributions by and distributions to owners of the Company													
Dividends to owners of the Company	23	–	–	–	–	–	–	–	–	(11,366)	(11,366)	–	(11,366)
Dividends to non-controlling interests		–	–	–	–	–	–	–	–	–	-	(8,403)	(8,403)
Treasury shares sold		–	–	–	–	–	–	–	5,836	(1,277)	4,559	–	4,559
Acquisition of non-controlling interests		–	–	–	–	–	–	–	–	(8,834)	(8,834)	(31,166)	(40,000)
Placement of new shares		60,010	–	–	–	–	–	–	–	–	60,010	–	60,010
Effect of demerger		(475,737)	–	–	–	–	–	–	–	(65,948)	(541,685)	(127,878)	(669,563)
Total transactions with owners of the Company		(415,727)	–	–	–	–	–	–	5,836	(87,425)	(497,316)	(167,447)	(664,763)
Transfer in accordance with Section 618(2) of the Companies Act 2016		40,017	(39,944)	(73)	–	–	–	–	–	–	–	–	–
At 31 December 2017		**81,920**	**–**	**–**	**18,351**	**29,727**	**112,361**	**2,982**	**–**	**36,923**	**282,264**	**(1,360)**	**280,904**
		Note 14.1	Note 14.7	Note 14.2	Note 14.3	Note 14.4	Note 14.5		Note 14.6				

Statements of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2018

Amounts in RM'000 unless otherwise stated

		Attributable to equity holders of the Company											
		Non-distributable							Distributable				
	Note	Share capital	Share premium	Capital redemption reserve	Translation reserve	Fair value reserve	Revaluation reserve	Other capital reserve	Treasury shares	Retained earnings	Total	Non-controlling interests	Total equity
Group													
At 1 January 2018, *as previously reported*		81,920	–	–	18,351	29,727	112,361	2,982	–	36,923	282,264	(1,360)	280,904
Adjustment on initial application of MFRS 9, net of tax		–	–	–	–	–	–	–	–	(1,959)	(1,959)	(1,104)	(3,063)
At 1 January 2018, *restated*		81,920	–	–	18,351	29,727	112,361	2,982	–	34,964	280,305	(2,464)	277,841
Net change in fair value of equity investment designated at FVOCI		–	–	–	–	14,037	–	–	–	–	14,037	16	14,053
Foreign currency translation differences for foreign operations		–	–	–	1,367	–	–	–	–	–	1,367	–	1,367
Total other comprehensive income for the year		–	–	–	1,367	14,037	–	–	–	–	15,404	16	15,420
Profit for the year		–	–	–	–	–	–	–	–	25,695	25,695	5,049	30,744
Total comprehensive income for the year		–	–	–	1,367	14,037	–	–	–	25,695	41,099	5,065	46,164

Amounts in RM'000 unless otherwise stated

		Attributable to equity holders of the Company											
		Non-distributable								Distributable			
	Note	**Share capital**	**Share premium**	**Capital redemption reserve**	**Translation reserve**	**Fair value reserve**	**Revaluation reserve**	**Other capital reserve**	**Treasury shares**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Group													
Contributions by and distributions to owners of the Company													
Dividends to owners of the Company	23	–	–	–	–	–	–	–	–	(5,031)	(5,031)	–	(5,031)
Total transactions with owners of the Company		–	–	–	–	–	–	–	–	(5,031)	(5,031)	–	(5,031)
Transfer upon the disposal of equity investment designated at FVOCI		–	–	–	–	(43,695)	–	–	–	43,695	–	–	–
Transfer upon the disposal of property		–	–	–	–	–	(112,361)	–	–	112,361	–	–	–
At 31 December 2018		81,920	–	–	19,718	69	–	2,982	–	211,684	316,373	2,601	318,974
		Note 14.1	Note 14.7	Note 14.2	Note 14.3	Note 14.4	Note 14.5		Note 14.6				

Statements of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2018

Amounts in RM'000 unless otherwise stated

		Non-distributable					Distributable	
	Note	**Share capital**	**Share premium**	**Capital redemption reserve**	**Fair value reserve**	**Treasury shares**	**Retained earnings**	**Total equity**
Company								
At 1 January 2017		457,630	39,944	73	34,210	(5,836)	42,195	568,216
Fair value of available-for-sale financial assets		–	–	–	(4,536)	–	–	(4,536)
Total other comprehensive loss for the year		–	–	–	(4,536)	–	–	(4,536)
Profit for the year		–	–	–	–	–	6,583	6,583
Total comprehensive (loss)/income for the year		–	–	–	(4,536)	–	6,583	2,047
Dividends to owners of the Company	23	–	–	–	–	–	(11,366)	(11,366)
Treasury shares sold		–	–	–	–	5,836	(1,277)	4,559
Placement of new shares		60,010	–	–	–	–	–	60,010
Effect of demerger		(475,737)	–	–	–	–	–	(475,737)
Total transactions with owners of the Company		(415,727)	–	–	–	5,836	(12,643)	(422,534)
Transfer in accordance with Section 618(2) of the Companies Act 2016		40,017	(39,944)	(73)	–	–	–	–
At 31 December 2017/1 January 2018		81,920	–	–	29,674	–	36,135	147,729

Amounts in RM'000 unless otherwise stated

	Note	Share capital	Share premium	Capital redemption reserve	Fair value reserve	Treasury shares	Retained earnings	Total equity
		|--- Non-distributable				---|	Distributable	
Company								
At 31 December 2017/1 January 2018		**81,920**	**–**	**–**	**29,674**	**–**	**36,135**	**147,729**
Net change in fair value of equity investment designated at FVOCI		–	–	–	14,021	–	–	14,021
Total other comprehensive income for the year		–	–	–	14,021	–	–	14,021
Profit for the year		–	–	–	–	–	2,981	2,981
Total comprehensive income for the year		**–**	**–**	**–**	**14,021**	**–**	**2,981**	**17,002**
Contributions by and distributions to owners of the Company								
Dividends to owners of the Company	23	–	–	–	–	–	(5,031)	(5,031)
Total transactions with owners of the Company		**–**	**–**	**–**	**–**	**–**	**(5,031)**	**(5,031)**
Transfer upon the disposal of equity investment designated at FVOCI		–	–	–	(43,695)	–	43,695	–
At 31 December 2018		**81,920**	**–**	**–**	**–**	**–**	**77,780**	**159,700**
		Note 14.1	Note 14.7	Note 14.2	Note 14.4	Note 14.6		

The notes on pages 114 to 194 are an integral part of these financial statements.

Statements of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2018

Amounts in RM'000 unless otherwise stated

	Note	Group 2018	Group 2017	Company 2018	Company 2017
Cash flows from operating activities					
Profit before tax:					
- continuing operations		**51,616**	14,725	**7,515**	6,709
- discontinued operation		**–**	51,779	**–**	–
		51,616	66,504	**7,515**	6,709
Adjustments for:					
Change in fair value of investment properties	4	**–**	(200)	**(220)**	(380)
Depreciation of property, plant and equipment	3	**22,923**	46,763	**3,329**	3,499
Dividend income from:					
- Subsidiaries		**–**	–	**(21,496)**	(23,352)
- A related party		**(5)**	–	**(5)**	–
- Other investment - quoted shares in Malaysia		**(6)**	–	**–**	–
Net (gain)/loss on disposal of:					
- Assets held for sale		**(4,100)**	–	**(4,100)**	–
- Property, plant and equipment		**28**	190	**1**	(59)
Finance costs		**21,071**	30,229	**17,803**	21,818
Finance income		**(5,991)**	(7,735)	**(3,669)**	(15,218)
Impairment loss on:					
- Trade receivables		**1,122**	2,553	**–**	–
- Investment in subsidiaries		**–**	–	**2,357**	–
- Amount due from subsidiaries		**–**	–	**5,272**	–
- Intangible assets		**–**	1,769	**–**	–
- Property, plant and equipment	3	**–**	185	**–**	–
- Provision for obsolete stocks	11	**1,012**	–	**–**	–
Tax credit utilised		**1,717**	–	**1,717**	–
Operating profit/(loss) before changes in working capital (carried forward)		**89,387**	140,258	**8,504**	(6,983)

Amounts in RM'000 unless otherwise stated

	Note	Group 2018	Group 2017	Company 2018	Company 2017
Cash flows from operating activities (continued)					
Operating profit/(loss) before changes in working capital (brought forward)		**89,387**	140,258	**8,504**	(6,983)
Reversal of impairment loss on:					
- Trade receivables		**(4,551)**	(3,697)	**–**	–
- Investments in subsidiaries		**–**	–	**(7,736)**	–
- Amount due from subsidiaries		**–**	–	**(9,727)**	12,500
- Provision for obsolete stocks		**–**	(2,464)	**–**	–
Share of profit of equity accounted associate, net of tax		**(1,510)**	(681)	**–**	–
Provision for warranty		**–**	203	**–**	–
Write-down of inventories to net realisable value		**1,337**	5,924	**–**	–
Property, plant and equipment written off		**304**	58	**–**	–
Intangibles asset written off		**63**	–	**63**	–
Unrealised foreign exchange loss/(gain)		**353**	(2,004)	**201**	–
Operating profit/(loss) before changes in working capital		**85,383**	137,597	**(8,695)**	5,517
Change in inventories		**8,282**	(5,946)	**–**	–
Change in trade and other payables		**(43,203)**	38,864	**(25,850)**	18,676
Change in trade and other receivables		**48,820**	(47,235)	**28,030**	(37,100)
Cash generated from/(used in) operations		**99,282**	123,280	**(6,515)**	(12,907)
Interest paid		**(21,071)**	(30,229)	**(17,803)**	(21,818)
Interest received		**5,991**	7,735	**3,669**	15,218
Income taxes paid		**(19,875)**	(24,875)	**(1,337)**	(3,300)
Income taxes refunded		**244**	563	**–**	146
Net cash generated from/(used in) operating activities		**64,571**	76,474	**(21,986)**	(22,661)

Statements of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2018

Amounts in RM'000 unless otherwise stated

		Group		Company	
	Note	**2018**	**2017**	**2018**	**2017**
Cash flows from investing activities					
Acquisition of:					
- Property, plant and equipment	3	**(55,033)**	(88,059)	**(126)**	(99)
- Intangible asset		**–**	(5,277)	**–**	–
Dividends received from:					
- Associate		**3,465**	–	**–**	–
- Subsidiaries		**–**	–	**21,496**	23,352
- A related company		**5**	–	**5**	–
- Other investments - quoted shares in Malaysia		**6**	–	**–**	–
Acquisition of non-controlling interests		**–**	(40,000)	**–**	(40,000)
Proceeds from disposal of:					
- Property, plant and equipment		**20**	118	**7**	118
- Other Investments		**59,435**	–	**59,435**	–
Assets held for sale:					
- Proceeds from disposal		**190,000**	–	**190,000**	–
- Tax paid on disposal		**(9,617)**	–	**(9,617)**	–
Net cash outflow from demerger of subsidiary		**–**	(96,020)	**–**	–
Net cash generated from/(used in) investing activities		**188,281**	(229,238)	**261,200**	(16,629)
Cash flows from financing activities					
Dividends paid to:					
- Owners of the Company	23	**(5,031)**	(11,366)	**(5,031)**	(11,366)
- Non-controlling interests		**–**	(8,403)	**–**	–
Proceeds from sale of treasury shares		**–**	4,559	**–**	4,559
Proceeds from placement of new shares		**–**	60,010	**–**	60,010
Loans and borrowings:					
- Proceeds		**108,400**	24,742	**98,000**	–
- Repayment		**(382,736)**	(50,916)	**(367,878)**	(26,250)
Net cash (used in)/generated from financing activities		**(279,367)**	18,626	**(274,909)**	26,953

Amounts in RM'000 unless otherwise stated

	Note	Group 2018	Group 2017	Company 2018	Company 2017
Exchange differences on translation of the financial statements of foreign operations		**2,467**	6,166	**–**	–
Net decrease in cash and cash equivalents		**(24,048)**	(127,972)	**(35,695)**	(12,337)
Cash and cash equivalents at 1 January	(i)	**160,345**	288,317	**60,655**	72,992
Cash and cash equivalents at 31 December	(i)	**136,297**	160,345	**24,960**	60,655

Cash and cash equivalents

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

	Note	Group 2018	Group 2017	Company 2018	Company 2017
Cash and bank balances		**46,747**	66,907	**6,213**	11,742
Deposits placed with financial institutions		**6,659**	15,133	**2,056**	5,363
Highly liquid investments with financial institutions		**82,891**	78,305	**16,691**	43,550
	12	**136,297**	160,345	**24,960**	60,655

The notes on pages 114 to 194 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 Market 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 financial year ended 31 December 2018 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 financial year ended 31 December 2018 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 chemicals and polymers products and services as stated in Note 6 to the financial statements.

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

These financial statements were authorised for issue by the Board of Directors on 14 March 2019.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108*, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128*, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

- from the annual period beginning on 1 January 2019 for those accounting standard, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019, except for MFRS 11 which are not applicable for the Group and the Company.

- from the annual period beginning on 1 January 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020.

The Group and the Company does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Group and the Company.

The initial application of the accounting standards, amendments and interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company, except as mentioned below:

MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group and the Company are assessing the financial impact that may arise from the adoption of MFRS 16.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

Notes to the Financial Statements

1. BASIS OF PREPARATION (CONTINUED)

(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 the financial statements in conformity with MFRSs requires management to make judgments, 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 4 - valuation of investment properties
- Note 5 - measurement of the recoverable amounts of cash-generating units
- Note 25 - measurement of expected credit loss ("ECL")

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, unless otherwise stated.

Arising from the adoption of MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments*, there are changes to the accounting policies of:

i) financial instruments;
ii) revenue recognition; and
iii) impairment losses of financial instruments

as compared to those adopted in previous financial statements. The impacts arising from the changes are disclosed in Note 31.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries 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 or distribution. The cost of investment includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. 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) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as a financial asset depending on the level of influence retained.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(v) 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 distribution. 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 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 associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

(vi) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, 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. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(vii) 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 associates are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies at the end of 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 which 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 equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur 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 foreign currency translation reserve ("FCTR") in equity.

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

The assets and liabilities of operations denominated 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 2011 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

The income and expenses of foreign operations in hyperinflationary economies are translated to RM at the exchange rate at the end of the reporting period. Prior to translating the financial statements of foreign operations in hyperinflationary economies, their financial statements for the current period are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices at the end of the reporting period.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency (continued)

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

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company have elected not to restate the comparatives.

(i) Recognition and initial 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.

Current financial year

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured 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.

Previous financial year

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

Financial assets

Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(k)(i)) where the effective interest rate is applied to the amortised cost.

(b) Fair value through other comprehensive income

Equity investments

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

All financial assets, except for those equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see Note 2(k)(i)).

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

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

Financial assets (continued)

Previous financial year

In the previous financial year, financial assets of the Group and the Company were classified and measured under MFRS 139, *Financial Instruments: Recognition and Measurement as* follows:

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

Fair value through profit or loss category comprised financial assets that were held for trading, including derivatives (except for a derivative that was a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial assets that were specifically designated into this category upon initial recognition.

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

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

(b) Loans and receivables

Loans and receivables category comprised debt instruments that were not quoted in an active market, trade and other receivables and cash and cash equivalents.

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

(c) Available-for-sale financial assets

Available-for-sale category comprised investment in equity and debt instrument that were not held for trading.

Investments in equity instruments that did not have a quoted market price in an active market and whose fair value cannot be reliably measured were measured at cost. Other financial assets categorised as available-for-sale were 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 were recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income was reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method was recognised in profit or loss.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

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

Financial liabilities

Current financial year

Amortised cost

Financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

Previous financial year

In the previous financial year, financial liabilities of the Group and the Company were subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current year.

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.

Settlement date accounting refers to:

(a) the recognition of an asset on the day it is received by the Group or the Company, and

(b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Group or the Company.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(iv) 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 transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in 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, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. 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 profit or loss.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(d) Property, plant and equipment

(i) Recognition and measurement

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

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 that equipment.

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.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" or "other expenses" respectively in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(ii) Subsequent costs

The cost of replacing a component 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 component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component 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.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are 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 years to 96 years
• Long-term leasehold building	10 years to 50 years
• Renovation	10 years
• Plant, machinery and equipment	2 years to 13 years

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

(e) Leased assets

(i) Finance lease

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

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

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leased assets (continued)

(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. 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 and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. 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.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates.

(ii) Research and development

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

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the asset for its intended use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less any accumulated amortisation and any accumulated impairment loss.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible assets (continued)

(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.

(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.

(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 properties

(i) Investment properties carried at fair value

Investment properties are properties which are owned 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 changes therein recognised in profit or loss for the period in which they arise. 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.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

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.

(ii) Reclassification to/from investment properties

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in 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 cost for subsequent accounting.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Inventories

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

The cost of inventories is calculated using the weighted average method, 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.

(i) Non-current assets held for sale

Non-current assets, or disposal group comprising assets and liabilities, 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, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs of disposal.

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, deferred 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.

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated. In addition, equity accounting of equity-accounted associates ceases once classified as held for sale.

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with financial institutions and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

(k) Impairment

(i) Financial assets

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company elected not to restate the comparatives.

Current financial year

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment (continued)

(i) Financial assets (continued)

Current financial year (continued)

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for cash and bank balance for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment (continued)

(i) Financial assets (continued)

Previous financial year

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and associates) were assessed at each reporting date whether there was 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, were not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost was an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset was estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments was recognised in profit or loss and was 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 was reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets was recognised in profit or loss and was 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 had been recognised in the other comprehensive income, the cumulative loss in other comprehensive income was reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that was carried at cost was recognised in profit or loss and was measured as the difference between the financial 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 classified as available-for-sale was not reversed through profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories, deferred tax asset, investment property 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 goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

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 cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment (continued)

(ii) Other assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. 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 or cash-generating unit.

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

Impairment losses are recognised in 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 cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, 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 financial year in which the reversals are recognised.

(l) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) 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 financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(n) Provisions

A provision is recognised if, as a result of a 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) 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.

(o) Revenue and other income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue and other income (continued)

(i) Revenue (continued)

The Group or the Company transfers control of a good or service at a point in time unless one of the following overtime criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;

(b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(ii) 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. Rental income from sub-leased property is recognised as other income.

(iii) 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, which in the case of quoted securities is the ex-dividend date.

(iv) Interest income

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 borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(p) 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.

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.

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.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income tax

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial 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, 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 be applied 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.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

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.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

(r) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

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, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) 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. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Group Managing Director, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(t) Contingencies

(i) 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 not recognised in the statements of financial position and 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.

(ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

(u) Fair value measurement

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

Notes to the Financial Statements (continued)

3. PROPERTY, PLANT AND EQUIPMENT

	Note	Leasehold land	Freehold land	Freehold buildings	Long-term leasehold buildings	Renovation	Plant, machinery and equipment	Asset under construction	Total
Group									
Cost									
At 1 January 2017		29,056	38,292	75,272	72,754	–	740,558	26,650	982,582
Additions		9,503	–	373	981	–	29,218	47,984	88,059
Effect of demerger	20	(13,659)	(38,292)	(75,645)	(57,878)	–	(272,136)	(73,599)	(531,209)
Disposals		–	–	–	–	–	(1,499)	(30)	(1,529)
Write-off		–	–	–	–	–	(6,354)	-	(6,354)
At 31 December 2017/1 January 2018		24,900	–	–	15,857	–	489,787	1,005	531,549
Additions		9,605	–	–	12,609	36	14,047	18,736	55,033
Disposals		–	–	–	–	–	(1,082)	-	(1,082)
Write-off		–	–	–	–	–	(102,831)	(152)	(102,983)
At 31 December 2018		**34,505**	**–**	**–**	**28,466**	**36**	**399,921**	**19,589**	**482,517**

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Leasehold land	Freehold land	Freehold buildings	Long-term leasehold buildings	Renovation	Plant, machinery and equipment	Asset under construction	Total
Group									
Depreciation and impairment loss									
At 1 January 2017		1,665	–	15,780	12,341	–	532,833	–	562,619
Depreciation for the year		2,232	–	3,232	1,635	–	39,664	–	46,763
Effect of demerger	20	(292)	–	(19,012)	(9,420)	–	(185,623)	–	(214,347)
Disposals		–	–	–	–	–	(1,221)	–	(1,221)
Impairment loss		–	–	–	–	–	185	–	185
Write-off		–	–	–	–	–	(6,296)	–	(6,296)
Effect of the movement in exchange rate		–	–	–	–	–	30	–	30
At 31 December 2017/1 January 2018									
Accumulated depreciation		**3,605**	**–**	**–**	**4,556**	**–**	**379,387**	**–**	**387,548**
Accumulated impairment loss		**–**	**–**	**–**	**–**	**–**	**185**	**–**	**185**
		3,605	**–**	**–**	**4,556**	**–**	**379,572**	**–**	**387,733**

Notes to the Financial Statements (continued)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Leasehold land	Freehold land	Freehold buildings	Long-term leasehold buildings	Renovation	Plant, machinery and equipment	Asset under construction	Total
Group									
At at 31 December 2017/1 January 2018 (continued)		**3,605**	**–**	**–**	**4,556**	**–**	**379,572**	**–**	**387,733**
Depreciation for the year		**515**	**–**	**–**	**1,611**	**1**	**20,796**	**–**	**22,923**
Disposals		**–**	**–**	**–**	**–**	**–**	**(1,034)**	**–**	**(1,034)**
Write-off		**–**	**–**	**–**	**–**	**–**	**(102,679)**	**–**	**(102,679)**
Effect of the movement in exchange rate		**–**	**–**	**–**	**–**	**–**	**6**	**–**	**6**
At 31 December 2018									
Accumulated depreciation		**4,120**	**–**	**–**	**6,167**	**1**	**296,476**	**–**	**306,764**
Accumulated impairment loss		**–**	**–**	**–**	**–**	**–**	**185**	**–**	**185**
		4,120	**–**	**–**	**6,167**	**1**	**296,661**	**–**	**306,949**
Carrying amounts									
At 1 January 2017		27,391	38,292	59,492	60,413	–	207,725	26,650	419,963
At 31 December 2017/1 January 2018	3.1	**21,295**	**–**	**–**	**11,301**	**–**	**110,215**	**1,005**	**143,816**
At 31 December 2018	3.1	**30,385**	**–**	**–**	**22,299**	**35**	**103,260**	**19,589**	**175,568**

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Equipment	Renovation	Asset under construction	Total
Company				
Cost				
At 1 January 2017	38,735	–	208	38,943
Additions	99	–	–	99
Disposals	(938)	–	(30)	(968)
At 31 December 2017/1 January 2018	**37,896**	**–**	**178**	**38,074**
Additions	**73**	**36**	**17**	**126**
Disposals	**(105)**	**–**	**–**	**(105)**
Transfer of assets	**195**	**–**	**(195)**	**-**
At 31 December 2018	**38,059**	**36**	**–**	**38,095**
Depreciation				
At 1 January 2017	22,100	–	–	22,100
Depreciation for the year	3,499	–	–	3,499
Disposals	(909)	–	–	(909)
At 31 December 2017/1 January 2018	**24,690**	**–**	**–**	**24,690**
Depreciation for the year	**3,328**	**1**	**–**	**3,329**
Disposals	**(97)**	**–**	**–**	**(97)**
At 31 December 2018	**27,921**	**1**	**–**	**27,922**
Carrying amounts				
At 1 January 2017	16,635	–	208	16,843
At 31 December 2017/1 January 2018	**13,206**	**–**	**178**	**13,384**
At 31 December 2018	**10,138**	**35**	**–**	**10,173**

3.1 Leasehold land

At 31 December 2018, the net carrying amount of the Group's leasehold land was RM30,385,000 (2017: RM21,295,000). Leasehold land of the Group has an unexpired lease period of 23 to 83 years.

Notes to the Financial Statements

4. INVESTMENT PROPERTIES

	Note	Group 2018	Group 2017	Company 2018	Company 2017
At 1 January		**20,020**	210,370	**25,800**	211,320
Change in fair value recognised in profit or loss		**–**	200	**220**	380
Transfer from assets classified as held for sale	13	**–**	1,000	**–**	–
Transfer to assets classified as held for sale	13	**(19,800)**	(185,900)	**(19,800)**	(185,900)
Effect of demerger		**–**	(5,650)	**–**	–
At 31 December		**220**	20,020	**6,220**	25,800

Investment properties of the Group and the Company comprise a number of commercial properties that are leased to third parties and subsidiaries. Each of the leases contains an initial non-cancellable period of one month to one year. Subsequent renewals are negotiated with the lessee and on average renewal periods are one to three years. No contingent rents are charged.

During the financial year, a leasehold land amounting to RM19,800,000 have been transferred from investment property to assets classified as held for sale (see Note 13) following the commitment of the management during the year to a plan to sell the investment property.

The following are recognised in profit or loss in respect of investment properties:

	Group 2018	Group 2017	Company 2018	Company 2017
Rental income	**402**	420	**1,841**	3,701
Direct operating expenses:				
- income generating investment properties	**34**	31	**592**	1,155
- non-income generating investment properties	**–**	–	**52**	29

4. INVESTMENT PROPERTIES (CONTINUED)

4.1 Fair value information

Fair value of investment properties are categorised as follows:

	Level 3	Total
2018		
Group		
Freehold land	**220**	**220**
	220	**220**
Company		
Freehold land	**6,020**	**6,020**
Buildings	**200**	**200**
	6,220	**6,220**

	Level 3	Total
2017		
Group		
Freehold land	220	220
Leasehold land with unexpired lease period of more than 50 years	19,800	19,800
	20,020	20,020
Company		
Freehold land	5,807	5,807
Buildings	193	193
Leasehold land with unexpired lease period of more than 50 years	19,800	19,800
	25,800	25,800

Notes to the Financial Statements

4. INVESTMENT PROPERTIES (CONTINUED)

4.1 Fair value information (continued)

Level 3 fair value

The following table shows a reconciliation of Level 3 fair values:

	Group 2018	Group 2017	Company 2018	Company 2017
At 1 January	**20,020**	210,370	**25,800**	211,320
Transfer from assets classified as held for sale	**–**	1,000	**–**	–
Transfer to assets classified as held for sale	**(19,800)**	(185,900)	**(19,800)**	(185,900)
Change in fair value - other income - unrealised	**–**	200	**220**	380
Effect of demerger	**–**	(5,650)	**–**	–
At 31 December	**220**	20,020	**6,220**	25,800

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Description of valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Comparison method of valuation which entails comparing the property with similar properties that were sold recently and those that are currently offered for sale in the vicinity.	Recent transactions of similar properties at or near reporting period with similar land usage, land size and location. The characteristics, merits and disadvantages of these properties are noted and diligent adjustments thereof are then made by valuer to reflect the differences and to arrive at the value of the property.	The estimated fair value would increase if recent transactions of similar properties at or near reporting period with similar land usage, land size and location were higher.

Valuation processes applied by the Group for Level 3 fair value

The fair value of investment properties is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The valuation company provides the fair value of the Group's investment property portfolio every twelve months. Changes in Level 3 fair values are analysed by the management every twelve months after obtaining valuation report from the valuation company.

Highest and best use

The Group's investment property is currently freehold and leasehold land, and buildings. The highest and best use of the property should be industrial land located nearby the Group's investment property.

5. INTANGIBLE ASSETS

	Goodwill	Marketing rights	Trade-marks	Brands	Development cost	Total
Group						
Cost						
At 1 January 2017	306,745	16,483	63	2,400	10,431	336,122
Additions	–	142	–	–	5,135	5,277
Effect of demerger (Note 20)	(212,211)	(16,625)	–	(2,400)	(15,566)	(246,802)
At 31 December 2017/ 1 January 2018	**94,534**	**–**	**63**	**–**	**–**	**94,597**
Write-off	**–**	**–**	**(63)**	**–**	**–**	**(63)**
At 31 December 2018	**94,534**	**–**	**–**	**–**	**–**	**94,534**
Accumulated impairment loss						
At 1 January 2017	22,980	15,787	–	800	–	39,567
Impairment loss	–	81	–	1,600	88	1,769
Effect of demerger (Note 20)	(22,553)	(15,868)	–	(2,400)	(88)	(40,909)
At 31 December 2017/ 1 January 2018/ 31 December 2018	**427**	**–**	**–**	**–**	**–**	**427**
Carrying amounts						
At 1 January 2017	283,765	696	63	1,600	10,431	296,555
At 31 December 2017/ 1 January 2018	**94,107**	**–**	**63**	**–**	**–**	**94,170**
At 31 December 2018	**94,107**	**–**	**–**	**–**	**–**	**94,107**

Company	Trademark
Cost/Carrying amount	
At 1 January 2017/31 December 2017/1 January 2018	63
Write-off	(63)
At 31 December 2018	–

Notes to the Financial Statements

5. INTANGIBLE ASSETS (CONTINUED)

5.1 Goodwill

The carrying amount of the goodwill of subsidiaries in the polymers segment, arising from acquisition through business combination, was assessed for impairment during the year.

5.2 Amortisation and impairment charge

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

5.3 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	
	2018	**2017**
Subsidiaries in Polymers division	**94,107**	94,107
	94,107	94,107

The recoverable amounts of the cash-generating units containing goodwill were based on value in use of the investment in the respective subsidiaries ("the subsidiaries") and determined by discounting future cash flow based on financial budgets approved by management.

For the purpose of impairment testing of Polymers division, 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 4 years (2017: 2 years) budget. In the prior year, cash flows for a further 3 years period were extrapolated using a growth rate of 5 percent. Management believes that these 4 years (2017: 5 years) forecast period was justified due to the long term nature of the businesses.

(b) The anticipated growth rate for revenue was projected in accordance with the Group's 4 years (2017: 2 years) budget and subsequently projected based on growth rate as stated in note (a) above.

(c) A pre-tax discount rate of 7.5 percent (2017: 7.1 percent). The discount was estimated based on the respective subsidiaries' weighted average cost of capital ("WACC").

6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2018	**2017**
At cost:		
Unquoted shares	**305,167**	305,167
Less: Accumulated impairment loss	**(81,844)**	(87,223)
	223,323	217,944

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest 2018 %	2017 %
CCM Agri-Max Sdn. Bhd. and its subsidiaries:	Malaysia	Investment holding	**100.0**	100.0
CCM Fertilizers Sdn. Bhd. and its subsidiary:	Malaysia	Dormant	**50.1**	50.1
Max Agriculture Sdn. Bhd.*/^	Malaysia	Dormant	**50.1**	50.1
CCM Usaha Kimia (M) Sdn. Bhd. and its subsidiaries:	Malaysia	Trading as an agent and in its own right in chemicals and other commodities	**100.0**	100.0
CCM Water Systems Sdn. Bhd.	Malaysia	Ceased Operations	**100.0**	100.0
CCM Polymers Sdn. Bhd. and its subsidiaries:	Malaysia	Manufacturing and selling of industrial and hydrogel coating products	**100.0**	100.0
Innovative Polymer Systems Sdn. Bhd.*/^	Malaysia	Dormant	**100.0**	100.0
Delta Polymer Systems Sdn. Bhd. */^	Malaysia	Dormant	**100.0**	100.0
CCM Chemicals Sdn. Bhd. and its subsidiaries:	Malaysia	Manufacturing and marketing of chlor-alkali and coagulant products and marketing of industrial and specialty chemicals	**100.0**	100.0

Notes to the Financial Statements

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest 2018	2017
CCM Watercare Sdn. Bhd.	Malaysia	Dormant	**100.0**	100.0
CCM Singapore Pte. Ltd.*	Singapore	Marketing of chlor-alkali and coagulant products	**100.0**	100.0
P.T. CCM Indonesia*	Indonesia	Marketing of chlor-alkali and coagulant products and industrial chemicals	**100.0**	100.0
Innovative Resins Sdn. Bhd.	Malaysia	Investment holding	**100.0**	100.0
CCM Marketing Sdn. Bhd. */^	Malaysia	Dormant	**100.0**	100.0
CCM Investments Limited**	British Virgin Islands	Dormant	**100.0**	100.0
CCM International Sdn. Bhd. and its subsidiaries:	Malaysia	Investment holding	**100.0**	100.0
P.T. CCM Agripharma*	Indonesia	Dormant	**100.0**	100.0
CCM Siam Ltd.*	Thailand	Dormant	**100.0**	100.0
Yayasan CCM (Limited by Guarantee)	Malaysia	To receive and administer funds for education and charitable purposes	**100.0**	100.0

* Not audited by member firms of KPMG PLT.
** Not required to be audited and consolidated based on unaudited financial statements.
^ The entities are in liquidation process during the year.

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

6.1 Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	CCM Fertilizers Sdn. Bhd. and its subsidiaries 2018	2017
NCI percentage of ownership interest and voting interest	**49.90%**	49.90%
Carrying amount of NCI	**2,601**	(1,360)
Profit/(Loss) allocated to NCI	**5,049**	(3,174)
Summarised financial information before intra-group elimination		
As at 31 December		
Non-current assets	**186**	154
Current assets	**12,326**	16,799
Current liabilities	**(7,300)**	(19,678)
Net assets/(liabilities)	**5,212**	(2,725)
Year ended 31 December		
Revenue	**–**	2,447
Profit/(Loss) for the year	**10,119**	(6,360)
Total comprehensive income/(loss)	**10,151**	(6,330)
Cash flows from operating activities	**4,165**	2,969
Cash flows from investing activities	**6**	5
Cash flows used in financing activities	**(6,959)**	(8,931)
Net decrease in cash and cash equivalents	**(2,788)**	(5,957)

7. INVESTMENT IN ASSOCIATE

	Group 2018	2017
At cost:		
Unquoted shares	**1,408**	1,408
Share of post-acquisition reserves	**15,710**	14,200
Dividend received from the associate	**(3,465)**	–
	13,653	15,608

Notes to the Financial Statements

7. INVESTMENT IN ASSOCIATE (CONTINUED)

Details of a material associate are as follows:

Name of associate	Principal place of business/ Country of incorporation	Nature of the relationship	Effective ownership interest and voting interest 2018	2017
Orica-CCM Energy Systems Sdn. Bhd.	Malaysia	Associate	**45**	45

The following table summarises the information of the Group's material associate, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associate.

	Group 2018	2017
Summarised financial information		
Non-current assets	**4,736**	2,801
Current assets	**34,355**	35,947
Non-current liabilities	**(226)**	(373)
Current liabilities	**(8,683)**	(3,849)
Net assets	**30,182**	34,526
Total comprehensive income	**3,356**	1,514
Included in the total comprehensive income is:		
Revenue	**44,888**	31,352
Reconciliation of net assets to carrying amount as at 31 December		
Group's share of net assets	**13,582**	15,537
Consolidated adjustments	**71**	71
Carrying amount in the statement of financial position	**13,653**	15,608
Group's share of results for the year ended 31 December		
Group's share of total comprehensive income	**1,510**	681
Other information		
Dividends received by the Group	**3,465**	–

8. OTHER INVESTMENTS

	Group		Company	
	2018	2017	2018	2017
Non-current shares				
Available-for-sale	–	45,568	–	45,414
	–	45,568	–	45,414

8.1 Equity investments designated at fair value through other comprehensive income

At 1 January 2018, the Group designated the investments shown below as equity securities as at fair value through other comprehensive income because these equity securities represent investments that the Group intends to hold for long-term strategic purposes. As at 31 December 2018, these investments have been reclassified as assets held for sale (Note 13). In 2017, these investments were classified as available-for-sale.

	Fair value at 31 December 2018	Dividend income recognised during 2018
Group		
Shares quoted in Malaysia, reclassified as assets held for sale (Note 13)	**186**	**6**

8.2 Disposal of other investments

In 2014, the Group and the Company acquired a 13.86% equity interest in PanGen Biotech Inc. ("PanGen") for a total cash consideration of KRW5 billion or equivalent to RM15,740,000.

On 11 March 2016, PanGen was listed on Korean Securities Dealers Automated Quotations ("KOSDAQ"). Pursuant to the listing, the Group and the Company have an effective interest of 9.34% in PanGen. During the year, the Group and the Company have fully disposed their entire interest in PanGen (see Note 32).

In the previous financial year, pursuant to the demerger of Duopharma Biotech Berhad ("DBB") (formerly known as CCM Duopharma Biotech Berhad), the Company distributed its interest in DBB shares to the shareholders of the Company by the way of a reduction of the paid up capital of the Company. The distribution led to some DBB shares left undistributed and these shares were disposed during the year.

The Group and the Company disposed the above investments which were carried at fair value through other comprehensive income because they were no longer in line with the Group's strategy.

	Fair value at derecognition	Cumulative gain on disposal	Dividend income recognised during 2018
Group and Company			
PanGen	59,156	43,416	–
DBB	279	279	5

Notes to the Financial Statements

9. DEFERRED TAX (ASSETS)/LIABILITIES

Recognised deferred tax (assets)/liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Group						
Property, plant and equipment	**–**	–	**15,206**	21,157	**15,206**	21,157
Investment properties	**–**	–	**4,344**	5,983	**4,344**	5,983
Provisions	**(3,708)**	(2,723)	**–**	–	**(3,708)**	(2,723)
Other deductible temporary differences	**(930)**	(2,247)	**102**	123	**(828)**	(2,124)
Tax losses/tax incentives carry-forwards	**(1,156)**	(1,173)	**–**	603	**(1,156)**	(570)
Tax (assets)/liabilities	**(5,794)**	(6,143)	**19,652**	27,866	**13,858**	21,723
Set off of tax	**4,436**	3,822	**(4,436)**	(3,822)	**–**	–
Net tax (assets)/liabilities	**(1,358)**	(2,321)	**15,216**	24,044	**13,858**	21,723
Company						
Property, plant and equipment	**–**	–	**2,274**	2,901	**2,274**	2,901
Investment properties	**–**	–	**4,344**	12,391	**4,344**	12,391
Other deductible temporary differences	**(491)**	(505)	**79**	–	**(412)**	(505)
Tax (assets)/liabilities	**(491)**	(505)	**6,697**	15,292	**6,206**	14,787
Set off of tax	**491**	505	**(491)**	(505)	**–**	–
Net tax liabilities	**–**	–	**6,206**	14,787	**6,206**	14,787

Unrecognised deferred tax assets

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

	Group	
	2018	**2017**
Tax losses carry-forwards	**(86,477)**	(91,492)
Other deductible temporary differences	**(11,972)**	(6,760)
	(98,449)	(98,252)

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.

9. DEFERRED TAX (ASSETS)/LIABILITIES (CONTINUED)

Movement in temporary differences during the year

	At 1.1.2017	Recognised in profit or loss (Note 19)	Included in discontinued operation (Note 20)	At 31.12.2017/ 1.1.2018	Recognised in profit or loss (Note 19)	At 31.12.2018
Group						
Property, plant and equipment	33,321	7,104	(19,268)	**21,157**	(5,951)	**15,206**
Investment properties	5,914	69	–	**5,983**	(1,639)	**4,344**
Provisions	(5,596)	(3,125)	5,998	**(2,723)**	(985)	**(3,708)**
Other deductible temporary differences	(2,066)	506	(564)	**(2,124)**	1,296	**(828)**
Tax losses/tax incentives carry-forwards	(11,017)	(670)	11,117	**(570)**	(586)	**(1,156)**
	20,556	3,884	(2,717)	**21,723**	(7,865)	**13,858**
Company						
Property, plant and equipment	3,877	(976)	–	**2,901**	(627)	**2,274**
Investment properties	12,322	69	–	**12,391**	(8,047)	**4,344**
Other deductible temporary differences	(690)	185	–	**(505)**	93	**(412)**
	15,509	(722)	–	**14,787**	(8,581)	**6,206**

Notes to the Financial Statements

10. TRADE AND OTHER RECEIVABLES

	Note	Group 2018	Group 2017	Company 2018	Company 2017
Non-current					
Trade					
Amount due from subsidiaries		**–**	–	**3,804**	3,866
Non-trade					
Amount due from subsidiaries	10.1	**–**	–	**17,331**	20,925
Total non-current		**–**	–	**21,135**	24,791
Current					
Trade					
Trade receivables		**74,920**	93,377	**–**	–
Amount due from subsidiaries		**–**	–	**22**	3,470
Amount due from related companies		**40**	–	**–**	–
		74,960	93,377	**22**	3,470
Non-trade					
Amount due from related companies		**5,973**	20,424	**5,969**	–
Amount due from subsidiaries	10.1	**–**	–	**12,140**	24,484
Amount due from an associate		**79**	88	**62**	75
Deposits		**3,882**	1,991	**249**	326
Other receivables		**2,742**	13,322	**1,866**	11,884
Prepayments		**5,325**	6,803	**–**	–
		18,001	42,628	**20,286**	36,769
Total current		**92,961**	136,005	**20,308**	40,239

10.1 The non-trade amount due from subsidiaries relates to advances which are unsecured, subject to interest of 5.03% per annum (2017: 4.73% per annum).

11. INVENTORIES

	Group	
	2018	**2017**
Raw materials	**3,256**	10,002
Work-in-progress	**3,609**	4,202
Finished goods	**14,671**	16,083
Spares and consumables	**6,390**	1,058
Stock-in-transit	**720**	7,932
	28,646	39,277

Recognised in profit or loss:		
Inventories recognised as cost of sales	**291,794**	550,149
Write-down of inventories to net realisable value	**1,337**	5,924
Provision for/(Reversal of) obsolete stocks	**1,012**	(2,464)
	294,143	553,609

The write-down and reversal are included in cost of sales.

12. CASH AND CASH EQUIVALENTS

		Group		Company	
	Note	**2018**	**2017**	**2018**	**2017**
Cash and bank balances		**46,747**	66,907	**6,213**	11,742
Deposits placed with financial institutions		**6,659**	15,133	**2,056**	5,363
Highly liquid investments with financial institutions	12.1	**82,891**	78,305	**16,691**	43,550
		136,297	160,345	**24,960**	60,655

12.1 Highly liquid investments with financial institutions

The Directors regard the highly liquid investments with financial institutions as cash and cash equivalents in view of its high liquidity.

13. ASSETS CLASSIFIED AS HELD FOR SALE

An investment property of the Group and the Company is presented as asset held for sale following the commitment of the management during the financial year to a plan to sell the investment property.

In 2017, the Company entered into a Sale and Purchase Agreement for disposal of three parcels of leasehold land measuring approximately 70.93 acres for a cash consideration of RM190 million to Global Vision Logistics Sdn. Bhd. and the disposal was completed on 13 June 2018.

Notes to the Financial Statements

13. ASSETS CLASSIFIED AS HELD FOR SALE (CONTINUED)

On 7 September 2018, the Company entered into a Sale and Purchase Agreement with Rock Link Sdn. Bhd. to dispose off a piece of leasehold land measuring 18.21 acres in Mukim of Labu, District of Seremban, Negeri Sembilan for a cash consideration of RM21.5 million.

As at 31 December 2018, the Group has designated equity securities investments amounting to RM0.2 million as assets held for sale, given the Group's intention to sell these equity securities investments in the next financial year.

The assets of the disposal group are as follows:

	Group 2018	Company 2018	Group and Company 2017
Assets classified as held for sale			
Investment property	**19,800**	**19,800**	185,900
Other investments	**186**	**–**	–
	19,986	**19,800**	185,900

The carrying value of investment property and other investments are the same as their carrying value before they were being reclassified to current asset.

14. CAPITAL AND RESERVES

14.1 Share capital

	Group and Company			
	2018		2017	
	Amount	Number of shares '000	Amount	Number of shares '000
Issued and fully paid shares classified as equity instruments:				
Ordinary shares				
At 1 January	**81,920**	**167,696**	457,630	457,630
Increase in share capital	**–**	**–**	60,010	45,463
Transfer from share premium account in accordance with Section 618(2) of Companies Act 2016	**–**	**–**	40,017	–
Share consolidation (Note a)	**–**	**–**	–	(335,397)
Effect of demerger (Note b)	**–**	**–**	(475,737)	–
At 31 December	**81,920**	**167,696**	81,920	167,696

14. CAPITAL AND RESERVES (CONTINUED)

14.1 Share capital (continued)

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

In the previous financial year, the company issued 45,463,186 new ordinary shares at RM1.32 per ordinary share via a private placement to eligible investors for a total cash consideration of RM60 million.

a) In the previous financial year, issued share capital of the Company of 503,093,042 ordinary shares of the Company have been consolidated into 167,695,988 Consolidated Shares.

b) In the previous financial year, pursuant to the demerger (Note 20), the Group has distributed its entire shareholding of Duopharma Biotech Berhad (formerly known as CCM Duopharma Biotech Berhad) by way of reduction of paid-up capital by RM475.7 million.

14.2 Capital redemption reserve

The capital redemption reserve represent portion of its own shares purchased which was subsequently cancelled and an amount equivalent to their nominal value was transferred to the capital redemption reserves.

In accordance with Section 618 of the Companies Act 2016, any amount standing to the credit of the capital redemption reserve account has become part of the Company's share capital. The Company has twenty-four months upon the commencement of the Companies Act 2016 on 31 January 2017 to utilise on the credit.

In the previous financial year, capital redemption reserve amounting to RM73,000 were transferred to share capital in accordance with Section 618(3) of the Companies Act 2016.

14.3 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.

14.4 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of equity security designated at fair value through other comprehensive income (2017: available-for-sale financial assets) until the investments are derecognised or impaired.

14.5 Revaluation reserve

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

Notes to the Financial Statements

14. CAPITAL AND RESERVES (CONTINUED)

14.6 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 renewal of the authority for purchase of its own shares lapsed in 2004 and no further renewal was sought.

In the previous financial year, the Company disposed off a total of 2,998,000 treasury shares with a total consideration received of RM4.56 million.

The treasury shares were disposed in accordance with Section 127 (7)(b) of the Companies Act 2016.

There was no repurchase of issued share capital in the current financial year.

14.7 Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

In accordance with Section 618 of the Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. The Company has twenty-four months upon the commencement of the Companies Act 2016 on 31 January 2017 to utilise on the credit.

In the previous financial year, share premium reserve amounting to RM39,944,000 were transferred to share capital in accordance with Section 618(3) of the Companies Act 2016.

15. LOANS AND BORROWINGS

		Group		Company	
	Note	2018	2017	2018	2017
Non-current - unsecured					
Term loans	15.1	**152,107**	108,750	**114,827**	68,750
Current - unsecured					
Bankers' acceptances		**–**	2,818	**–**	–
Term loans	15.1	**21,695**	335,570	**9,615**	325,570
Revolving credit and trade facilities	15.2	**20,000**	21,000	**20,000**	20,000
		41,695	359,388	**29,615**	345,570
		193,802	468,138	**144,442**	414,320

15. LOANS AND BORROWINGS (CONTINUED)

15.1 Unsecured term loans

i) The Company has obtained a RM150.57 million, 3 years unsecured term loan at the rate of 4.70% per annum (2017: 4.70% per annum) which matured and fully paid on 30 April 2018.

On the same day of 30 April 2018, the Company obtained and drawdown a new unsecured term loan of RM98 million, with tenure period of 3 years at the rate of 5.25% per annum which matures on 30 April 2021.

ii) The Company has obtained a RM150 million, 3 years unsecured term loan at the rate of 4.93% per annum (2017: 4.93% per annum) which matured in December 2018.

This unsecured term loan has been fully settled on 18 December 2018.

The significant covenants for the unsecured term loan (i) to (ii) above were as follows:

a) It was a condition that Permodalan Nasional Berhad shall at all time, directly or indirectly, owns at least 51% of the Company's issued and paid up share capital.

b) Interest coverage ratio of not less than 2 times.

c) Consolidated Net Worth shall not be less than RM250 million.

d) Consolidated Total Debt to Consolidated Net Worth shall not be more than:
- 1.75 times prior to the disposal of investment property (completed on 13 June 2018) (refer to Note 13); and
- 1.50 times after the disposal of investment property (completed on 13 June 2018) (refer to Note 13).

iii) The Company obtained a RM100 million, 5 years unsecured term loan at the rate of 4.90% per annum which matures on 16 August 2021.

The significant covenants for the unsecured term loan (iii) above are as follows:

a) Permodalan Nasional Berhad shall at all time, directly or indirectly, own at least 51% of the Company's issued and paid up share capital.

b) The Company's Total Debt to Net Worth should not exceed 1.5 times.

iv) CCM Chemicals Sdn. Bhd. ("CCMC"), a subsidiary of the Company, obtained a RM50 million, 5 years unsecured term loan at the floating rate of approximately 4.70% per annum (2017: approximately 4.70% per annum) which matures in October 2020.

The significant covenants for the unsecured term loan (iv) above are as follows:

a) CCMC shall maintain a minimum Consolidated Net Worth of RM80 million during the tenure of the facility.

b) CCMC and its subsidiaries' Consolidated Total Debt to Consolidated Net Worth ratio shall not at all times exceed 1.5 times.

c) CCMC's Interest Coverage Ratio shall not less than 2.0 times.

d) CCMC's Debt Service Ratio shall not at all times less than 1.25 times.

Notes to the Financial Statements

15. LOANS AND BORROWINGS (CONTINUED)

15.1 Unsecured term loans (continued)

v) CCM Polymers Sdn. Bhd. ("CCMP"), a subsidiary of the Company, obtained a RM10.4 million, 5 years unsecured term loan at the floating rate of approximately 5.02% to 5.05% per annum which matures in 25 May 2023.

The significant covenants for the unsecured term loan (v) above are as follows:

a) CCMP's Total Debt to Net Worth shall not exceed 1.5 times.

b) CCMP's Finance Service Cover Ratio ("FSCR") of not less than 1.2 times.

15.2 Unsecured revolving credit and trade facilities

The Group have utilised the revolving credit and trade facilities from various banks.

The above is subject to fulfilment of the following covenants:

i) Letter of Comfort from Chemical Company of Malaysia Berhad.
ii) The borrower shall maintain a Gearing Ratio of not more than 1.5 times.
iii) The borrower shall maintain Debt Service Coverage Ratio of at least 2.0 times Earnings Before Interest, Income Tax and Depreciation during the tenure of the facility.

Reconciliation of movement of liabilities to cash flows arising from financing activities:

	Unsecured term loan	Unsecured revolving credit	Unsecured bankers' acceptances	Total
Group				
Balance at 1 January 2018	**444,320**	**21,000**	**2,818**	**468,138**
Drawdown of:				
- Term loans	**108,400**	**–**	**–**	**108,400**
Repayment of:				
- Term loans	**(378,918)**	**–**	**–**	**(378,918)**
- Revolving credit	**–**	**(1,000)**	**–**	**(1,000)**
- Bankers' acceptance	**–**	**–**	**(2,818)**	**(2,818)**
Total changes from financing cash flows	**(270,518)**	**(1,000)**	**(2,818)**	**(274,336)**
Balance at 31 December 2018	**173,802**	**20,000**	**–**	**193,802**

15. LOANS AND BORROWINGS (CONTINUED)

	Unsecured term loan	Unsecured revolving credit	Unsecured bankers' acceptances	Total
Company				
Balance at 1 January 2018	**394,320**	**20,000**	**–**	**414,320**
Drawdown of:				
- Term loans	**98,000**	**–**	**–**	**98,000**
Repayment of:				
- Term loans	**(367,878)**	**–**	**–**	**(367,878)**
Total changes from financing cash flows	**(269,878)**	**–**	**–**	**(269,878)**
Balance at 31 December 2018	**124,442**	**20,000**	**–**	**144,442**

16. PROVISION

	Group 2017
Warranties	
At 1 January	493
Provision made during the year	203
Effect of demerger	(696)
At 31 December	–

The provision for warranties relates to pharmaceutical products sold. Pursuant to the demerger of Pharmaceuticals division in previous financial year, no provision for warranties to be made during the financial year.

Notes to the Financial Statements

17. TRADE AND OTHER PAYABLES

	Note	Group 2018	Group 2017	Company 2018	Company 2017
Current					
Trade					
Trade payables		**41,889**	52,947	**–**	–
Non-trade					
Accrued expenses		**4,121**	1,886	**4,651**	5,088
Amount due to related companies		**113**	4,982	**5**	–
Amount due to an associate		**81**	–	**80**	–
Amount due to subsidiaries	17.1	**–**	–	**13,315**	15,743
Other payables		**–**	28,165	**578**	23,648
Deposit		**107**	–	**–**	–
		4,422	35,033	**18,629**	44,479
Total current		**46,311**	87,980	**18,629**	44,479

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

18. REVENUE

	Continuing operations 2018	Continuing operations 2017	Discontinued operation (see Note 20) 2018	Discontinued operation (see Note 20) 2017	Total 2018	Total 2017
Group						
Revenue from contract with customers	**395,537**	370,289	**–**	467,987	**395,537**	838,276
Rental income from properties	**402**	420	**–**	–	**402**	420
	395,939	370,709	**–**	467,987	**395,939**	838,696
Company						
Rental income from properties	**1,841**	3,701	**–**	–	**1,841**	3,701
Dividend income	**21,501**	23,352	**–**	–	**21,501**	23,352
	23,342	27,053	**–**	–	**23,342**	27,053

18. REVENUE (CONTINUED)

18.1 Disaggregation of revenue

	Chemicals		Polymers		Reporting segments Pharmaceuticals (discontinued)		All other segments		Total	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Group										
Primary geographical markets										
Malaysia	**270,371**	254,350	**62,515**	56,276	**–**	467,987	**402**	2,867	**333,288**	781,480
Indonesia	**1,187**	1,042	**9,868**	9,690	**–**	–	**–**	–	**11,055**	10,732
Singapore	**30,183**	23,687	**–**	–	**–**	–	**–**	–	**30,183**	23,687
Other countries	**3,642**	4,486	**17,771**	18,311	**–**	–	**–**	–	**21,413**	22,797
	305,383	283,565	**90,154**	84,277	**–**	467,987	**402**	2,867	**395,939**	838,696
Major products and services lines										
Manufactured products	**262,519**	253,455	**87,442**	81,707	**–**	420,379	**–**	–	**349,961**	755,541
Trading products	**42,864**	30,110	**2,712**	2,570	**–**	47,608	**–**	2,447	**45,576**	82,735
Rental income	**–**	–	**–**	–	**–**	–	**402**	420	**402**	420
	305,383	283,565	**90,154**	84,277	**–**	467,987	**402**	2,867	**395,939**	838,696
Timing and recognition										
At a point in time	**305,383**	283,565	**90,154**	84,277	**–**	467,987	**402**	2,867	**395,939**	838,696
	305,383	283,565	**90,154**	84,277	**–**	467,987	**402**	2,867	**395,939**	838,696
Revenue from contracts with customers	**305,383**	283,565	**90,154**	84,277	**–**	467,987	**–**	2,447	**395,537**	838,276
Other revenue	**–**	–	**–**	–	**–**	–	**402**	420	**402**	420
Total revenue	**305,383**	283,565	**90,154**	84,277	**–**	467,987	**402**	2,867	**395,939**	838,696

Notes to the Financial Statements

18. REVENUE (CONTINUED)

18.2 Nature of goods and services

The following information reflects the typical transactions of the Group:

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable element in consideration	Obligation for returns or refunds	Warranty
Manufactured products	Revenue is recognised when the goods are delivered and accepted by the customers at their premises.	Credit period of 60 days from invoice date.	Not applicable.	Not applicable.	Not applicable.
Trading products	Revenue is recognised when the goods are delivered and accepted by the customers at their premises.	Credit period of 60 days from invoice date.	Not applicable.	Not applicable.	Not applicable.
Rental income	Revenue is recognised on a straight line basis over the term of lease.	Credit period of 60 days from invoice date.	Not applicable.	Not applicable.	Not applicable.

19. TAX EXPENSE

Recognised in profit or loss

	Group		Company	
	2018	**2017**	**2018**	**2017**
Tax expense on continuing operations	**20,872**	17,374	**4,534**	126
Tax expense on discontinued operation	**–**	9,312	**–**	–
Share of tax of equity-accounted associate	**362**	162	**–**	–
Total tax expense	**21,234**	26,848	**4,534**	126
Major components of income tax expense include:				
Current tax expense				
Malaysian - current year	**16,163**	21,952	**117**	296
- prior years	**3,146**	850	**3,570**	552
Total current tax recognised in profit or loss	**19,309**	22,802	**3,687**	848
Deferred tax expense				
Origination and reversal of temporary differences	**(8,135)**	1,736	**(9,038)**	(604)
Under/(Over) provision in prior years	**270**	2,148	**457**	(118)
Total deferred tax recognised in profit or loss (Note 9)	**(7,865)**	3,884	**(8,581)**	(722)
	11,444	26,686	**(4,894)**	126
Real Property Gain Tax	**9,428**	–	**9,428**	–
Share of tax of equity-accounted associate	**362**	162	**–**	–
Total tax expense	**21,234**	26,848	**4,534**	126

Reconciliation of effective tax rate

	%	**%**	**%**	**%**
Profit before tax	**100**	100	**100**	100
Income tax calculated using Malaysian tax rate of 24%	**24**	24	**24**	24
Non-deductible expenses	**14**	8	**88**	56
Non-taxable income	**(5)**	(5)	**(110)**	(85)
Under/(Over) provision in prior years	**7**	4	**56**	6
Effect of unrecognised deferred tax assets	**–**	9	**–**	–
	40	40	**58**	1

Notes to the Financial Statements

20. DISCONTINUED OPERATION

Pursuant to the demerger in the previous financial year, pharmaceuticals segment was presented as discontinued operation.

Profit attributable to the discontinued operation was as follows:

Results of discontinued operation

	Note	Group 2017
Revenue	18	467,987
Expenses		(416,208)
Results from operating activities		51,779
Tax expense	19	(9,312)
Results from operating activities, net of tax		42,467
Included in results from operating activities are:		
Depreciation of property, plant and equipment		(23,951)

The profit from discontinued operation is attributable to:

	Group 2017
Owners of the Company	31,158
Non-controlling interests	11,309
Profit for the year	42,467

Cash flows (used in)/from discontinued operation

Net cash from operating activities	37,921
Net cash (used in) investing activities	(71,875)
Net cash from financing activities	14,143
Effect on cash flows	(19,811)

21. PROFIT FOR THE YEAR

	Group		Company	
	2018	**2017**	**2018**	**2017**
Profit for the year is arrived at after charging:				
Auditors' remunerations:				
- Statutory Audit				
KPMG PLT	**278**	520	**75**	86
Other auditors	**90**	153	**–**	–
- Other services				
KPMG PLT	**40**	122	**40**	65
Depreciation of property, plant and equipment	**22,923**	46,763	**3,329**	3,499
Impairment loss:				
- Property, plant and equipment	**–**	185	**–**	–
- Trade receivables	**1,122**	2,553	**–**	–
- Amount due from subsidiaries	**–**	–	**5,272**	–
- Investments in subsidiaries	**–**	–	**2,357**	–
- Intangible assets	**–**	1,769	**–**	–
- Provision for obsolete stocks	**1,012**	–	**–**	–
Interest expense:				
- Revolving credits	**958**	2,070	**938**	1,734
- Bankers' acceptances	**21**	201	**–**	–
- Unsecured term loans	**17,882**	21,710	**16,043**	19,436
- Others	**2,210**	6,248	**822**	648
Net loss on disposal of:				
- Property, plant and equipment	**28**	190	**1**	–
Personnel expenses (including key management personnel)				
- Contribution to Employees Provident Fund	**4,956**	15,968	**1,140**	2,636
- Wages, salaries and others	**32,295**	119,498	**6,670**	21,259
Property, plant and equipment written off	**304**	58	–	–
Rental expenses in respect of:				
- Property leases	**2,415**	4,097	**1,223**	1,411
- Property	**283**	1,722	**18**	17
- Equipment	**293**	381	**111**	237
Research and development costs expensed as incurred	**–**	10,256	**–**	–
Write-down of inventories to net realisable value	**1,337**	5,924	**–**	–
Realised foreign exchange loss	**716**	1,133	**–**	–
Unrealised foreign exchange loss	**3,839**	–	**1,649**	–

Notes to the Financial Statements

21. PROFIT FOR THE YEAR (CONTINUED)

	Group 2018	Group 2017	Company 2018	Company 2017
and after crediting:				
Change in fair value of investment properties	**–**	200	**220**	380
Interest income:				
- Subsidiaries	**–**	–	**423**	13,182
- Cash and cash equivalents	**5,991**	7,735	**3,246**	2,036
Dividend income from:				
- Other investment - quoted shares in Malaysia	**6**	–	**–**	–
- Subsidiaries	**–**	–	**21,496**	23,352
- A related party	**5**	–	**5**	–
Net gain on disposal of:				
- Assets held for sale	**4,100**	–	**4,100**	–
- Property, plant and equipment	**–**	–	**–**	59
Reversal of:				
- Impairment on trade receivables	**4,551**	3,697	**–**	–
- Impairment on investments in subsidiaries	**–**	–	**7,736**	–
- Impairment on amount due from subsidiaries	**–**	–	**9,727**	12,500
- Provision for obsolete stocks	**–**	2,464	**–**	–
Rental income from properties	**402**	420	**1,841**	3,701
Realised foreign exchange gain	**30**	3,719	**5**	–
Unrealised foreign exchange gain	**3,486**	2,004	**1,448**	1,356

22. EARNINGS/(LOSS) PER ORDINARY SHARE

Basic earnings/(loss) per ordinary share

The calculation of basic earnings/(loss) per ordinary share at 31 December 2018 was based on the profit/(loss) attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, calculated as follows:

Profit/(Loss) attributable to ordinary shareholders

Group	2018 Continuing operations	2018 Discontinued operation	2018 Total	2017 Continuing operations	2017 Discontinued operation	2017 Total
Profit/(Loss) for the year attributable to ordinary shareholders	**25,695**	**–**	**25,695**	(5,239)	31,158	25,919

22. EARNINGS/(LOSS) PER ORDINARY SHARE (CONTINUED)

	Group	
	2018	**2017**
Weighted average number of ordinary shares at 31 December	**167,696**	462,615

	2018 Sen	**2017 Sen**
From continuing operations	**15.32**	(1.13)
From discontinued operation	**–**	6.74
Basic earnings/(loss) per ordinary share	**15.32**	5.61

Diluted earnings/(loss) per ordinary share

No diluted earnings/(loss) per ordinary share is presented as there are no adjustment for the effects of all dilutive potential ordinary shares as at 31 December 2018 and 31 December 2017.

23. DIVIDENDS

Dividends recognised by the Company:

	Sen per share	**Total amount**	**Date of payment**
2018			
Interim 2018 ordinary	**3.00**	**5,031**	**29 June 2018**
Total amount		**5,031**	
2017			
Interim 2017 ordinary	2.50	11,366	1 June 2017
Total amount		11,366	

The Company paid a second interim ordinary dividend of 4.00 sen per ordinary share totalling RM6,707,839 in respect of the financial year ended 31 December 2018 on 31 January 2019.

After the end of reporting period the following dividend was proposed by the Directors. This dividend will be recognised in subsequent financial period upon approval by the owners of the Company.

Notes to the Financial Statements

23. DIVIDENDS (CONTINUED)

	Sen per share	Total amount	Date of payment
Final 2018 ordinary	**2.00**	**3,354**	**14 June 2019**
		3,354	

24. OPERATING SEGMENTS

The Group has two 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's Managing 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:

- Chemicals - Manufacturing and marketing of chlor-alkali and coagulant products, industrial and specialty chemicals.
- Polymers - Manufacturing and selling of industrial cleaner and hydrogel coating products.

Other non-reportable segments comprise operations related to the investment holding company and rental of investment property. None of these segments met the quantitative thresholds for reporting segments in 2018 and 2017.

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's Managing 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's Managing Director. Segment total asset is used to measure the return on assets of each segment.

Segment liabilities

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

Segment capital expenditure

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

24. OPERATING SEGMENTS (CONTINUED)

	Chemicals		Polymers		Pharmaceuticals (discontinued)		Others		Eliminations		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Segment profit/(loss)	**41,179**	31,371	**14,330**	14,196	**–**	42,467	**14,623**	(30,236)	**(39,388)**	(17,980)	**30,744**	39,818
Included in the measure of segment profit are:												
Total external revenue	**305,383**	283,565	**90,154**	84,277	**–**	467,987	**402**	2,867	**–**	–	**395,939**	838,696
Inter-segment revenue	**8,055**	30,753	**4,511**	–	**–**	–	**22,935**	3,281	**(35,501)**	(34,034)	**–**	–
Write-down of inventories	**(1,337)**	–	**–**	–	**–**	(5,924)	**–**	–	**–**	–	**(1,337)**	(5,924)
Impairment of property, plant and equipment	**–**	–	**–**	–	**–**	–	**–**	185	**–**	–	**–**	185
Depreciation and amortisation	**(18,984)**	(19,018)	**(574)**	(539)	**–**	(23,951)	**(3,330)**	(3,498)	**(35)**	243	**(22,923)**	(46,763)
Share of profit of associate	**1,510**	681	**–**	–	**–**	–	**–**	–	**–**	–	**1,510**	681
Not included in the measure of segment profit but provided to Group Managing Director:												
Finance costs	**(2,892)**	(3,700)	**(374)**	–	**–**	(5,264)	**(17,805)**	(34,616)	**–**	13,351	**(21,071)**	(30,229)
Finance income	**1,280**	1,102	**1,223**	1,285	**–**	2,714	**3,911**	2,634	**(423)**	–	**5,991**	7,735
Tax expense	**(9,440)**	(12,658)	**(4,890)**	(4,569)	**–**	(9,312)	**(6,542)**	(147)	**–**	–	**(20,872)**	(26,686)

Notes to the Financial Statements (continued)

24. OPERATING SEGMENTS (CONTINUED)

	Chemicals		Polymers		Pharmaceuticals (discontinued)		Others		Eliminations		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Segment assets	**497,665**	313,114	**203,288**	181,605	**–**	768,685	**357,946**	660,652	**(483,644)**	(1,062,696)	**575,255**	861,360
Included in the measure of segment assets are:												
Investment in associate	**13,582**	15,537	**–**	–	**–**	–	**–**	–	**71**	71	**13,653**	15,608
Additions to non-current assets other than financial instrument and deferred tax assets	**30,566**	18,661	**24,340**	288	**–**	74,288	**127**	99	**–**	–	**55,033**	93,336

Geographical segments

The Chemicals and Polymers business segments are managed on a worldwide basis, but operate in three principal geographical areas, Malaysia, Indonesia and Singapore.

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		Singapore		Other regions		Discontinued operations		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Geographical segments												
External revenue	**333,288**	311,046	**11,055**	10,732	**30,183**	23,687	**21,413**	22,797	**–**	470,434	**395,939**	838,696
Segment assets	**564,407**	820,776	**7,418**	10,124	**436**	524	**2,994**	3,141	**–**	26,795	**575,255**	861,360

25. FINANCIAL INSTRUMENTS

25.1 Categories of financial instruments

The table below provides an analysis of financial instruments as at 31 December 2018 categorised as follows:

(a) Amortised cost ("AC")
(b) Fair value through other comprehensive income ("FVOCI")
- Equity instrument designed upon initial recognition ("EIDUIR")

(c) Fair value through profit or loss ("FVTPL")
- Mandatorily required by MFRS 9

	Note	Carrying amount	AC	FVOCI -EIDUIR	Mandatorily at FVTPL
2018					
Financial assets					
Group					
Other investments, reclassified as assets held for sale	13	**186**	**–**	**186**	**–**
Trade and other receivables (excludes prepayment)	10	**87,636**	**87,636**	**–**	**–**
Cash and cash equivalents	12	**53,406**	**53,406**	**–**	**–**
Highly liquid investments with financial institutions	12	**82,891**	**–**	**–**	**82,891**
		224,119	**141,042**	**186**	**82,891**
Company					
Trade and other receivables (excludes prepayment)	10	**41,443**	**41,443**	**–**	**–**
Cash and cash equivalents	12	**8,269**	**8,269**	**–**	**–**
Highly liquid investments with financial institutions	12	**16,691**	**–**	**–**	**16,691**
		66,403	**49,712**	**–**	**16,691**
Financial liabilities					
Group					
Loans and borrowings	15	**(193,802)**	**(193,802)**	**–**	**–**
Trade and other payables	17	**(46,311)**	**(46,311)**	**–**	**–**
		(240,113)	**(240,113)**	**–**	**–**
Company					
Loans and borrowings	15	**(144,442)**	**(144,442)**	**–**	**–**
Trade and other payables	17	**(18,629)**	**(18,629)**	**–**	**–**
		(163,071)	**(163,071)**	**–**	**–**

Notes to the Financial Statements

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.1 Categories of financial instruments (continued)

The table below provides an analysis of financial instruments as at 31 December 2017 categorised as follows:

(a) Loan and receivables ("L&R")
(b) Available-for-sale financial assets ("AFS")
(c) Financial liabilities measured at amortised cost ("FL")

	Carrying amount	L&R/ (FL)	AFS
2017			
Financial assets			
Group			
Other investments	45,568	–	45,568
Trade and other receivables (excludes prepayment)	129,202	129,202	–
Cash and cash equivalents	160,345	160,345	–
	335,115	289,547	45,568
Company			
Other investments	45,414	–	45,414
Trade and other receivables (excludes prepayment)	65,030	65,030	–
Cash and cash equivalents	60,655	60,655	–
	171,099	125,685	45,414
Financial liabilities			
Group			
Loans and borrowings	(468,138)	(468,138)	–
Trade and other payables	(87,980)	(87,980)	–
	(556,118)	(556,118)	–
Company			
Loans and borrowings	(414,320)	(414,320)	–
Trade and other payables	(44,479)	(44,479)	–
	(458,799)	(458,799)	–

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.2 Net gains and losses arising from financial instruments

	Group		Company	
	2018	**2017**	**2018**	**2017**
Net gains/(losses) on:				
Available-for-sale:				
- recognised in other comprehensive income	**–**	(4,505)	**–**	(4,535)
Loans and receivables	**–**	13,056	**–**	29,073
Financial assets at amortised cost	**4,151**	–	**4,973**	–
Financial liabilities at amortised cost	**(21,071)**	(30,239)	**(17,803)**	(21,818)
Equity instruments designated at fair value through other comprehensive income:				
- recognised in other comprehensive income	**14,053**	–	**14,021**	–
Financial assets at fair value through profit or loss:				
- mandatorily required by MFRS 9	**4,230**	–	**2,955**	–
	1,363	(21,688)	**4,146**	2,720
Net gain on impairment on financial instruments:				
- financial assets at amortised cost	**3,429**	1,144	**4,455**	12,500
	3,429	1,144	**4,455**	12,500

25.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

25.4 Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from the individual characteristics of each customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries. There are no significant changes as compared to prior periods.

(i) Trade 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.

At each reporting date, the Group or the Company assesses whether any of the trade receivables are credit impaired.

Notes to the Financial Statements

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.4 Credit risk (continued)

(i) Trade receivables (continued)

Risk management objectives, policies and processes for managing the risk (continued)

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

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

Concentration of credit risk

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

	Group	
	2018	**2017**
Malaysia	**64,178**	89,337
Indonesia	**1,439**	1,763
Singapore	**5,447**	–
Others	**3,856**	2,277
	74,920	93,377

Recognition and measurement of impairment loss

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 180 days. The Group's debt recovery process is as follows:

a) Immediate after past due date, the Group will start to initiate a structured debt recovery process which is monitored by sales management team; and

b) Above 180 days past due, the Group will commence a legal proceeding against the customer.

The Group uses an allowance matrix to measure expected credit losses ("ECLs") of trade receivables for all segments. Consistent with the debt recovery process, invoices which are past due 180 days will be considered as credit impaired.

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.4 Credit risk (continued)

(i) Trade receivables (continued)

Recognition and measurement of impairment loss (continued)

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to 180 days past due.

Loss rates are based on actual credit loss experience over the past three years. The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the year.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2018:

		2018	
	Gross carrying amount	**Loss allowance**	**Net balance**
Group			
Current (not past due)	**54,862**	**(121)**	**54,741**
Past due 1-30 days	**14,413**	**(126)**	**14,287**
Past due 31-180 days	**6,559**	**(667)**	**5,892**
	75,834	**(914)**	**74,920**
Credit impaired			
More than 180 days past due	**18,718**	**(18,718)**	**–**
	94,552	**(19,632)**	**74,920**

Notes to the Financial Statements

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.4 Credit risk (continued)

(i) Trade receivables (continued)

Recognition and measurement of impairment loss (continued)

The movements in the allowance for impairment in respect of trade receivables during the year are shown below:

		2018	
	Lifetime ECL	**Credit impaired**	**Total**
Balance at 1 January as per MFRS 139			**19,998**
Adjustments on initial application of MFRS 9			**3,063**
Balance at 1 January as per MFRS 9	**3,063**	**19,998**	**23,061**
Net remeasurement of loss allowance	**(2,149)**	**(1,280)**	**(3,429)**
Balance at 31 December	**914**	**18,718**	**19,632**

Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement

The aging of trade receivables as at 31 December 2017 was as follows:

	Gross	**Individual impairment**	**Collective impairment**	**Net**
Group				
2017				
Not past due	70,552	–	–	70,552
Past due 1-30 days	15,184	–	–	15,184
Past due 31-180 days	5,406	(110)	–	5,296
Past due more than 181 days	22,233	(14,315)	(5,573)	2,345
	113,375	(14,425)	(5,573)	93,377

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.4 Credit risk (continued)

(i) Trade receivables (continued)

Recognition and measurement of impairment loss (continued)

The movements in the allowance for impairment losses of trade receivables during the year were:

	Group 2017
At 1 January	26,941
Impairment loss recognised	2,553
Impairment loss reversed	(3,697)
Impairment loss written-off	(62)
Foreign exchange differences	(1,042)
Effects arising from demerger	(4,695)
At 31 December	19,998

(ii) Cash and cash equivalents

The cash and cash equivalents are held with banks with financial institutions. 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.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

(iii) Other receivables

Credit risks on other receivables are mainly arising from deposits paid for office buildings and fixtures rented. These deposits will be received at the end of each lease terms. The Group manages the credit risk together with the leasing arrangement.

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.

As at the end of the reporting period, the Company did not recognised any allowance for impairment losses.

(iv) Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

The Group and the Company provides unsecured loans and advances to subsidiaries. The Group and the Company monitors the ability of the subsidiaries to repay the loans and advances on an individual basis.

Notes to the Financial Statements

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.4 Credit risk (continued)

(iv) Inter-company loans and advances (continued)

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.

Loans and advances provided are not secured by any collateral or supported by any other credit enhancements.

Recognition and measurement of impairment losses

Generally, the Company considers loans and advances to subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loan or advance to be credit impaired when:

- The subsidiary is unlikely to repay its loan or advance to the Company in full; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default for these loans and advances individually using internal information available.

The following table provides information about the exposure to credit risk and ECLs for subsidiaries' loans and advances as at 31 December 2018.

	Gross carrying amount	2018 Impairment Loss allowance	Net balance
Company			
2018			
Low credit risk	**35,267**	**–**	**35,267**
Credit impaired	**116,963**	**(112,964)**	**3,999**
	152,230	**(112,964)**	**39,266**

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.4 Credit risk (continued)

(iv) Inter-company loans and advances (continued)

Recognition and measurement of impairment losses (continued)

The movement in the allowance for impairment in respect of subsidiaries' loans and advances during the year is as follows:

	2018 Lifetime ECL
Company	
Balance at 1 January per MFRS 139	**117,419**
Adjustment on initial application of MFRS 9	**–**
Balance at 1 January per MFRS 9	**117,419**
Net remeasurement of loss allowance	**(4,455)**
Balance at 31 December	**112,964**

Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement

	Company 2017
At 1 January	129,919
Impairment loss reversed	(12,500)
At 31 December	117,419

25.5 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.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Notes to the Financial Statements

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.5 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 rate %	Contractual cash flows	Under 1 year	1 - 2 years	2 - 5 years
Group						
2018						
Non-derivative financial liabilities						
Unsecured term loan	**173,802**	**4.81 - 5.25**	**198,429**	**22,785**	**23,930**	**151,714**
Unsecured revolving credit and trade facilities	**20,000**	**4.46 - 5.27**	**20,973**	**20,973**	**–**	**–**
Trade and other payables	**46,311**	**–**	**46,311**	**46,311**	**–**	**–**
	240,113		**265,713**	**90,069**	**23,930**	**151,714**
2017						
Non-derivative financial liabilities						
Unsecured term loan	444,320	4.70 - 5.00	481,129	356,809	102,125	22,195
Unsecured bankers' acceptances	2,818	3.82	2,926	2,926	–	–
Unsecured revolving credit and trade facilities	21,000	3.90 - 4.56	21,887	21,887	–	–
Trade and other payables	87,980	–	87,980	87,980	–	–
	556,118		593,922	469,602	102,125	22,195

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.5 Liquidity risk (continued)

Maturity analysis (continued)

	Carrying amount	Contractual interest rate %	Contractual cash flows	Under 1 year	1 - 2 years	2 - 5 years
Company						
2018						
Non-derivative financial liabilities						
Unsecured term loan	**124,442**	**5.25**	**143,440**	**10,120**	**10,652**	**122,668**
Unsecured revolving credit and trade facilities	**20,000**	**4.46 - 5.27**	**20,973**	**20,973**	**–**	**–**
Trade and other payables	**18,629**	**–**	**18,629**	**18,629**	**–**	**–**
	163,071		**183,042**	**49,722**	**10,652**	**122,668**
2017						
Non-derivative financial liabilities						
Unsecured term loan	394,320	4.70 - 5.00	426,019	344,636	59,188	22,195
Unsecured revolving credit and trade facilities	20,000	3.90 - 4.56	20,866	20,866	–	–
Trade and other payables	44,479	–	44,479	44,479	–	–
	458,799		491,364	409,981	59,188	22,195

25.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

25.6.1 Interest rate risk

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

Notes to the Financial Statements

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.6 Market risk (continued)

25.6.1 Interest rate risk (continued)

Risk management objectives, policies and processes for managing the risk

The Group's exposure to the risk of changes in interest rates relates primarily to the highly liquid investments with floating net asset value and its floating interest rate unsecured term loans. Changes in the net asset value and interest rate may expose the Group to a risk of change in cash flows.

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-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2018	**2017**	**2018**	**2017**
Fixed rate instruments				
Financial assets	**6,659**	15,133	**19,387**	26,288
Financial liabilities	**(98,000)**	(324,388)	**(98,000)**	(320,570)
	(91,341)	(309,255)	**(78,613)**	(294,282)
Floating rate instruments				
Financial assets	**82,891**	78,305	**28,080**	43,550
Financial liabilities	**(95,802)**	(143,750)	**(46,442)**	(93,750)
	(12,911)	(65,445)	**(18,362)**	(50,200)

Interest rate risk sensitivity analysis

(a) 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.

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.6 Market risk (continued)

25.6.1 Interest rate risk (continued)

Interest rate risk sensitivity analysis (continued)

(b) *Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2018 Profit or (loss)		2017 Profit or (loss)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Group				
Floating rate instruments	**(98)**	**98**	(497)	497
Company				
Floating rate instruments	**(140)**	**140**	(382)	382

25.6.2 Currency risk

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

Risk management objectives, policies and processes for managing the risk

The Group ensures that the net exposure on foreign currency risk arising from commercial transactions is kept to an acceptable level by buying and selling foreign currencies at spot rates where necessary to address short-term imbalances.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in USD	
	2018	2017
Group		
Trade receivables	**2,443**	1,216
Trade payables	**(877)**	(393)
Net exposure in the statements of financial position	**1,566**	823

Notes to the Financial Statements

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.6 Market risk (continued)

25.6.2 Currency risk (continued)

Currency risk sensitivity analysis

A 10% (2017: 10%) strengthening of the Ringgit Malaysia ("RM") against the following currency at the end of the reporting period would have increased 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 transactions.

	Profit or Loss	
	2018	**2017**
Group		
USD	**(119)**	(63)

A 10% (2017: 10%) weakening of RM against the above currency at the end of the reporting period would have had equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remain constant.

25.6.3 Other price risk

Equity price risk arises from the Group's investment in equity securities.

Risk management objectives, policies and processes for managing the risk

Management of the Group monitors the equity investments on a portfolio basis. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors of the Group.

Equity price risk sensitivity analysis

This analysis assumes that all other variables remain constant and the Group's equity investments moved in correlation with the FTSE Bursa Malaysia KLCI ("FBMKLCI").

A 10% (2017: 10%) strengthening against the above indices at the end of the reporting period would have increased equity by RM18,600 (2017: RM4,556,843) for investments classified as equity instruments fair value through other comprehensive income – equity instrument designated upon initial recognition. A 10% (2017: 10%) weakening against the above indices would have had equal but opposite effect on equity.

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.7 Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term borrowings reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
2018										
Group										
Financial assets										
Quoted shares	**186**	**–**	**–**	**186**	**–**	**–**	**–**	**–**	**186**	**186**
Financial liabilities										
Unsecured term loan	**–**	**–**	**–**	**–**	**–**	**–**	**(150,477)**	**(150,477)**	**(150,477)**	**(152,107)**
	186	**–**	**–**	**186**	**–**	**–**	**(150,477)**	**(150,477)**	**(150,291)**	**(151,921)**
2017										
Group										
Financial assets										
Quoted shares	45,568	–	–	45,568	–	–	–	–	45,568	45,568
Financial liabilities										
Unsecured term loan	–	–	–	–	–	–	(97,693)	(97,693)	(97,693)	(108,750)
	45,568	–	–	45,568	–	–	(97,693)	(97,693)	(52,125)	(63,182)

Notes to the Financial Statements (continued)

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.7 Fair value information (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
2018										
Company										
Financial assets										
Amount due from subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**19,939**	**19,939**	**19,939**	**21,135**
Financial liabilities										
Unsecured term loan	**–**	**–**	**–**	**–**	**–**	**–**	**(109,303)**	**(109,303)**	**(109,303)**	**(114,827)**
	–	**–**	**–**	**–**	**–**	**–**	**(89,364)**	**(89,364)**	**(89,364)**	**(93,692)**
2017										
Company										
Financial assets										
Quoted shares	45,414	–	–	45,414	–	–	–	–	45,414	45,414
Amount due from subsidiaries	–	–	–	–	–	–	23,671	23,671	23,671	24,791
Financial liabilities										
Unsecured term loan	–	–	–	–	–	–	(60,775)	(60,775)	(60,775)	(68,750)
	45,414	–	–	45,414	–	–	(37,104)	(37,104)	8,310	1,455

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.7 Fair value information (continued)

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2017: no transfer in either direction).

26. 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 are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The debt-to-equity ratio at 31 December 2018 and 31 December 2017 were as follows:

		Group	
	Note	**2018**	**2017**
Total loans and borrowings	15	**193,802**	468,138
Total equity		**318,974**	280,904
Debt-to-equity ratios		**0.61:1**	1.67:1

27. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group and Company	
	2018	**2017**
Less than one year	**72**	1,421
Between one and five years	**1,202**	3,000
	1,274	4,421

The Group leases a number of office premises and equipment under operating leases. The leases typically run for a period of 3 to 5 years with an option to renew the lease after that date. Lease payments are revised to reflect market rentals. None of the leases includes contingent rentals.

Notes to the Financial Statements

28. CAPITAL AND OTHER COMMITMENTS

	Group		Company	
	2018	**2017**	**2018**	**2017**
Capital expenditure commitments				
Plant and equipment				
Contracted but not provided for	**31,726**	22,249	–	43

29. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly 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. Related parties may be individuals or other entities.

Related parties also include key management personnel 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 related party relationship with its holding company, significant investors, subsidiaries, associate and key management personnel.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. The significant related party transactions of the Group and the Company, other than key management personnel compensation (see Note 30) are shown below. The balances related to the below transactions are shown in Notes 10 and 17.

29. RELATED PARTIES (CONTINUED)

Significant related party transactions (continued)

	Transaction value year ended 2018	Transaction value year ended 2017
Group		
Dividend income from a related party	**5**	–
Proceeds from disposal of other investments (Note 32)	**59,156**	–
Rental expense to holding company	**(1,223)**	(1,411)
Income from IT services and IT shared cost charged to related parties	**4,865**	1,312
Management fee charged to related parties	**16**	9,394
Company		
Dividend income from a related party	**5**	–
Dividend income from subsidiaries	**21,501**	23,352
Income from IT services and IT shared cost charged to related parties	**4,865**	1,312
Income from IT services and IT shared cost charged to subsidiaries	**656**	1,449
Management fee charged to subsidiaries	**5,246**	4,421
Management fee charged to related parties	**16**	9,394
Proceeds from disposal of other investments (Note 32)	**59,156**	–
Rental expense to holding company	**(1,223)**	(1,411)
Rental income from subsidiaries	**1,439**	3,281

30. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group 2018	Group 2017	Company 2018	Company 2017
Directors:				
- Fees	**770**	1,026	**641**	768
- Remuneration	**1,183**	1,572	**1,182**	950
- Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	**58**	413	**58**	358
	2,011	3,011	**1,881**	2,076
Other key management personnel:				
- Remuneration	**2,385**	6,906	**825**	1,688
- Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	**95**	283	**30**	127
	2,480	7,189	**855**	1,815

Notes to the Financial Statements

30. KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

Other key management personnel comprise of 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.

31. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

During the year, the Group and the Company adopted MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments* on their financial statements. The Group and the Company generally applied the requirements of these accounting standards retrospectively with practical expedients and transitional exemptions as allowed by the standards. Nevertheless, as permitted by MFRS 9, the Group and the Company have elected not to restate the comparatives.

31.1 Impacts on financial statements

No significant impact arising from the adoption of MFRS 15 on the Group's and the Company's financial statements.

The following tables summarise the impacts arising from the adoption of MFRS 9 on the Group's financial statements. No significant impact arising from the adoption of MFRS 9 on the Company's financial statements.

a. Statement of financial position

	As previously reported	MFRS 9 adjustments	As restated
Group			
1 January 2018			
Deferred tax assets	2,321	–	2,321
Inventories	39,277	–	39,277
Trade and other receivables	136,005	(3,063)	132,942
Others	683,757	–	683,757
Total assets	861,360	(3,063)	858,297
Deferred tax liabilities	(24,044)	–	(24,044)
Others	(556,412)	–	(556,412)
Total liabilities	(580,456)	–	(580,456)
Retained earnings	(36,923)	3,063	(33,860)
Non-controlling interests	1,360	–	1,360
Others	(245,341)	–	(245,341)
Total equity	(280,904)	3,063	(277,841)
Total equity and liabilities	(861,360)	3,063	(858,297)

31. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONTINUED)

31.1 Impacts on financial statements (continued)

b. Statement of profit or loss and other comprehensive income and statement of cash flows

No impact on the statement of profit or loss and other comprehensive income and statement of cash flows from the adoption of MFRS 9.

31.2 Accounting for financial instruments

a. Transition

In the adoption of MFRS 9, the following transitional exemptions as permitted by the standard have been adopted:

i) The Group and the Company have not restated comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of MFRS 9, but rather those of MFRS 139, *Financial Instruments: Recognition and Measurement*.

ii) The following assessments have been made based on the facts and circumstances that existed at the date of initial application:

- the determination of the business model within which a financial asset is held;
- the designation of a financial asset as measured at FVTPL; and
- the designation of certain investments in equity instruments not held for trading as at FVOCI.

iii) Loss allowance for receivables (other than trade receivables) is recognised at an amount equal to lifetime expected credit losses until the receivable is derecognised.

Notes to the Financial Statements

31. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONTINUED)

31.2 Accounting for financial instruments (continued)

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9

The following table shows the measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's and the Company's financial assets and financial liabilities as at 1 January 2018:

		1 January 2018			
			Reclassification to new MFRS 9 category		
Category under MFRS 139 Group	**31 December 2017**	**Remeasurement**	**AC**	**FVOCI -Equity instrument**	**FVTPL**
Financial assets					
Loan and receivables					
Trade and other receivables (excludes prepayment)	129,202	**(3,063)**	**126,139**	**–**	**–**
Cash and cash equivalents	82,040	**–**	**82,040**	**–**	**–**
Highly liquid investments with financial institutions	78,305	**–**	**–**	**–**	**78,305**
	289,547	**(3,063)**	**208,179**	**–**	**78,305**
Available-for-sale					
Other investments	45,568	**–**	**–**	**45,568**	**–**
Financial liabilities					
Amortised cost					
Loans and borrowings	(468,138)	**–**	**(468,138)**	**–**	**–**
Trade and other payables	(87,980)	**–**	**(87,980)**	**–**	**–**
	(556,118)	**–**	**(556,118)**	**–**	**–**

31. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONTINUED)

31.2 Accounting for financial instruments (continued)

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (continued)

		1 January 2018			
			Reclassification to new MFRS 9 category		
Category under MFRS 139 Company	**31 December 2017**	**Remeasurement**	**AC**	**FVOCI -Equity instrument**	**FVTPL**
Financial assets					
Loan and receivables					
Trade and other receivables (excludes prepayment)	65,030	–	**65,030**	–	–
Cash and cash equivalents	17,105	–	**17,105**	–	–
Highly liquid investments with financial institutions	43,550	–	–	–	**43,550**
	125,685	–	**82,135**	–	**43,550**
Available-for-sale					
Other investments	45,414	–	–	**45,414**	–
Financial liabilities					
Amortised cost					
Loans and borrowings	(414,320)	–	**(414,320)**	–	–
Trade and other payables	(44,479)	–	**(44,479)**	–	–
	(458,799)	–	**(458,799)**	–	–

Notes to the Financial Statements

31. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONTINUED)

31.2 Accounting for financial instruments (continued)

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (continued)

(i) Reclassification from loans and receivables to amortised cost

Trade and other receivables that were classified as loans and receivables under MFRS 139 are now reclassified at amortised cost. An increase of RM3,063,000 in allowance for impairment was recognised in opening retained earnings and non-controlling interest of the Group at 1 January 2018 respectively on transition to MFRS 9.

(ii) Reclassification from AFS to FVOCI

Investment in unquoted shares are investments that the Group intends to hold for long term strategic purposes. As permitted by MFRS 9, the Group has designated these investments as measured at FVOCI at the date of initial application.

(iii) Reclassification from loans and receivables to mandatorily recognition FVTPL

Highly liquid investments with financial institutions previously classified as loans and receivables were held by the Group primarily for fair value gains and withdrawing them if the need arises to meet liquidity requirements. These are classified as FVTPL which are designated upon initial recognition.

32. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

32.1 Disposal of an investment property

On 13 June 2018, the Company completed the disposal of three parcels of leasehold land measuring approximately 70.93 acres for a cash consideration of RM190.0 million to Global Vision Logistics Sdn. Bhd.. A net loss of RM5.5 million, net of real property gain tax of RM9.6 million, has been recognised in the profit or loss during the year, and revaluation reserve of RM112.4 million has been realised to retained earnings upon disposal.

32.2 Disposal of other investments

On 29 June 2018, the Company disposed 806,450 common shares representing 8.39% equity interest in PanGen, to DBB for a cash consideration of RM59.2 million. Cumulative gain of RM43.4 million has been realised to retained earnings upon disposal.

Statement by Directors

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the financial statements set out on pages 100 to 194 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act 2016 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 2018 and of their financial performance and cash flows for the financial year then ended.

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

....

Datin Paduka Kartini binti Hj Abdul Manaf
Director

....

Nik Fazila binti Nik Mohamed Shihabuddin
Director

Kuala Lumpur,

Date: 14 March 2019

Statutory Declaration

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, **Mohd Junaidy bin Ab-Mutalib**, the person 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 100 to 194 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Mohd Junaidy bin Ab-Mutalib, NRIC: 731206-02-5959 MIA CA:21032, at Kuala Lumpur in the Federal Territory on 14 March 2019.

....

Mohd Junaidy bin Ab-Mutalib

Before me:

Commissioner for Oaths
Kuala Lumpur

Independent Auditors' Report

TO THE MEMBERS OF CHEMICAL COMPANY OF MALAYSIA BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Chemical Company of Malaysia Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 100 to 194.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants (*"By-Laws"*) and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><td colspan="2">Impairment of goodwill</td></tr>
<tr><td colspan="2">Refer to Note 2(f) and Note 2(k) for significant accounting policies and Note 5 "Intangible Assets".</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>At 31 December 2018, the Group's consolidated statements of financial position includes goodwill amounting to RM94.1 million, contained within a cash generating unit ("CGU"). Impairment of goodwill is considered to be a key audit matter due to the significance of the assets to the Group's consolidated statements of financial position and due to the judgement involved in the assessment of the 'value in use' of the CGU performed by the Directors. The judgement relates to the future results of the CGU and the discount rates applied to future forecasted cash flows.</td><td>Our procedures included, amongst others:
• We challenged the Group's assumptions and estimates used to determine the recoverable value of the CGUs, including those relating to forecast revenue, cost, capital expenditure and discount rates by corroborating the key market related assumptions to external data;
• We assessed the historical accuracy of cash flow forecast of the Group;
• We performed sensitivity analysis in two main areas. These included the discount rates and gross profit margins on the CGUs; and
• We assessed the adequacy of the disclosure of the assumptions and estimates made by the Directors.</td></tr>
</table>

Key Audit Matters (continued)

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Director's Report and Statement on Risk Management and Internal Control (but does not include the financial statements of the Group and of the Company and our auditors' report thereon), which we obtained prior to the date of this auditor's report, and the remaining parts of the annual report, which are expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate actions in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditors' Report (continued)

TO THE MEMBERS OF CHEMICAL COMPANY OF MALAYSIA BERHAD

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 6 to the financial statements.

OTHER MATTERS

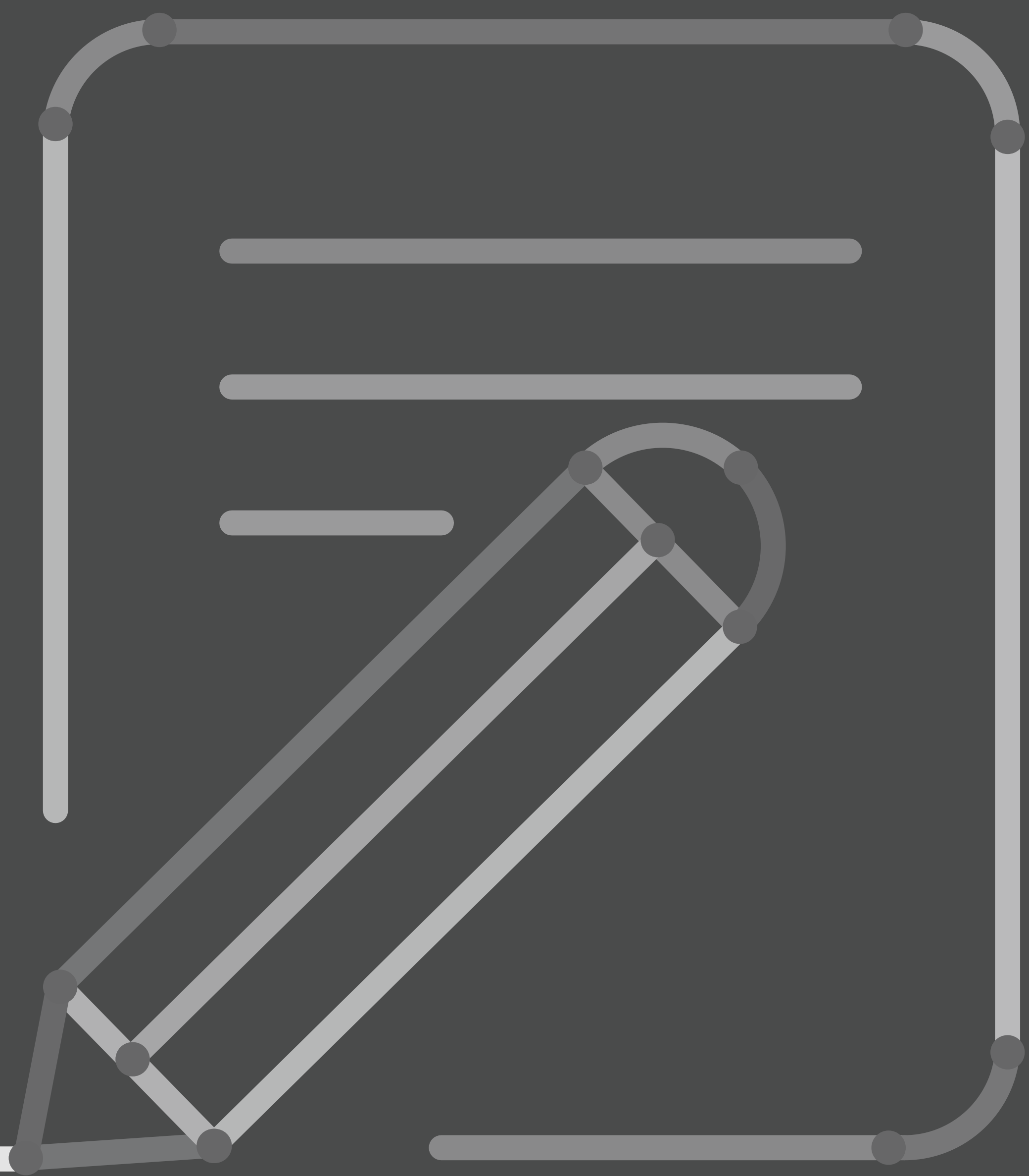
This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Abdullah Abu Samah
Approval Number: 02013/06/2020 J
Chartered Accountant

Petaling Jaya,

Date: 14 March 2019



Other Information

Analysis of Shareholdings
AS AT 29 MARCH 2019

Total Number of Issued Shares	:	167,695, 988
Class of Shares	:	Ordinary Shares
Number of Shareholders	:	4,462
Voting Rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS
as at 29 March 2019

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	826	18.52	17,397	0.01
100 - 1,000	1,403	31.44	765,391	0.46
1,001 - 10,000	1,810	40.56	6,287,974	3.75
10,001 - 100,000	320	7.17	9,325,890	5.56
100,001 to less than 5% of issued shares	102	2.29	69,849,849	41.65
5% and above of issued shares	1	0.02	81,449,487	48.57
Total	**4,462**	**100.00**	**167,695,988**	**100.00**

SUBSTANTIAL SHAREHOLDINGS
as at 29 March 2019

Name of shareholders	Direct Holdings		Indirect Holdings	
	No.	%	No.	%
1. Permodalan Nasional Berhad	81,449,487	48.57	-	-
2. Yayasan Pelaburan Bumiputera[1]	-	-	81,449,487	48.57

[1] Deemed interest by virtue of its substantial interest in Permodalan Nasional Berhad pursuant to Section 8 of the Companies Act 2016

LIST OF THIRTY (30) LARGEST SHAREHOLDERS
as at 29 March 2019

No.	Name	Holdings	Percentage (%)
1.	PERMODALAN NASIONAL BERHAD	81,449,487	48.57
2.	AMANAHRAYA TRUSTEES BERHAD - Amanah Saham Malaysia	8,000,000	4.77
3.	PUBLIC NOMINEES (ASING) SDN. BHD. - Pledged Securities Account for Billion Victory Sdn Bhd (KLC)	6,000,000	3.58
4.	AMANAHRAYA TRUSTEES BERHAD - Amanah Saham Bumiputera	5,000,000	2.98
5.	AMANAHRAYA TRUSTEES BERHAD - PMB Shariah Aggressive Fund	4,927,100	2.94
6.	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. - Employees Provident Fund Board (CIMB Prin)	2,452,000	1.46
7.	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. - Universal Trustee (Malaysia) Berhad for CIMB Islamic Small Cap Fund	2,352,133	1.40
8.	DB (MALAYSIA) NOMINEE (TEMPATAN) SDN. BHD. - Deuthsche Trustees (Malaysia) Berhad for Eastspring Investments Small-Cap Fund	2,295,400	1.37
9.	AMANAHRAYA TRUSTEES BERHAD - PMB Shariah Growth Fund	1,900,000	1.13
10.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. - Maybank Trustees Berhad for CIMB-Principal Small Cap Fund (240218)	1,763,666	1.05
11.	CIMB GROUP NOMINEES (TEMPATAN) SDN. BHD. - Hong Leong Asset Management Bhd for Hong Leong Assurance Berhad (LP Fund ED102)	1,566,000	0.93
12.	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. - Kumpulan Wang Persaraan (Diperbadankan) (Affin Hwng SM CF)	1,551,600	0.93
13.	AGROBULK HOLDINGS SDN. BHD.	1,379,728	0.82
14.	UOBM NOMINEES (TEMPATAN) SDN. BHD. - UOB Asset Management (Malaysia) Berhad for Gibraltar BSN Aggressive Fund	1,311,500	0.78
15.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD - Deutsche Trustees Malaysia Berhad for Eastspring Investments Islamic Small-Cap Fund	1,294,200	0.77

Analysis of Shareholdings
AS AT 29 MARCH 2019

No.	Name	Holdings	Percentage (%)
16.	HSBC NOMINEES (TEMPATAN) SDN BHD - HSBC (M) Trustee Bhd for Manulife Investment Progress Fund (4082)	1,263,866	0.75
17.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD - Kumpulan Wang Persaraan (Diperbadankan) (CIMB Equities)	1,230,300	0.73
18.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD - Employees Provident Fund Board (AM Inv)	1,178,000	0.70
19.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD - CIMB Islamic Trustee Berhad for PMB Shariah Mid-Cap Fund	1,000,000	0.60
20.	HSBC NOMINEES (TEMPATAN) SDN BHD - HSBC (M) Trustee Bhd for CIMB Islamic Dali Equity Theme Fund	922,000	0.55
21.	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD - CIMB-Principal Islamic Asset Management Sdn Bhd for Lembaga Tabung Haji	909,400	0.54
22	AMANAHRAYA TRUSTEES BERHAD - AMTotal Return	765,633	0.46
23	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD - CIMB-Principal Asset Management Berhad for Universiti Malaya (CAFM)	759,100	0.45
24	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD - Kenanga Islamic Fund	734,300	0.44
25	AMANAHRAYA TRUSTEES BERHAD - CIMB Islamic Equity Aggressive Fund	723,066	0.43
26	CITIGROUP NOMINEES (TEMPATAN) SDN BHD - Kumpulan Wang Persaraan (Diperbadankan) (Espring ABSR EQ)	722,300	0.43
27	AMANAHRAYA TRUSTEES BERHAD - Affin Hwang Tactical Fund	657,400	0.39
28	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD - Deutsche Trustees Malaysia Berhad for United Asean Discovery Fund	614,520	0.37
29	AMANAHRAYA TRUSTEES BERHAD - CIMB Islamic Al-Azzam Equity Fund	574,900	0.34
30	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD - CIMB Islamic Trustee Berhad – Amanah Saham Kedah	536,000	0.32
		135,833,599	**80.98**

List of Properties
AS AT 31 DECEMBER 2018

Location	Tenure	Lease Period	Area (sq- meter)	Description	Approximate Age of Building	Net Book Value (RM million)	Date of Valuation	Current land use
CCM Chemicals Sdn. Bhd. Pasir Gudang Works Plot 411, Kawasan 4 Jalan Perak 1, Pasir Gudang Industrial Estate, 81700 Johor Bahru, Johor Darul Takzim	Leasehold	60 years (1991 - 2051)	104,408	Industrial land, factory and offices	25 years	39.0	December 2016	Plant and office
CCM Water Systems Sdn. Bhd. Lot 4 & 6, Jalan Kemajuan Satu 16/17A, 40200 Shah Alam, Selangor Darul Ehsan	Leasehold	99 years (1995 - 2094)	14,492	Industrial land, factory and offices	23 years	21.3	December 2018	Office
CCM Polymers Sdn. Bhd. 69, Jalan P10/21, Selaman Industrial Park, Section 10, 43650 Bandar Baru Bangi, Selangor Darul Ehsan	Leasehold		7,969	Industrial land, warehouse and offices	18 years	19.5	April 2017	Office and warehouse
Innovative Resins Sdn. Bhd. PT No. 40907, 40908 and 40909 No.32, 34 and 36 Jalan P10/16, Selaman Industrial Park, Section 10, 43650 Bandar Baru Bangi, Selangor Darul Ehsan	Leasehold	99 years (1999 - 2098)	2,207	Industrial land, semi-detached factory	18 years	9.6	December 2018	Plant and Office
Lot No. 3880, Mukim of Bukit Raja, Klang (Meru magazine)	Freehold	–	20,284	Industrial land, Plant and warehouse	32 years	6.00	December 2018	Plant and warehouse
Innovative Resins Sdn Bhd Lot No. 41463 No. 5 Jalan 4/12E Section 4, 43650 Bandar Baru Bangi Selangor Darul Ehsan	Leasehold	99 years (1998 - 2097)	130	Residential	18 years	0.6	December 2018	Terraced house
Chemical Company of Malaysia Berhad Lot 10010 & 10011 Pulau Gedung Pulau Pinang	Freehold	–	9,970	Agricultural land	–	0.22	December 2018	Forest Reserve
Chemical Company of Malaysia Berhad Nilai Industrial Land, PT 6055, Mukim Labu, Daerah Seremban, Negeri Sembilan Darul Khusus*	Leasehold	99 years (1993 - 2092)	73,705	Industrial land	–	20.0	December 2017	Asset classified as held for sale

Note: * The disposal of the said property to Rock Link Sdn. Bhd. had been completed on 20 March 2019 and therefore cease to be a property of the Company

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fifty-Seventh (57th) Annual General Meeting ("AGM") of the Company will be held at **Ballroom A, Level 10, DoubleTree by Hilton Kuala Lumpur, The Intermark, 348 Jalan Tun Razak, 50400 Kuala Lumpur** on **Tuesday, 28 May 2019** at **10.30 a.m.** for the following purposes:

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of the Directors and Auditors thereon.

2. To declare a final single tier dividend of 2 sen per ordinary share for the financial year ended 31 December 2018.
Ordinary Resolution 1

3. To re-elect the following Directors retiring under Article 110 of the Constitution of the Company.

   (a) Dato' Idris bin Kechot (Article 110)
   Ordinary Resolution 2

   (b) Amizar binti Mizuar (Article 110)
   Ordinary Resolution 3

4. To re-appoint KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.
Ordinary Resolution 4

5. To approve the proposed total Directors' Fees amounting to RM1,000,000 for the period commencing from the conclusion of the forthcoming 57th AGM of the Company on 28 May 2019 until the conclusion of the next AGM of the Company in 2020, and further, to authorise the Directors to apportion the fees and make payment in the manner as the Directors may determine.
Ordinary Resolution 5

6. To approve the proposed payment of total Directors' Benefits (excluding Directors' Fees) up to an amount of RM500,000 for the period commencing from the conclusion of the 57th AGM of the Company scheduled on 28 May 2019 until the conclusion of the next AGM of the Company in 2020 ("Relevant Period").
Ordinary Resolution 6

7. To transact any other business of which due notice shall have been received.

By Order of the Board

NOOR AZWAH BINTI SAMSUDIN (LS 0006071)
Company Secretary

Kuala Lumpur
Date: 25 April 2019

NOTES:

1. All Resolutions in the Notice of AGM are to be conducted by poll voting as per Paragraph 8.29A(1) of the Listing Requirements of Bursa Malaysia.

2. A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote in his stead. A proxy may but need not be a member of the Company.

3. 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.

4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

5. An exempt authorized nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

6. 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, one of whom shall be a director or attorney duly authorised in writing.

7. The instrument appointing a proxy must be deposited at the Company's Registrar, Boardroom Share Registrars Sdn. Bhd. (formerly known as Symphony Share Registrars Sdn. Bhd.), Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, not less than twenty-four (24) hours before the time appointed for the taking of the poll as per Section 334(3) of the Companies Act 2016.

8. Only Depositors whose names appear in the Record of Depositors as at 23 May 2019 shall be regarded as members and entitled to attend and vote at the meeting

EXPLANATORY NOTES ON ORDINARY BUSINESS

1. Audited Financial Statements for financial year ended 31 December 2018

   The Audited Financial Statements are laid in accordance with Section 340(1) of the Companies Act (CA) 2016 for discussion only. They do not require shareholders' approval and hence, will not be put for voting.

2. Ordinary Resolution 1: Declare a final single tier dividend of 2 sen per ordinary share for the financial year ended 31 December 2018

   With reference to Section 131 of CA 2016, a company may only make a distribution to the shareholders out of profits of the company available if the company is solvent. On 22 February 2019, the Board had considered the amount of dividend and decided to recommend the same for shareholders' approval. The Directors of the Company are satisfied that the Company will be solvent as it will be able to pay its debts as and when the debts become due within twelve (12) months immediately after the distribution is made on 14 June 2019 in accordance with the requirements under Sections 132(2) and (3) of CA 2016.

Notice of Annual General Meeting

3. Ordinary Resolutions 2 and 3: Re-election of Directors retiring under Article 110 of the Company's Constitution

   Article 105 of the Constitution provides that one-third of the Directors for the time being, or if their number is not in multiple of three, then a number nearest to one-third shall retire from office. For the current year, two directors shall be retiring under this Article and under Article 107 of the Constitution shall be eligible for re-election. Dr Leong Chik Weng and Datin Paduka Kartini binti Hj. Abdul Manaf who were appointed on 11 October 2010 and 10 January 2011 will retire in accordance to Article 105 of the Constitution. However, they have formally informed the Board in writing of their intention to retire from the Board of the Company and therefore will not be seeking re-election at the AGM. They will retain office until the conclusion of this AGM.

   Article 110 of the Constitution provides that any Director so appointed to fill a casual vacancy shall hold office until the next following AGM and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. Amizar binti Mizuar and Dato' Idris bin Kechot, who were appointed on 14 September 2018 and 18 March 2019, respectively, shall hold office until the 57th AGM and having been eligible, have offered themselves for re-election.

   For the purpose of determining the eligibility of the Directors to stand for re-election at the 57th AGM, the Nomination and Remuneration Committee (NRC) has assessed each of the retiring Directors, and considered the following:

   (i) The Director's performance and contribution based on the results of the Board Effectiveness Evaluation (BEE) 2018;
   (ii) The Director's level of contribution to the Board deliberations through his/her skills, experience and strength in qualities; and
   (iii) The level of independence demonstrated by the Director, and his/her ability to act in the best interests of the Company in decision-making.

   Based on the results of the BEE 2018, the individual Directors met the performance criteria required of an effective and high performance Board.

   Based on the above, the Board approved the NRC's recommendation that the Directors who retire in accordance with Article 110 of the Constitution are eligible to stand for re-election. These retiring Directors had abstained from deliberations and decisions on their own eligibility to stand for re-election at the relevant NRC and Board meetings.

4. Ordinary Resolution 4: Re-appointment of KPMG PLT as Auditors of the Company

   The Audit and Compliance Committee ("ACC") undertook an annual assessment of the suitability and independence of the external auditors, KPMG PLT in accordance with the Policy on External Auditors which was approved by the Board in February 2018. In its assessment, the ACC considered several factors which included the following:

   (i) Calibre of external audit firm
   (ii) Quality processes / performance
   (iii) Audit team
   (iv) Independence and objectivity
   (v) Audit scope and planning
   (vi) Audit fee
   (vii) Audit communications

   The ACC was satisfied with the suitability of KPMG in the above areas and had recommended to the Board for KPMG PLT's reappointment as auditors of the Company. The Board, at its meeting held in February 2019 approved the Audit and Compliance Committee's (ACC) recommendation for shareholders' approval to be sought at the 57th AGM in respect of the re-appointment of KPMG PLT as External Auditors of the Company for FYE 2019.

5. Ordinary Resolution 5: Directors' Fees

The Board of Directors' Fees for the holding company as set out below had been implemented since 2012 while the Board Committees' Fees had been implemented since 2010.

Position	RM per Annum
Chairman of the Board	100,000
Member of the Board	75,000
Chairman of Board Committee	10,000
Member of Board Committee	8,000

Section 230(1) of the CA 2016 provides amongst others, the "Fees" of the directors and "any benefits" payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting.

At the 56th AGM of the Company held on 31 May 2018, the shareholders had approved **RM1,000,000** as total Directors' Fees payable to the Directors of the Company from the conclusion of the 56th AGM on 31 May 2018 until the conclusion of the 57th AGM of the Company on 28 May 2019.

The total Directors' Fees incurred were as follows:

	Approved at last AGM (from 1 June 2018 until conclusion of 57th AGM) RM	Forecasted (from 1 June 2018 until conclusion of 57th AGM) RM
Company	1,000,000	670,874
Group	1,000,000	670,874

With respect to the proposed total Directors' Fees from the conclusion of the forthcoming AGM on 28 May 2019 until the conclusion of the next AGM of the Company in 2020, the remuneration structure as approved since 2012 shall remain. Assuming that the total number of Directors and Board Committees as well as the members of the Board Committees remain the same, the total Group Directors Fees is estimated at **RM1,000,000**. This resolution, if passed, will facilitate the payment of Directors' Fees on current financial year basis until conclusion of the next AGM in 2020.

Notice of Annual General Meeting

6. Ordinary Resolution 6: Directors' Benefits (excluding Directors' Fees)

The directors' benefits (excluding Directors' Fees) comprise allowance and other emoluments/benefits payable to the Chairman and the Non-Executive Directors at Board and Board Committee level. The current board remuneration policy is set out below:

Description		Chairman (RM)	Member (RM)
Meeting allowance (per meeting)	Board of CCM	1,300	1,000
	Board Committee of CCM	1,200	1,000
	Board Task Force / Working Group of CCM	1,000	1,000
	Board of listed subsidiaries	700	500
	Board of unlisted active subsidiaries	300	300
Other benefits	Parking and other claimable benefits		

Note:
The Group Managing Director does not receive any Directors' Benefits other than those specified in her service contract.

The shareholders have approved a total of RM500,000 for the period from 1 June 2018 until the conclusion of the forthcoming AGM on 28 May 2019.

The actual total benefits incurred were as follows:

	Approved at last AGM (1 June 2018 until conclusion of 57th AGM) (RM)	Forecasted (1 June 2018 until conclusion of 57th AGM) (RM)
Company	500,000	150,224
Group	500,000	150,745

In determining the estimated total amount of benefits (excluding Directors' Fees) for the directors of the Company, the Board considered various factors including the number of scheduled meetings for the Board and Board Committees as well as the number of Directors involved in these meetings. The number of Board and Board Committee meetings are determined based on the strategy and plans of the Company and Group for the financial year.

For the period from the conclusion of the forthcoming AGM on 28 May 2019 until the conclusion of the next AGM in 2020, the total amount of actual benefits (excluding Directors' Fees) to be incurred is expected to be **RM500,000**. In the event that the Directors' Benefits (excluding Directors' Fees) proposed is insufficient (e.g. due to more meetings or enlarged board size, etc.), approval will be sought at the next AGM for the additional remuneration to meet the shortfall.

Ordinary Resolution 6, if passed, will be made by the Company on a monthly basis and/or as and when incurred. The Board is of the view that it is fair and equitable for the directors to be paid on a monthly basis and/or as and when incurred particularly after they have discharged their responsibilities and rendered their services to the Company throughout the Relevant Period.

Statement Accompanying the Notice of the Fifty-Seventh (57th) 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 two (2) 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 42 and 50 of this Annual Report.

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CDS Account No.	

Proxy Form

CHEMICAL COMPANY OF MALAYSIA BERHAD (5136-T)
(Incorporated in Malaysia)

I/We ____
(FULL NAME IN CAPITAL LETTER & NRIC)

of ____
(FULL ADDRESS)

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

____
(FULL NAME IN CAPITAL LETTERS & NRIC)

of ____
(FULL ADDRESS)

as my/our proxy to vote for me/us at the Fifty-Seventh (57th) Annual General Meeting ("AGM") of the Company to be held at **Ballroom A, Level 10, DoubleTree by Hilton Kuala Lumpur, The Intermark, 348 Jalan Tun Razak, 50400 Kuala Lumpur**, on **Tuesday, 28 May 2019 at 10.30 a.m.** and at any adjournment thereof.

(Please indicate with an "X" on how you wish to cast your vote)
My/Our Proxy is to vote as indicated below:

NO.	ORDINARY BUSINESS	RESOLUTION NO.	FOR	AGAINST
1.	To declare a final single tier dividend of 2 sen per ordinary share for the financial year ended 31 December 2018.	Ordinary Resolution 1		
2.	To re-elect the following Directors retiring under Article 110 of the Constitution of the Company:-			
	a) Dato' Idris bin Kechot - Article 110	Ordinary Resolution 2		
	b) Amizar binti Mizuar - Article 110	Ordinary Resolution 3		
3.	To re-appoint KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.	Ordinary Resolution 4		
4.	To approve the payment of Directors' Fees amounting to RM1,000,000 for the period commencing from the conclusion of the forthcoming 57th AGM of the Company on 28 May 2019 until the conclusion of the next AGM of the Company in 2020, and further to authorise the Directors to apportion the fees and make payment in the manner as the Directors may determine.	Ordinary Resolution 5		
5.	To approve the proposed payment of total Directors' Benefits (excluding Directors' Fees) up to an amount of RM500,000 for the period commencing from the conclusion of the 57th AGM of the Company scheduled on 28 May 2019 until the conclusion of the next AGM of the Company in 2020 ("Relevant Period").	Ordinary Resolution 6		

____
No. of shares

Signed this ______________ day of ______________ 2019.

____
Signature/Seal

NOTES:

1. All Resolutions in the Notice of AGM are to be conducted by poll voting as per Paragraph 8.29A(1) of the Listing Requirements of Bursa Malaysia.
2. A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote in his stead. A proxy may but need not be a member of the Company.
3. 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.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
6. 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, one of whom shall be a director or attorney duly authorised in writting.
7. The instrument appointing a proxy must be deposited at the Company's Registrar, Boardroom Share Registrars Sdn. Bhd. (formerly known as Symphony Share Registrars Sdn. Bhd.), Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, not less than twenty-four (24) hours before the time appointed for the taking of the poll as per Section 334(3) of the Companies Act, 2016.
8. Only Depositors whose names appear in the Record of Depositors as at 23 May 2019 shall be regarded as members and entitled to attend and vote at the meeting.

Fold here

Affix
Postage
Stamp

The Registrar
Chemical Company of Malaysia Berhad (5136-T)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Fold here

CHEMICAL COMPANY OF MALAYSIA BERHAD (5136-T)

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

Tel : 603 - 2612 3888
Fax : 603 - 2612 3999

www.ccmberhad.com